2020 ANNUAL REPORT

INPOINT
COMMERCIAL REAL ESTATE INCOME, INC.

A Commercial Mortgage REIT

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

FORM 10-K

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

For the fiscal year ended December 31, 2020

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 000-55782

INPOINT COMMERCIAL REAL ESTATE INCOME, INC.

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**32-0506267** (I.R.S. Employer Identification No.)
2901 Butterfield Road Oak Brook, Illinois (Address of principal executive offices)	**60523** (Zip Code)

(800) 826-8228
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None		

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.001 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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 the 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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting Company	☒
Emerging Growth Company	☒		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

There is no established market for the registrant's shares of common stock. As of March 15, 2021, the Registrant had 11,642,173 shares of common stock outstanding, consisting of: 10,151,787 shares of Class P common stock, 657,457 shares of Class A common stock, 398,971 shares of Class T common stock, 50,624 shares of Class D common stock, 383,334 shares of Class I common stock and no shares of Class S common stock.

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PART I

Item 1. Business.

General Development of the Business

InPoint Commercial Real Estate Income, Inc. (the "Company", "we," "our" or "us") was incorporated in Maryland on September 13, 2016 to originate, acquire and manage a diversified portfolio of commercial real estate ("CRE") investments primarily comprised of (i) CRE debt, including floating rate first mortgage loans, subordinate mortgage and mezzanine loans, and participations in such loans and (ii) floating rate CRE securities, such as commercial mortgage-backed securities ("CMBS"), and senior unsecured debt of publicly traded real estate investment trusts ("REITs"). We may also invest in select equity investments in single-tenant, net leased properties. Substantially all of our business is conducted through InPoint REIT Operating Partnership, LP (the "Operating Partnership"), a Delaware limited partnership. We are the sole general partner and directly or indirectly hold all of the limited partner interests in the Operating Partnership. We have elected to be taxed as a REIT for U.S. federal income tax purposes. We are not a mutual fund and do not intend to register as an investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act").

We are externally managed by Inland InPoint Advisor, LLC (the "Advisor"), a Delaware limited liability company formed in August 2016 that is a wholly owned indirect subsidiary of Inland Real Estate Investment Corporation, a member of The Inland Real Estate Group of Companies, Inc. ("Inland"). The Advisor is responsible for coordinating the management of the day-to-day operations and originating, acquiring and managing our CRE investment portfolio, subject to the supervision of our board of directors (the "Board"). The Advisor performs its duties and responsibilities as our fiduciary pursuant to an amended and restated advisory agreement dated April 29, 2019 among the Company, the Advisor and the Operating Partnership (the "Advisory Agreement"), which supersedes and replaces the advisory agreement dated October 25, 2016 (the "Prior Advisory Agreement").

The Advisor has delegated certain of its duties to SPCRE InPoint Advisors, LLC (the "Sub-Advisor"), a Delaware limited liability company formed in September 2016 that is a wholly owned subsidiary of Sound Point CRE Management, LP ("Sound Point CRE"), pursuant to an amended and restated sub-advisory agreement between the Advisor and the Sub-Advisor dated April 29, 2019, which supersedes and replaces the sub-advisory agreement dated October 25, 2016. Sound Point CRE is a subsidiary of Sound Point Capital Management, LP ("Sound Point"). Among other duties, the Sub-Advisor has the authority to identify, negotiate, acquire and originate our investments and provide portfolio management, disposition, property management and leasing services to the Company. Notwithstanding such delegation to the Sub-Advisor, the Advisor retains ultimate responsibility for the performance of all the matters entrusted to it under the Advisory Agreement, including those duties which the Advisor has not delegated to the Sub-Advisor such as (i) valuation of our assets and calculation of our net asset value ("NAV"); (ii) management of our day-to-day operations; (iii) preparation of stockholder reports and communications and arrangement of our annual stockholder meetings; and (iv) advising the Company regarding its initial qualification as a REIT for U.S. federal income tax purposes and monitoring its ongoing compliance with the REIT qualification requirements thereafter.

On October 25, 2016, we commenced a private offering (the "Private Offering") of up to $500.0 million in shares of Class P common stock ("Class P Shares"). Inland Securities Corporation, an affiliate of the Advisor (the "Dealer Manager"), was the dealer manager for the Private Offering. On June 28, 2019, we terminated the Private Offering. We continued to accept Private Offering subscription proceeds through July 16, 2019 from subscription agreements executed no later than June 28, 2019. We issued 10,258,094 Class P Shares in the Private Offering, resulting in gross proceeds of $276.7 million.

On March 22, 2019, we filed a Registration Statement on Form S-11 (File No. 333-230465) (the "Registration Statement") to register up to $2.35 billion in shares of common stock in our initial public offering (the "IPO"). On April 29, 2019, the Company filed articles of amendment with the State Department of Assessments and Taxation of the State of Maryland (the "SDAT") (i) to modify the number of shares of capital stock the Company has authority to issue under its charter from 500,000,000 to 3,050,000,000, consisting of 3,000,000,000 Class P common shares and 50,000,000 shares of preferred stock, and (ii) to modify the aggregate par value of all authorized shares of stock from $0.5 million to $3.05 million.

On April 29, 2019, we also filed articles supplementary with SDAT to reclassify and designate: (i) 500,000,000 authorized but unissued Class P common shares as Class A common shares; (ii) 500,000,000 authorized but unissued Class P common shares as Class D common shares; (iii) 500,000,000 authorized but unissued Class P common shares as Class I common shares; (iv) 500,000,000 authorized but unissued Class P common shares as Class S common shares; and (v) 500,000,000 authorized but unissued Class P common shares as Class T common shares.

On May 3, 2019, the Securities and Exchange Commission (the "SEC") declared effective the Registration Statement and we commenced the IPO. Prior to July 17, 2019 (the "NAV Pricing Date"), the purchase price for each class of our common stock in our primary offering was $25.00 per share, plus applicable upfront selling commissions and dealer manager fees. Following the NAV Pricing Date, the purchase price per share for each class of common stock in the IPO varies and generally equals our prior month's

NAV per share, as determined monthly, plus applicable upfront selling commissions and dealer manager fees. The Dealer Manager serves as our exclusive dealer manager for the IPO on a best efforts basis. As of March 15, 2021, we had received and accepted investors' subscriptions for and issued 657,457 Class A shares, 398,971 Class T shares, 50,624 Class D shares and 380,744 Class I shares in the IPO, resulting in gross proceeds of $38.5 million, including proceeds from the distribution investment plan. As of March 15, 2021, $2.31 billion of common stock remained available to be sold in the IPO.

We provide the following programs to facilitate additional investment in our shares and to provide limited liquidity for stockholders.

Distribution Reinvestment Plan

We have adopted a distribution reinvestment plan (the "DRP"), effective May 3, 2019, whereby Class A, Class T, Class S, Class D and Class I stockholders have the option to have their cash distributions reinvested in additional shares of our common stock. Any cash distributions attributable to the class or classes of shares owned by participants in the DRP will be immediately reinvested in the same class of our shares of common stock on behalf of the participants on the business day such distribution would have been paid to such stockholder.

The per share purchase price for shares purchased pursuant to the DRP is equal to the most recently published transaction price at the time the distribution is payable. Stockholders will not pay upfront selling commissions when purchasing shares pursuant to the DRP. The stockholder servicing fees with respect to shares of our Class T shares, Class S shares and Class D shares are calculated based on our NAV for those shares and may reduce the NAV or, alternatively, the distributions payable with respect to shares of each such class, including shares issued in respect of distributions on such shares under the DRP.

On March 24, 2020, our Board suspended (i) the sale of shares in the IPO, (ii) the operation of the share repurchase plan (the "SRP"), (iii) the payment of distributions to our stockholders, and (iv) the operation of the DRP, effective as of April 6, 2020. In determining to suspend the IPO, the SRP, the payment of distributions and the DRP, our Board considered various factors, including the impact of the global COVID-19 pandemic on the economy, the inability to accurately calculate our NAV per share due to uncertainty, volatility and lack of liquidity in the market, our need for liquidity due to financing challenges related to additional collateral required by the banks that regularly finance our assets and these uncertain and rapidly changing economic conditions.

As a result of these factors, we did not calculate our NAV for the months of March through May 2020. We resumed calculation of our NAV beginning as of June 30, 2020 following the Advisor's determination that volatility in the market for our investments had declined and the U.S. economic outlook had improved. In August 2020, we resumed paying distributions monthly to stockholders of record for all classes of our common stock. On October 1, 2020, the SEC declared effective our post-effective amendment to the Registration Statement thereby permitting us to resume offers and sales of shares of common stock in the IPO, including through the DRP.

We reserve the right to amend, suspend or terminate our DRP without the consent of our stockholders, provided that notice is sent to participants at least ten business days prior to the effective date. Participants may terminate their participation in the DRP with five business days' prior written notice to us.

Share Repurchase Plan

We have adopted a share repurchase plan, effective May 3, 2019, whereby on a monthly basis, stockholders who have held their shares of common stock for at least one year may request that we repurchase all or any portion of their shares. Due to the illiquid nature of investments in real estate, we may not have sufficient liquid resources to fund repurchase requests. Because there is no public market for our shares, stockholders may have difficulty selling their shares if we choose to repurchase only some, or even none, of the shares that have been requested to be repurchased in any particular month, in our discretion, or if our Board modifies, suspends or terminates the share repurchase plan.

In addition, we have established limitations on the amount of funds we may use for repurchases during any calendar month and quarter. We may repurchase fewer shares than have been requested in any particular month to be repurchased under our share repurchase plan, or none at all, in our discretion at any time. In addition, the total amount of aggregate repurchases of shares will be limited to no more than 2% of our aggregate NAV per month and no more than 5% of our aggregate NAV per calendar quarter.

As noted above, our Board suspended the SRP on March 24, 2020. On March 1, 2021, our SRP was reinstated for our stockholders requesting repurchase of shares as a result of the death or qualified disability of the holder. Permitted repurchase requests must be submitted on or after March 1, 2021. The first settlement of permitted repurchase requests will be on March 31, 2021, the last business day of the month.

On July 1, 2021, our SRP will be reinstated for all stockholders. Repurchase requests must be submitted on or after July 1, 2021. The first settlement of permitted repurchase requests will be on July 30, 2021, the last business day of the month. In accordance with the terms of the SRP that allow us to repurchase fewer shares than the maximum amount permitted under the SRP, for the months of July, August and September 2021, the total amount of aggregate repurchases of shares (including Class P Shares) will be limited to no more than 1% of our aggregate NAV per month as of the last day of the previous calendar month and no more than 2.5% of our aggregate NAV per calendar quarter as of the last day of the previous calendar month. Beginning on October 1, 2021, the total amount of aggregate repurchases of shares will be limited as set forth in the SRP (no more than 2% of our aggregate NAV per month as of the last day of the previous calendar month and no more than 5% of our aggregate NAV per calendar quarter as of the last day of the previous calendar month). Notwithstanding the foregoing, we may repurchase fewer shares than these limits in any month, or none. Further, our Board may modify, suspend or terminate our SRP if it deems such action to be in our best interest and the best interest of our stockholders.

Investment Portfolio

Our objective is to originate, acquire and manage an investment portfolio of CRE debt and CRE securities that is diversified based on the type and location of the underlying collateral securing the CRE debt and CRE securities. We intend that the real estate underlying our CRE debt and CRE securities investments, as well as CRE equity investments we may make, will be located within the United States and diversified by property type, geographic location, owner/operator and tenant. As of December 31, 2020 and 2019, our investment portfolio consisted of $441.8 million and $504.7 million, respectively, in commercial mortgage loans held for investment and $0 and $157.9 million in CMBS, respectively. As of December 31, 2020, in addition to the debt investments we own in our investment portfolio, we also owned one 362-room hotel located in Chicago, Illinois, commonly known as the Renaissance Chicago O'Hare Suites Hotel (the "Renaissance O'Hare") through a ground lease interest that we acquired via deed-in-lieu-of-foreclosure on August 20, 2020, from the borrower under one of our first mortgage loans.

Competition

Our net income depends, in large part, on our ability to originate loans and acquire assets at favorable spreads over our borrowing costs. In acquiring our investments, we compete with other REITs, specialty finance companies, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, financial institutions, governmental bodies and other entities. Many of our competitors are significantly larger than we are, have access to greater capital and other resources and may have other advantages over us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than we can. Market conditions may attract more competitors, which may increase the competition for sources of financing. An increase in the competition for sources of financing could adversely affect the availability and cost of financing.

We rely on the Sub-Advisor's professionals and their industry expertise, which we believe provides us with a competitive advantage. These professionals help us assess investment risks and determine appropriate pricing for our mortgage loans and potential investments. Their industry relationships enable us to compete more effectively for attractive investment opportunities. Despite certain competitive advantages, we may not be able to achieve our business goals or expectations due to the competitive risks that we face. We operate in a highly competitive market for investment opportunities and competition may limit our ability to acquire desirable investments in our target assets and could also affect the pricing of these investments.

Many investment opportunities that are suitable for us may also be suitable for one or more investment funds, REITs, vehicles, accounts, products or other similar arrangements sponsored, advised and/or managed by the Sub-Advisor or its affiliates ("Other Sound Point Accounts"). If both we and an Other Sound Pont Account are interested in making an investment, the Sub-Advisor or its affiliates will determine which program is ultimately awarded the right to pursue the investment in accordance with the Sub-Advisor's investment allocation guidelines. The Sub-Advisor is responsible for facilitating the investment allocation process and could face conflicts of interest in doing so. The Sub-Advisor is required to provide information to our Board to enable our Board, including the independent directors, to determine whether the investment allocation procedures summarized below are being fairly applied to us.

Our Sub-Advisor and its affiliates have adopted investment allocation guidelines to address conflicts of interest arising from the allocation of investment opportunities among us and Other Sound Point Accounts. The Sub-Advisor will screen the suitability of each investment opportunity for each account based on the following criteria (the "Screening Criteria"): liquidity position (i.e., sufficiency of available cash to make and support the investment or need to raise cash); strategic investment objectives; appropriateness of investment based on current portfolio composition, including loan-type, loan-size, asset-type and geographic or borrower diversity; time horizon; tax sensitivity; and any applicable legal or regulatory restrictions, or governing document applicable covenants or asset tests/restrictions.

Since bespoke whole commercial real estate loan investments are not divisible and cannot be allocated pro rata as a general matter, the Sub-Advisor and its affiliates will allocate investment opportunities on a pre-determined rotational order and maintain a record of such rotations. Any new account will be added to the bottom of the rotational queue. If, upon giving due consideration to the Screening Criteria, the Sub-Advisor and its affiliates reasonably determine in their discretion that an investment opportunity is suitable and appropriate for only one account, the investment opportunity will be allocated to such account without regard to or any resulting effect upon the then-current rotational order. If, however, upon giving due consideration to the Screening Criteria, the Sub-Advisor and its affiliates reasonably determine that an investment opportunity is suitable and appropriate for two or more accounts, the investment opportunity will be allocated to the account that has not executed a written non-binding expression of interest (subject to Sub-Advisor and affiliates' underwriting and due diligence) in providing commercial real estate debt financing related to a separate investment opportunity previously allocated to it for the longest period of time. In such instance, the account receiving allocation of such investment opportunity will thereupon be moved to the bottom of the rotational queue.

Human Capital

We do not have any employees. All of our executive officers are officers of the Advisor, the Sub-Advisor or one or more of their affiliates and are compensated by those entities for their services rendered to us. We neither separately compensate our executive officers for their service as officers, nor do we reimburse either the Advisor or the Sub-Advisor for any compensation paid to individuals who also serve as our executive officers.

Tax Status

We believe we have operated, and we intend to continue to operate, in a manner that has allowed us, and will allow us to continue, to qualify as a REIT for U.S. federal income tax purposes commencing with the taxable year ended December 31, 2017. Accordingly, we generally will not be subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our net taxable income, determined without regard to the dividends paid deduction and excluding net capital gains, to our stockholders and maintain our qualification as a REIT.

Our Corporate Information

Our principal executive offices are located at 2901 Butterfield Rd., Oak Brook, Illinois 60523, our telephone number is (800) 826-8228 and our website is *www.inland-investments.com/inpoint.* From time to time, we may use our website as a distribution channel for material company information. Our website is not incorporated by reference in or otherwise a part of this Annual Report on Form 10-K. We will provide without charge a copy of this Annual Report on Form 10-K, including financial statements and schedules, upon written request delivered to our principal executive offices. We electronically file our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and all amendments to those reports with the SEC. The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically.

Item 1A. Risk Factors.

Summary of Risk Factors

Risks Related to an Investment in Our Company

- There is no public trading market for shares of our common stock; therefore, our stockholders' ability to dispose of their shares will likely be limited to repurchase by us through our SRP.
- We may choose to repurchase fewer shares than have been requested to be repurchased, in our discretion at any time, and the amount of shares we may repurchase is subject to caps.
- Our Board may modify, suspend or terminate our SRP if it deems such action to be in our best interest and the best interest of our stockholders.
- If stockholders do sell their shares to us, they may receive less than the price they paid.
- The amount and source of distributions we may pay to our stockholders is uncertain, and we may be unable to generate sufficient cash flows from our operations to pay distributions to our stockholders at any time in the future.
- We have paid and may continue to pay distributions from sources other than our earnings and cash flow from operations, including, without limitation, the sale of assets, borrowings or offering proceeds, and we have no limits on the amounts we may pay from such sources.
- Our offering price per share and the price at which we make repurchases of our shares generally will equal the NAV per share of the applicable class as of the last calendar day of the prior month, plus, in the case of our offering price, applicable upfront selling commissions and dealer manager fees. The NAV per share as of the date on which investors make their subscription request or repurchase request may be significantly different than the offering price they pay or the repurchase price they receive.
- Valuations and appraisals of our properties and real estate-related assets are estimates of fair value and may not necessarily correspond to realizable value.
- If we are unable to raise substantial funds, we will be limited in the number and type of investments we make and the value of investments in us will fluctuate with the performance of the specific assets we acquire.
- NAV calculations are not governed by governmental or independent securities, financial or accounting rules or standards.
- Because we are dependent upon the Advisor, the Sub-Advisor and their affiliates to conduct our operations and we are also dependent upon the Dealer Manager and its affiliates to raise capital, any adverse changes in the financial health of these entities or our relationship with them could hinder our operating performance and the return on our stockholders' investment.

Risks Related to Our Investments

- The continuing spread of COVID-19 has had a significant adverse effect on certain of our investments and may adversely affect our investments and operations in the future.
- The CRE debt we originate and invest in and mortgage loans underlying the CRE securities we invest in are subject to risks of delinquency, taking title to collateral, loss and bankruptcy of the borrower under the loan. If the borrower defaults, it may result in losses to us.
- We acquired a hotel from one of our borrowers and may acquire additional hotels. For so long as we own hotels or invest in loans secured by hotels and securities collateralized by hotels, we will be exposed to the unique risks of the hospitality sector, including seasonality, volatility and the severe reduction in occupancy caused by the COVID-19 pandemic.
- A prolonged economic slowdown, a lengthy or severe recession or declining real estate values could harm our investments.
- We may not be effective in originating, acquiring and managing our investments.
- Delays in liquidating defaulted CRE debt investments could reduce our investment returns.
- We may be subject to risks associated with future advance or capital expenditure obligations, such as declining real estate values and operating performance.
- We may be unable to restructure our investments in a manner that we believe maximizes value, particularly if we are one of multiple creditors in a large capital structure.
- CRE debt restructurings may reduce our net interest income or require provisions for loan losses.
- Our CRE debt and securities investments may be adversely affected by changes in credit spreads.

- Provision for loan losses is difficult to estimate, particularly in a challenging economic environment.
- The subordinate CRE debt we originate and acquire may be subject to risks relating to the structure and terms of the related transactions, as well as subordination in bankruptcy, and there may not be sufficient funds or assets remaining to satisfy our investments, which may result in losses to us.
- We may make investments in assets with lower credit quality, which will increase our risk of losses.
- Investments in non-performing real estate assets involve greater risks than investments in stabilized, performing assets and make our future performance more difficult to predict.
- Floating-rate CRE debt, which is often associated with transitional assets, may entail greater risks of default to us than fixed-rate CRE debt.
- Insurance may not cover all potential losses on CRE investments, which may impair the value of our assets.
- If we overestimate the value or income-producing ability or incorrectly price the risks of our investments, we may experience losses.
- Environmental compliance costs and liabilities associated with our properties or our real estate-related investments may materially impair the value of our investments and expose us to liability.
- We invest in CRE securities, including CMBS, CRE, collateralized loan obligations ("CLOs") and other subordinate securities, which entail certain heightened risks.
- The terms of our CRE debt investments are based on our projections of market demand, as well as on market factors, and our return on our investment may be lower than expected if any of our projections are inaccurate.
- The expected discontinuation of the London Interbank Offered Rate ("LIBOR") may adversely affect interest expense related to our loans and investments or otherwise adversely affect our results of operations, cash flows and the market value of our investments.

Risks Related to Our Financing Strategy

- We use leverage to originate and acquire our investments, which may adversely affect our return on our investments and may reduce cash available for distribution.
- Our performance can be negatively affected by fluctuations in interest rates and shifts in the yield curve may cause losses.
- Hedging against interest rate and currency exposure may adversely affect our earnings, limit our gains or result in losses, which could adversely affect cash available for distribution to our stockholders.
- We use short-term borrowings to finance our investments and may need to use such borrowings for extended periods of time to the extent we are unable to access long-term financing. This may expose us to increased risks associated with decreases in the fair value of the underlying collateral, which could have an adverse impact on our financial condition and results of operations.
- The repurchase agreements, secured loans and other financing arrangements that we use to finance our investments may require us to provide additional collateral and may restrict us from leveraging our assets as fully as desired.
- Our UPREIT structure may result in potential conflicts of interest with limited partners in the Operating Partnership whose interests may not be aligned with those of our stockholders.

Risks Related to Conflicts of Interest

- The Sub-Advisor may face a conflict of interest with respect to the allocation of investment opportunities and competition for tenants between us and other real estate programs affiliated with Sound Point.
- The Advisor faces a conflict of interest because the management fee and performance fee are based on the value of our investment portfolio as determined in connection with our determination of NAV, which is calculated by the Advisor.
- Our executive officers, our affiliated directors and the key real estate professionals acting on behalf of the Advisor and the Sub-Advisor face conflicts of interest related to their positions or interests in affiliates of Inland and Sound Point, which could hinder our ability to implement our business strategy and to generate returns to our stockholders.

Risks Related to Regulatory Matters

- We are subject to substantial regulation, numerous contractual obligations and extensive internal policies and failure to comply with these matters could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to our REIT Status and Certain Other Tax Items

- If we do not maintain our qualification as a REIT, we will be subject to tax as a regular corporation and could face a substantial tax liability.
- The failure of a mezzanine loan to qualify as a real estate asset could adversely affect our ability to qualify as a REIT
- Modification of the terms of our CRE debt investments and mortgage loans underlying our CMBS in conjunction with reductions in the value of the real property securing such loans could cause us to fail to continue to qualify as a REIT.
- Compliance with REIT requirements may cause us to forego otherwise attractive opportunities, which may hinder or delay our ability to meet our investment objectives and reduce overall returns to stockholders.
- Our charter does not permit any person or group to own more than 9.8% of our outstanding common stock or of our outstanding capital stock of all classes or series, and attempts to acquire our common stock or our capital stock of all other classes or series in excess of these 9.8% limits would not be effective without an exemption from these limits by our Board.
- Our ownership of and relationship with any taxable REIT subsidiary that we may form or acquire is subject to limitations, and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100% excise tax.
- Foreclosures may impact our ability to qualify as a REIT and minimize tax liabilities.

Risks Related to an Investment in Our Company

We have a limited operating history and there is no assurance that we will be able to successfully achieve our investment objectives.

We have a limited operating history and may not be able to achieve our investment objectives. We cannot assure stockholders that the past experiences of affiliates of the Advisor or the Sub-Advisor will be sufficient to allow us to successfully achieve our investment objectives. As a result, an investment in our shares of common stock may entail more risk than the shares of common stock of a REIT with a substantial operating history.

There is no public trading market for shares of our common stock; therefore, our stockholders' ability to dispose of their shares will likely be limited to repurchase by us through our SRP. We may choose to repurchase fewer shares than have been requested to be repurchased, in our discretion at any time, and the amount of shares we may repurchase is subject to caps. Further, our Board may modify, suspend or terminate our SRP if it deems such action to be in our best interest and the best interest of our stockholders. If stockholders do sell their shares to us, they may receive less than the price they paid.

There is no current public trading market for shares of our common stock, and we do not expect that such a market will ever develop. Therefore, repurchase of shares by us pursuant to our SRP will likely be the only way for our stockholders to dispose of their shares, and there can be no assurance that our SRP will be available at any given time, as our Board may determine to suspend the plan based on economic conditions or for any other reason it deems appropriate. Our Board suspended our SRP on March 24, 2020 and subsequently reinstated the SRP effective March 1, 2021 for stockholders requesting repurchase of shares as a result of the death or disability of the holder and for all other stockholders effective July 1, 2021, subject to certain aggregate repurchase limits. For the months of July, August and September 2021, the total amount of aggregate repurchases of shares (including Class P Shares) will be limited to no more than 1% of our aggregate NAV per month as of the last day of the previous calendar month and no more than 2.5% of our aggregate NAV per calendar quarter as of the last day of the previous calendar month. Beginning on October 1, 2021, the total amount of aggregate repurchases of shares will be limited as set forth in the SRP (2% of our aggregate NAV per month as of the last day of the previous calendar month and no more than 5% of our aggregate NAV per calendar quarter as of the last day of the previous calendar month). When our SRP is in effect, our stockholders who have held their shares for at least one year have the opportunity to request that we repurchase their shares on a monthly basis. We repurchase shares from requesting stockholders who have held their shares for at least one year on a monthly basis at a price equal to our most recently determined NAV per share for the applicable class of share on the date the repurchase request is processed, and not based on the price at which the stockholder initially purchased his or her shares. As a result, our stockholders may receive less than the price they paid for their shares when they sell them to us pursuant to our repurchase program.

Due to the illiquid nature of investment in real estate, we may not have sufficient liquid resources to fund repurchase requests. When the SRP is in effect, we may choose to repurchase all, some or none of the shares that have been requested to be repurchased at the end of any particular month, in our discretion, subject to any limitations in our SRP. Further, our Board may modify, suspend or terminate our SRP if it deems such action to be in our best interest and the best interest of our stockholders. If the full amount of all shares of our common stock requested to be repurchased in any given month are not repurchased, funds will be allocated pro rata based on the total number of shares of common stock being repurchased without regard to class and subject to the volume limitation.

Economic events that may cause our stockholders to request that we repurchase their shares may materially adversely affect our cash flow and our results of operations and financial condition.

Economic events affecting the U.S. economy, such as the general negative performance of the real estate sector, could cause our stockholders to seek to sell their shares to us pursuant to our SRP at a time when such events are adversely affecting the performance of our assets. Our SRP was suspended and may be suspended again in the future. Even if we decide to satisfy all repurchase requests within the limits of our SRP, our cash flow could be materially adversely affected. In addition, if we determine to sell assets to satisfy repurchase requests, we may not be able to realize the return on such assets that we may have been able to achieve had we sold at a more favorable time, and our results of operations and financial condition, including, without limitation, breadth of our portfolio by property type and location, could be materially adversely affected.

The Advisor and the Sub-Advisor manage our portfolio pursuant to very broad investment guidelines and generally are not required to seek the approval of our Board for each investment, financing or asset allocation decision made by it, which may result in our making riskier investments and which could adversely affect our results of operations and financial condition.

Our Board approved very broad investment guidelines that delegate to the Advisor the authority to execute originations, acquisitions and dispositions of CRE debt, CRE securities and real estate properties on our behalf, in each case so long as such investments are consistent with the investment guidelines and our charter. Pursuant to the Sub-Advisory Agreement, the Advisor delegated this authority to the Sub-Advisor, under the supervision of the Advisor. There can be no assurance that the Advisor and the Sub-Advisor will be successful in applying any strategy or discretionary approach to our investment activities. Our Board reviews our investment guidelines on an annual basis (or more often as it deems appropriate) and reviews our investment portfolio periodically. The prior approval of our Board or a committee of independent directors will be required only as set forth in our charter (including for transactions with affiliates of the Advisor and the Sub-Advisor) or for the acquisition or disposition of assets that are not in accordance with our investment guidelines. In addition, in conducting periodic reviews, our directors rely primarily on information provided to them by the Advisor. Furthermore, transactions entered into on our behalf by the Advisor may be costly, difficult or impossible to unwind when they are subsequently reviewed by our Board.

The amount and source of distributions we may pay to our stockholders is uncertain, and we may be unable to generate sufficient cash flows from our operations to pay distributions to our stockholders at any time in the future.

We have not established a minimum distribution payment level, and our ability to pay distributions to our stockholders may be adversely affected by a number of factors, including the risk factors described in this Annual Report on Form 10-K. Because we have a limited operating history and have not identified all of the assets we may acquire with the proceeds of the IPO, we may not generate sufficient income to pay distributions to our stockholders. Our Board will make determinations regarding distributions based upon, among other factors, our financial performance, debt service obligations, debt covenants and capital expenditure requirements. Among the factors that could impair our ability to pay distributions to our stockholders are:

- the limited size of our portfolio in the early stages of our development;
- our inability to invest the proceeds from sales of our shares on a timely basis in income-producing CRE loans, CRE securities and select CRE equity investments;
- our inability to realize attractive risk-adjusted returns on our investments;
- unanticipated expenses or reduced revenues that reduce our cash flow or non-cash earnings;
- defaults in our investment portfolio or decreases in the value of our investments, including as a result of the COVID-19 pandemic; and
- the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates.

As a result, we may not be able to pay distributions to our stockholders at any time in the future, and the level of any distributions we do make to our stockholders may not increase or even be maintained over time, any of which could materially and adversely affect the value of our stockholders' investments. Though we paid distributions to our stockholders on a monthly basis from December 5, 2016 to March 24, 2020, our Board suspended distributions from March 24, 2020 to July 30, 2020 as a result of the COVID-19 pandemic and may do so again in the future.

We have paid and may continue to pay distributions from sources other than our earnings and cash flow from operations, including, without limitation, the sale of assets, borrowings or offering proceeds, and we have no limits on the amounts we may pay from such sources.

We may not generate sufficient earnings and cash flow from operations to fully fund distributions to stockholders. Therefore, we may choose to use cash flows from financing activities, which include borrowings (including borrowings secured by our assets), net proceeds of the IPO, or other sources to fund distributions to our stockholders. We may be required to continue to fund our regular distributions from a combination of some of these sources if our investments fail to perform as anticipated, if expenses are greater than expected and due to numerous other factors. We have not established a limit on the amount of our distributions that may be paid from any of these sources. We have funded distributions, in part, using offering proceeds and, in the future, we may again pay distributions from sources other than earnings and cash flow from operations. For example, during the year ended December 31, 2019, 38.3% of our total distributions were paid from offering proceeds.

Using certain of these sources may result in a liability to us, which would require a future repayment. The use of these sources for distributions and the ultimate repayment of any liabilities incurred could adversely impact our ability to pay distributions in future periods, decrease our NAV, decrease the amount of cash we have available for operations and new investments and adversely impact the value of our stockholders' investment.

Purchases in our public offering and repurchases of shares of our common stock are not made based on the current NAV per share of our common stock.

Our offering price per share and the price at which we make repurchases of our shares generally will equal the NAV per share of the applicable class as of the last calendar day of the prior month, plus, in the case of our offering price, applicable upfront selling commissions and dealer manager fees. The NAV per share, if calculated as of the date on which an investor in the offering makes a subscription request or a stockholder makes a repurchase request, may be significantly different than the transaction price they pay or the repurchase price they receive. Certain of our investments or liabilities may be subject to high levels of volatility from time to time and could change in value significantly between the end of the prior month as of which our NAV is determined and the date that they acquire or we repurchase shares, but the prior month's NAV per share will generally continue to be used as the transaction price per share and repurchase price per share. In exceptional circumstances, we may in our sole discretion offer and repurchase shares at a different price that we believe is more appropriate than the prior month's NAV per share, including by updating a previously disclosed transaction price, or suspend our offering and/or our share repurchase plan in cases where we believe there has been a material change (positive or negative) to our NAV per share since the end of the prior month and we believe suspension is appropriate. In such exceptional cases, the transaction price and the repurchase price will not equal our NAV per share as of the end of the prior month but still may not equal our NAV per share at the time of an investor's purchase or our repurchase.

Valuations and appraisals of our properties and real estate-related assets are estimates of fair value and may not necessarily correspond to realizable value.

The Advisor determines the fair value of our investments as of the last day of each month. Within the parameters of our valuation guidelines, the valuation methodologies used to value our assets involves subjective judgments. The fair values of commercial loans are determined by analyzing interest rate spreads on loans based on various factors including capitalization rates, occupancy rates, sponsorship, geographic concentration, collateral type, market conditions and actions of other lenders and may not be accurate. Valuation methodologies also involve assumptions and opinions about future events, which may or may not turn out to be correct. Valuations and appraisals of our investments are only estimates of fair value. Ultimate realization of the value of an asset depends to a great extent on economic and other conditions beyond our control and the control of the Advisor. Further, valuations do not necessarily represent the price at which an asset would sell, since market prices of assets can only be determined by negotiation between a willing buyer and seller. Therefore, the valuations of our investments may not correspond to the timely realizable value upon a sale of those assets. There will be no retroactive adjustment in the valuation of such assets, the price of our shares of common stock, the price we paid to repurchase shares of our common stock or NAV-based fees we paid to the Advisor and the Dealer Manager to the extent such valuations prove to not accurately reflect the true estimate of value and are not a precise measure of realizable value. Because the price at which shares may be repurchased by us pursuant to our SRP is based on our estimated NAV per share, stockholders may receive less than realizable value for their investment.

Our NAV per share may suddenly change if the estimated values of our illiquid assets materially change from prior estimates or the actual operating results for a particular month differ from what we originally estimated for that month.

We calculate a monthly NAV. While we obtain annual independent valuations of our properties and monthly independent valuations of our CRE securities, a substantial portion of our assets consist of CRE debt that is valued by the Advisor, with the assistance of the Sub-Advisor, using factors that are periodically validated by an independent third party. Changes in market conditions may significantly impact the estimated valuation of our assets and there may be a sudden change in our NAV per share for each class of our common stock. In addition, actual operating results for a given month may differ from what we originally budgeted for that month, which may cause a sudden increase or decrease in the NAV per share amounts. After the end of the last business day of each month, we adjust the income and expenses we estimated for that month to reflect the income and expenses actually earned and incurred. We will not retroactively adjust the monthly NAV per share of each class for each day of the previous month. Therefore, because the actual results from operations may be better or worse than what we previously budgeted for a particular month, the adjustment to reflect actual operating results may cause the NAV per share for each class of our common stock to increase or decrease, and such increase or decrease will occur on the day the adjustment is made.

It may be difficult to reflect, fully and accurately, material events that may impact our monthly NAV.

The Advisor's determination of our monthly NAV per share for each class of our common stock is based in part on estimates of the values of our illiquid assets in accordance with valuation guidelines approved by our Board. As a result, our most recently published NAV per share may not fully reflect any or all changes in value that may have occurred since the most recent valuation. We suspended the calculation of our NAV from March 24, 2020 to July 20, 2020 as a result of uncertainty caused by the COVID-19 pandemic, and we may do so again in the future. The Advisor reviews our CRE debt and CRE securities investments for the occurrence of any asset-specific or market-driven event it believes may cause a material valuation change in the asset valuation, but it may be difficult to reflect fully and accurately rapidly changing market conditions or material events that may impact the value of our illiquid assets or liabilities between valuations, or to obtain quickly complete information regarding any such events. As a result, the NAV per share may not reflect a material event until such time as sufficient information is available and analyzed, and the financial impact is fully evaluated, such that our NAV may be appropriately adjusted in accordance with our valuation guidelines. Depending on the circumstances, the resulting potential disparity in our NAV may negatively affect stockholders who have their shares repurchased, or stockholders who buy new shares, or our existing stockholders.

If we are unable to raise substantial funds, we will be limited in the number and type of investments we make and the value of investments in us will fluctuate with the performance of the specific assets we acquire.

Our IPO is being made on a "best efforts" basis, meaning that the Dealer Manager and broker-dealers participating in the distribution of shares in our IPO ("participating broker-dealers") are only required to use their best efforts to sell our shares and have no firm commitment or obligation to purchase any shares of our common stock in our IPO. As a result, the amount of proceeds we raise in our

IPO may be substantially less than the amount we would need to create a diversified portfolio of investments. If we are unable to raise substantial funds, we will make fewer investments resulting in less diversification in terms of the type, number and size of investments that we make. Moreover, the potential impact of any single asset's performance on the overall performance of our portfolio increases. Further, we have certain fixed operating expenses, including certain expenses as a public reporting company, regardless of whether we are able to raise substantial funds in our IPO. Our inability to raise substantial funds would increase our fixed operating expenses as a percentage of gross income, reducing our net income and limiting our ability to pay distributions to our stockholders. Certain participating broker-dealers suspended the sale of public, non-listed REITs, including our shares, as a result of the COVID-19 pandemic. Although most of those suspensions occurred during the period when our IPO was suspended by our Board, there is no assurance that our participating broker-dealers' sales efforts will return to pre-suspension levels or resume at all, which increases the risk that we are unable to raise substantial funds in our IPO.

If we raise substantial offering proceeds in a short period of time, we may not be able to invest all of our offering proceeds promptly, which may cause our distributions and investment returns to be lower than they otherwise would be.

The more shares we sell in our IPO, the greater our challenge is to invest all of our net offering proceeds. If we raise substantial offering proceeds in a short period of time, there may be delays in investing our net proceeds promptly and on attractive terms. Pending investment, the net proceeds of our IPO may be invested in permitted temporary investments, which include short-term U.S. government securities, bank certificates of deposit and other short-term liquid investments. The rate of return on these investments, which affects the amount of cash available to pay distributions, has fluctuated in recent years and most likely will be less than the return obtainable from the type of investments we seek to originate or acquire. Therefore, delays we encounter in the selection, due diligence and origination or acquisition of investments would likely limit our ability to pay distributions to our stockholders and lower our overall returns.

NAV calculations are not governed by governmental or independent securities, financial or accounting rules or standards.

The method for calculating our NAV, including the components that will be used in calculating our NAV, is not prescribed by rules of the SEC or any other regulatory agency. Further, there are no accounting rules or standards that prescribe which components should be used in calculating NAV, and our NAV will not be audited by our independent registered public accounting firm. We calculate and publish our monthly NAV solely for purposes of establishing the price at which we sell and repurchase shares of our common stock, and stockholders should not view our NAV as a measure of our historical or future financial condition or performance. The components and methodology that is used in calculating our NAV may differ from those used by other companies now or in the future.

In addition, our NAV calculations, to the extent that they incorporate valuations of our assets and liabilities, are not prepared in accordance with generally accepted accounting principles ("GAAP"). These valuations, which are based on market values that assume a willing buyer and seller, may differ from liquidation values that could be realized in the event that we were forced to sell assets.

Compliance with the SEC's Regulation Best Interest by participating broker-dealers may negatively impact our ability to raise capital in our IPO, which would harm our ability to achieve our investment objectives.

Commencing June 30, 2020, broker-dealers must comply with Regulation Best Interest, which, among other requirements, establishes a new standard of conduct for broker-dealers and natural persons who are associated persons of a broker-dealer when making a recommendation of any securities transaction or investment strategy involving securities to a retail customer. The impact of Regulation Best Interest on participating broker-dealers cannot be determined at this time, and it may negatively impact whether participating broker-dealers and their associated persons recommend our continuous public offering to certain retail customers. If Regulation Best Interest reduces our ability to raise capital in our IPO, it would harm our ability to create a diversified portfolio of investments and ability to achieve our investment objectives.

The Sub-Advisor may not be successful, or there may be delays, in locating suitable investments, which could limit our ability to pay distributions and lower the overall return on our stockholders' investment.

We rely upon the Sub-Advisor to identify suitable investments. The investment professionals of the Sub-Advisor must determine which investment opportunities to recommend to us and to existing and future investment vehicles which are affiliated with Sound Point CRE, the parent of the Sub-Advisor. The Sub-Advisor may not be successful in locating suitable investments on financially attractive terms, and we may not achieve our investment objectives. If we, through the Sub-Advisor, are unable to find suitable investments promptly, we may hold the proceeds from the IPO in an interest-bearing account or invest the proceeds in short-term assets. We expect that the income we earn on these temporary investments will not be substantial. Further, we may use the principal amount of these investments, and any returns generated on these investments, to pay fees and expenses in connection with the IPO and distributions. Therefore, delays in investing proceeds we raise from the IPO could impact our ability to generate cash flow for distributions or to achieve our investment objectives.

The Sub-Advisor may acquire assets where the returns are substantially below expectations or which result in net losses. In the event we are unable to timely locate suitable investments, we may be unable or limited in our ability to pay distributions and we may not be able to meet our investment objectives. The Sub-Advisor's investment professionals face competing demands upon their time, including in instances when we have capital ready for investment and consequently we may face delays in execution. Delays we encounter in the selection and origination or acquisition of investments would likely limit our ability to pay distributions to our stockholders and lower our stockholders' overall returns.

Our ability to achieve our investment objectives and to pay distributions depends in substantial part upon the performance of the Advisor, the Sub-Advisor and third-party servicers.

Our ability to achieve our investment objectives and to pay distributions depends in substantial part upon the performance of the Advisor and the Sub-Advisor in the origination and acquisition of our investments, including the determination of any financing arrangements, as well as the performance of the third-party servicers of our CRE debt investments. Stockholders must rely entirely on the management abilities of the Advisor and the Sub-Advisor and the oversight of our Board, along with those of our third-party servicers.

Because we are dependent upon the Advisor, the Sub-Advisor and their affiliates to conduct our operations and we are also dependent upon the Dealer Manager and its affiliates to raise capital, any adverse changes in the financial health of these entities or our relationship with them could hinder our operating performance and the return on our stockholders' investment.

We are dependent on the Advisor, the Sub-Advisor and their affiliates to manage our operations and our portfolio, and we are also dependent upon the Dealer Manager and its affiliates to raise capital. The Advisor, the Sub-Advisor and their affiliates depend upon the direct and indirect fees and other compensation or reimbursement of costs that they receive from us and other companies affiliated with Inland and Sound Point, respectively, and in connection with the management of our business and assets to conduct their operations. The Dealer Manager also depends upon financial support that it receives from its parent company in connection with performing services for us. Any adverse changes in the financial condition of the Advisor, the Sub-Advisor, the Dealer Manager or their respective parent entities and control persons could hinder their ability to successfully support our business and growth, which could have a material adverse effect on our financial condition and results of operations.

The loss of or the inability to retain or hire key investment professionals at the Advisor, the Sub-Advisor or their respective affiliates could delay or hinder implementation of our investment strategies, which could limit our ability to pay distributions and decrease the value of our stockholders' investment.

Our success depends to a significant degree upon the contributions of key personnel at the Advisor, the Sub-Advisor and their respective affiliates, each of whom would be difficult to replace. We cannot assure stockholders that such personnel will continue to be associated with them in the future. If any of these persons were to cease their association with us, the Advisor or the Sub-Advisor, our operating results could suffer. We do not intend to maintain key person life insurance on any person. We believe that our future success depends, in large part, upon the Advisor's, the Sub-Advisor's and their respective affiliates' ability to hire and retain highly-skilled managerial, operational and marketing professionals. Competition for such professionals is intense, and they may be unsuccessful in attracting and retaining such skilled individuals. If they lose or are unable to obtain the services of highly-skilled professionals, our ability to implement our investment strategies could be delayed or hindered and the value of our common stock may decline.

The Advisor's and the Sub-Advisor's platform may not be as scalable as we anticipate and we could face difficulties growing our business without significant new investment in personnel and infrastructure.

If our business grows substantially, the Advisor and the Sub-Advisor may need to make significant new investments in personnel and infrastructure to support that growth. In addition, service providers to whom the Advisor or Sub-Advisor may delegate certain functions may also be strained by our growth. The Sub-Advisor may be unable to make significant investments on a timely basis or at reasonable costs and its failure in this regard could disrupt our business and operations. Further, during periods of economic retraction, Inland, Sound Point, the Advisor and the Sub-Advisor may be incented to reduce their personnel and costs, which could have an adverse effect on us.

Failure by us, the Advisor, the Sub-Advisor or our service providers, tenants or borrowers to implement effective information and cyber security policies, procedures and capabilities could disrupt our business and harm our results of operations.

We, the Advisor, Sub-Advisor and our service providers, tenants and borrowers are dependent on the effectiveness of our respective information and cyber security policies, procedures and capabilities to protect our computer and telecommunications systems and the data that resides on or is transmitted through them. An externally caused information security incident, such as a hacker attack, virus or worm, or an internally caused issue, such as failure to control access to sensitive systems, could materially interrupt business operations or cause disclosure or modification of sensitive or confidential information and could result in material financial loss, loss of competitive position, regulatory actions, breach of contracts, reputational harm or legal liability.

We may change our investment strategy without our stockholders' consent and make riskier investments.

We may change our investment strategy at any time without the consent of our stockholders, which could result in our making investments that are different from and possibly riskier than the investments described in this Annual Report on Form 10-K. A change in our investment strategy may increase our exposure to interest rate and commercial real estate market fluctuations.

Risks Related to Our Investments

The continuing spread of COVID-19 has had a significant adverse effect on certain of our investments and may adversely affect our investments and operations in the future.

Since its discovery in December 2019, COVID-19 has spread from China to most other countries, including the United States. The World Health Organization declared the COVID-19 outbreak a pandemic, the Health and Human Services Secretary declared a public health emergency in the United States and the President of the United States declared a national emergency. Considerable uncertainty still surrounds the COVID-19 pandemic and its potential effects, and the extent of and effectiveness of any responses taken on a national and local level. The severity and length of the impact of the COVID-19 pandemic on the U.S. and world economies is uncertain and could result in a more severe world-wide economic downturn that may lead to corporate bankruptcies in the most affected industries and may result in increased unemployment. We are not limited to investing in any particular commercial real estate sector, and the effects of the pandemic may have material short-term and long-term negative effects on our borrowers and the real estate securities we may own and the performance and value of the commercial properties securing or underlying the value of our investments.

As a result of our investments being secured entirely by properties located in the United States, the COVID-19 pandemic has adversely impacted and may further adversely impact our investments and operating results to the extent that its continued spread within the United States reduces occupancy, increases the cost of operation or results in limited hours or necessitates the closure of such properties. In addition, quarantines, states of emergencies and other measures taken to curb the spread of the coronavirus may negatively impact the ability of such properties to continue to obtain necessary goods and services or provide adequate staffing, which may also adversely affect our investments and operating results. In particular, with respect to our investments in or secured by hospitality properties, a variety of factors related to the COVID-19 pandemic have, and are expected to continue to, cause a decline in business and leisure travel, including but not limited to (i) restrictions in travel, including those imposed by governmental entities and employers, (ii) the postponement or cancellation of industry conventions and conferences, music and arts festivals, sporting events and other large public gatherings, (iii) the closure or limited reopening of amusement parks, museums and other tourist attractions, (iv) the closure of colleges and universities, and (v) negative public perceptions of travel and public gatherings in light of the perceived risks associated with the coronavirus. The borrower under our loan secured by the Renaissance Chicago O'Hare Suites Hotel (the "Renaissance O'Hare") defaulted during May 2020, and we have taken ownership of the hotel through a deed-in-lieu of foreclosure, and we expect to incur operating losses through the first half of 2021 and perhaps beyond, depending on the future effects of the pandemic and the effectiveness of vaccinations and treatments. In addition, with respect to our investments secured by retail properties, individual stores and shopping malls have been, and may continue to be, closed for an extended period of time or only open certain hours of the day. Adaptations made by companies in response to "stay-at-home" orders and future limitations on in-person work environments could lead to a sustained shift away from collective in-person work environments and adversely affect the overall demand for office space over the long term and negatively affect our borrowers whose loans are secured by office properties.

Our borrowers or the borrowers of loans that underlie any real estate securities we may invest in may be unable to timely execute their business plans, may have to temporarily close their businesses or limit their operations or may experience other negative business consequences and request interest deferrals or forbearance or other modifications of their loans due to the impact of the COVID-19 pandemic. We have already modified one loan secured by a hospitality property, one loan secured by a retail property and two loans secured by office properties to assist the borrowers in dealing with the effects of the pandemic, and the economic effects of the pandemic may result in more modifications and potentially defaults or foreclosures on assets underlying our loans, which could adversely affect the credit profile of our assets and our results of operations and financial condition.

Although the U.S. Food and Drug Administration has approved certain therapies and vaccines for emergency use and distribution to certain groups of individuals as of the date of this report, the initial rollout of vaccine distribution has encountered significant delays, and there remain uncertainties as to the amount of vaccine available for distribution, the logistics of implementing a national vaccine program, and the overall efficacy of the vaccines once widely administered, especially as new strains of COVID-19 have been discovered, and the level of resistance these new strains have to the existing vaccines, if any, remains unknown. Until such therapies and vaccines are widely available and effective, the pandemic and public and private responses to the pandemic may lead to deterioration of economic conditions, an economic downturn or a recession at a global scale, which could materially affect our or our borrowers' performance, financial condition, results of operations, and cash flows.

To the extent the COVID-19 pandemic results in a more severe world-wide economic downturn, there will likely be widespread corporate bankruptcies and a continued increase in unemployment, which could negatively impact our investments and operations, as well as our ability to pay distributions to our stockholders. The extent to which the coronavirus further impacts our investments and operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the pandemic, new information that may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or treat its impact, and the availability of effective therapies or vaccines, among others. The negative impacts to our business as a result of the pandemic could exacerbate other risks described in this Annual Report on Form 10-K.

Our CRE debt and securities investments are subject to the risks typically associated with CRE.

Our CRE debt and securities investments are subject to the risks typically associated with CRE, including:

- local, state, national or international economic conditions, including market disruptions caused by regional concerns, political upheaval, virus outbreaks and pandemics (including the COVID-19 pandemic), the sovereign debt crises and other factors;
- real estate conditions, such as an oversupply of or a reduction in demand for real estate space in an area;
- lack of liquidity inherent in the nature of the asset;
- tenant/operator mix and the success of the tenant/operator business;
- the ability and willingness of tenants/operators/managers to maintain the financial strength and liquidity to satisfy their obligations to us and to third parties;
- reliance on tenants/operators/managers to operate their business in a sufficient manner and in compliance with their contractual arrangements with us;
- ability and cost to replace a tenant/operator/manager upon default;
- property management decisions;
- property location and conditions;
- property operating costs, including insurance premiums, real estate taxes and maintenance costs;
- the perceptions of the quality, convenience, attractiveness and safety of the properties;
- branding, marketing and operational strategies;
- competition from comparable properties;
- the occupancy rate of, and the rental rates charged at, the properties;
- the ability to collect on a timely basis all rent;
- the effects of any bankruptcies or insolvencies;
- the expense of leasing, renovation or construction;
- changes in interest rates and in the availability, cost and terms of mortgage financing;
- unknown liens being placed on the properties;
- bad acts of third parties;
- the ability to refinance mortgage notes payable related to the real estate on favorable terms, if at all;
- changes in governmental rules, regulations and fiscal policies;
- tax implications;
- changes in laws, including laws that increase operating expenses or limit rents that may be charged;
- the impact of present or future environmental legislation and compliance with environmental laws, including costs of remediation and liabilities associated with environmental conditions affecting properties;
- cost of compliance with the Americans with Disabilities Act;
- adverse changes in governmental rules and fiscal policies;
- social unrest and civil disturbances;
- acts of nature, including earthquakes, hurricanes and other natural disasters;
- terrorism;

- the potential for uninsured or underinsured property losses;
- adverse changes in state and local laws, including zoning laws; and
- other factors which are beyond our control.

The value of each property underlying our CRE debt and CRE securities investments is affected significantly by its ability to generate cash flow and net income, which in turn depends on the amount of rental or other income that can be generated net of expenses required to be incurred with respect to the property. Many expenses associated with properties (such as operating expenses and capital expenses) cannot be reduced when there is a reduction in income from the properties.

These factors may have a material adverse effect on the value and the return that we can realize from our assets, as well as the ability of our borrowers to pay their loans and the ability of the borrowers on the underlying loans securing our securities to pay their loans.

A prolonged economic slowdown, a lengthy or severe recession or declining real estate values could harm our investments.

Many of our investments may be susceptible to economic slowdowns, recessions or depressions, including as a result of the COVID-19 pandemic, which could lead to financial losses and a decrease in revenues, earnings and assets. An economic slowdown, or recession or depression, in addition to other economic and non-economic factors such as an excess supply of properties, could have a material negative impact on the values of our investments. Borrowers may be less likely to achieve their business plans and be able to pay principal and interest on our CRE debt investments if the economy weakens and property values decline. Further, declining real estate values significantly increase the likelihood that we will incur losses on our investments in the event of a default because the value of our collateral may be insufficient to cover our cost. In addition, declining real estate values will reduce the value of any of our investments. A strained labor market, along with overall financial uncertainty, could result in lower occupancy rates and lower lease rates across many property types and may create obstacles for us to achieve our business plans. We may also be less able to pay principal and interest on our borrowings, which could cause us to lose title to properties securing our borrowings. Any sustained period of increased payment delinquencies, taking title to collateral or losses could adversely affect both our CRE investments as well as our ability to finance our portfolio, which would significantly harm our revenues, results of operations, financial condition, business prospects and our ability to pay distributions to stockholders.

We are subject to significant competition, and we may not be able to compete successfully for investments.

We are subject to significant competition for attractive investment opportunities from other real estate investors, some of which have greater financial resources than we do, including publicly traded REITs, public, non-listed REITs, insurance companies, commercial and investment banking firms, private institutional funds, hedge funds, private equity funds and other investors. Our management has observed increased competition in recent years, and we expect such trend to continue. We may not be able to compete successfully for investments. In addition, the number of entities and the amount of funds competing for suitable investments may increase. If we pay higher prices for investments or originate loans on less advantageous terms to us, our returns may be lower and the value of our assets may not increase or may decrease significantly below the amount we paid for such assets. As we reinvest capital, we may not realize risk adjusted returns that are as attractive as those we have realized in the past. If such events occur, we may experience lower returns on our investments.

We may not be effective in originating, acquiring and managing our investments.

Our origination and acquisition capabilities depend on the Sub-Advisor’s ability to leverage its relationships in the market and deploy capital to borrowers and tenants that hold properties meeting our underwriting standards. Managing these investments requires significant resources, adherence to internal policies and attention to detail. Managing investments may also require significant judgment and, despite our expectations, the Sub-Advisor may make decisions that result in losses. If we are unable to successfully originate investments on favorable terms, or at all, or if we are ineffective in managing those investments, our business, financial condition and results of operations could be materially adversely affected.

The CRE debt we originate and invest in and mortgage loans underlying the CRE securities we invest in are subject to risks of delinquency, taking title to collateral, loss and bankruptcy of the borrower under the loan. If the borrower defaults, it may result in losses to us.

Our CRE debt investments are secured by commercial real estate and are subject to risks of delinquency, loss, taking title to collateral and bankruptcy of the borrower. The ability of a borrower to repay a loan secured by commercial real estate is typically dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced or is not increased, depending on the borrower's business plan, the borrower's ability to repay the loan may be impaired. If a borrower defaults or declares bankruptcy and the underlying asset value is less than the loan amount, we will suffer a loss. In this manner, real estate values could impact the value of our CRE debt and securities investments. Therefore, our CRE debt and securities are subject to the risks typically associated with real estate.

Additionally, we may suffer losses for a number of reasons, including the following, which could have a material adverse effect on our financial performance:

- **If the value of real property or other assets securing our CRE debt investments deteriorates.** The majority of our CRE debt investments are fully or substantially nonrecourse. In the event of a default by a borrower on a nonrecourse loan, we will only have recourse to the real estate-related assets (including escrowed funds and reserves, if any) collateralizing the debt. There can be no assurance that the value of the assets securing our CRE debt investments will not deteriorate over time due to factors beyond our control. Further, we may not know whether the value of these properties has declined below levels existing on the dates of origination. If the value of the properties drops, our risk will increase because of the lower value of the collateral and reduction in borrower equity associated with the related CRE debt. If a borrower defaults on our CRE debt and the mortgaged real estate or other borrower assets collateralizing our CRE debt are insufficient to satisfy the loan, we may suffer a loss of principal or interest.
- **If a borrower or guarantor defaults on recourse obligations under a CRE debt investment.** We sometimes will obtain personal or corporate guarantees from borrowers or their affiliates. These guarantees are often triggered only upon the occurrence of certain trigger, or “bad boy,” events. In cases where guarantees are not fully or partially secured, we will typically rely on financial covenants from borrowers and guarantors which are designed to require the borrower or guarantor to maintain certain levels of creditworthiness. If challenging economic and market conditions emerge, many borrowers and guarantors may face financial difficulties and be unable to comply with their financial covenants. Where we do not have recourse to specific collateral pledged to satisfy such guarantees or recourse loans, we will only have recourse as an unsecured creditor to the general assets of the borrower or guarantor, some or all of which may be pledged to satisfy other lenders. There can be no assurance that a borrower or guarantor will comply with its financial covenants or that sufficient assets will be available to pay amounts owed to us under our CRE debt and related guarantees.
- **Our due diligence may not reveal all of a borrower′s liabilities and may not reveal other weaknesses in its business.** Before making a loan to a borrower, we assess the strength and skills of an entity's management and other factors that we believe are material to the performance of the investment. This underwriting process is particularly important and subjective with respect to newly-organized entities because there may be little or no information publicly available about the entities. In making the assessment and otherwise conducting customary due diligence, we rely on the resources available to us and, in some cases, an investigation by third parties. There can be no assurance that our due diligence processes will uncover all relevant facts or that any investment will be successful. Furthermore, historic performance evaluated in connection with our underwriting process may not be indicative of future performance.

We acquired a hotel from one of our borrowers and may acquire additional hotels. For so long as we own hotels or invest in loans secured by hotels and securities collateralized by hotels, we will be exposed to the unique risks of the hospitality sector, including seasonality, volatility and the severe reduction in occupancy caused by the COVID-19 pandemic.

We own the Renaissance O’Hare, which we acquired through a deed-in-lieu of foreclosure transaction, and we may foreclose upon or otherwise own other hospitality properties in the future. The hospitality market is seasonal, highly competitive and influenced by factors such as general and local economic conditions, location, room rates, quality, service levels, reputation and reservation systems, among many other factors. The hospitality market generally experiences seasonal slowdown in the third quarter and, to a lesser extent, in the fourth quarter of each year. As a result of such seasonality, there will likely be quarterly fluctuations in results of operations of any hospitality properties that we own. There are many competitors in this market, and these competitors may have substantially greater marketing and financial resources than those available to us. This competition, along with other factors, such as over-building in the hospitality market, may increase the number of rooms available and may decrease the average occupancy and room rates of our hospitality properties. The demand for rooms at any hospitality properties that we may acquire will change much more rapidly than the demand for space at other properties that we acquire. In addition, any such properties we may own may be adversely affected by factors outside our control, such as extreme weather conditions or natural disasters, terrorist attacks or alerts, outbreaks of contagious diseases, airline strikes, economic factors and other considerations affecting travel. For example, the hospitality market has been and continues to be severely impacted by the COVID-19 pandemic, and the pandemic has had a material adverse effect on the performance of the Renaissance O'Hare, which is likely to continue until the effects of the pandemic on travel and in-person gatherings subside. Any of the aforementioned factors could have a material adverse effect on the performance of our hotels, our results of operations, our ability to pay distributions to stockholders and our NAV.

The following factors should be considered in the context of hotels given that the COVID-19 pandemic has been significantly adversely affecting the ability of hotel managers to successfully operate hotels and has had, and the continued and prolonged effects of the COVID-19 pandemic are likely to continue to have, a significant adverse effect on the financial condition, results of operations and cash flows of hotels due to, among other factors:

- a variety of factors related to the COVID-19 pandemic have caused, and are expected to continue to cause, a sharp decline in group, business and leisure travel, including but not limited to (i) restrictions on travel mandated by governmental entities or voluntarily imposed by employers, (ii) the postponement or cancellation of conventions and conferences, music and arts festivals, sporting events and other large public gatherings, (iii) the closure of amusement parks, museums and other tourist attractions, (iv) the closure of colleges and universities, and (v) negative public perceptions of travel and public gatherings in light of the perceived risks associated with COVID-19;
- travelers are, and may continue to be, wary to travel where, or because, they may view the risk of contagion as increased and contagion or virus-related deaths linked or alleged to be linked to travel to our properties, whether accurate or not, may injure our reputation;
- travelers may be dissuaded from traveling due to possible enhanced COVID-19-related screening measures which are being implemented across multiple markets;
- travelers may be dissuaded from traveling due to the concern that additional travel restrictions implemented between their departure and return may affect their ability to return to their homes;
- commercial airline service has at various times been reduced or suspended to many areas in the United States, and if airline service does not increase or return to normal pre-pandemic levels, it could negatively affect our hotel revenues, particularly at hotels that are located near major airports and convention centers outside the central business district, such as the Renaissance O'Hare, which depend heavily on the volume of air travel and meetings and other events, particularly those of businesses, for their revenues;
- the reduced economic activity could also result in an economic recession, and increased unemployment, which could negatively impact future ability or desire to travel lodging demand and, therefore, our revenues, even after the temporary restrictions are lifted;
- a decrease in the ancillary revenue from amenities at our properties;
- the potential negative impact on the health of hotel personnel, particularly if a significant number of them are impacted, could result in a deterioration in our ability to ensure business continuity during and after this disruption; and
- we or our hotel managers may be subject to increased risks related to employee matters, including increased employment litigation and claims for severance or other benefits tied to termination or furloughs as a result of reduced operations prompted by the effects of the pandemic.

We own a ground lease interest in, as opposed to fee title to, the Renaissance O'Hare. This ground lease runs through March 2098. If we are unable or otherwise fail to comply with the terms of the ground lease, for example, because the hotel and our other investments fail to generate enough cash to allow us to make our rent payments, we may lose our interest in the hotel or suffer other adverse outcomes under the lease.

Delays in liquidating defaulted CRE debt investments could reduce our investment returns.

The occurrence of a default on a CRE debt investment could result in our taking title to collateral. The borrower under one of our CRE loans, secured by the Renaissance O'Hare, defaulted during May 2020, and we have taken ownership of the hotel through a deed-in-lieu of foreclosure. When there is a default on a CRE debt investment, we may not be able to take title to and sell the collateral securing the loan quickly. Taking title to collateral can be an expensive and lengthy process that could have a negative effect on the return on our investment. Borrowers often resist when lenders, such as us, seek to take title to collateral by asserting numerous claims, counterclaims and defenses, including but not limited to lender liability claims, in an effort to prolong the foreclosure action. In some states, taking title to collateral can take several years or more to resolve. At any time during a foreclosure proceeding, for instance, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure action and further delaying the foreclosure process. The resulting time delay could reduce the value of our investment in the defaulted loans. Furthermore, an action to take title to collateral securing a loan is regulated by state statutes and regulations and is subject to the delays and expenses associated with lawsuits if the borrower raises defenses, counterclaims or files for bankruptcy. In the event of default by a borrower, these restrictions, among other things, may impede our ability to take title to and sell the collateral securing the loan or to obtain proceeds sufficient to repay all amounts due to us on the loan. In addition, we may be forced to operate any collateral for which we take title for a substantial period of time, which could be a distraction for our management team and may require us to pay significant costs associated with such collateral. We may not recover any of our investment even if we take title to collateral.

We may be subject to risks associated with future advance or capital expenditure obligations, such as declining real estate values and operating performance.

Our CRE debt investments may require us to advance future funds. We may also need to fund capital expenditures and other significant expenses for our real estate property investments. Future funding obligations subject us to significant risks, such as a decline in value of the property, cost overruns and the borrower and tenant may be unable to generate enough cash flow and execute its business plan, or sell or refinance the property, in order to repay its obligations to us. We could determine that we need to fund more money than we originally anticipated in order to maximize the value of our investment even though there is no assurance additional funding would be the best course of action. Further, future funding obligations may require us to maintain higher liquidity than we might otherwise maintain and this could reduce the overall return on our investments. We could also find ourselves in a position with insufficient liquidity to fund future obligations.

We may be unable to restructure our investments in a manner that we believe maximizes value, particularly if we are one of multiple creditors in a large capital structure.

In order to maximize value, we may be more likely to extend and work out an investment rather than pursue other remedies such as taking title to collateral. However, in situations where there are multiple creditors in large capital structures, it can be particularly difficult to assess the most likely course of action that a lender group or the borrower may take and it may also be difficult to achieve consensus among the lender group as to major decisions. Consequently, there could be a wide range of potential principal recovery outcomes, the timing of which can be unpredictable, based on the strategy pursued by a lender group or other applicable parties. These multiple creditor situations tend to be associated with larger loans. If we are one of a group of lenders, we may not independently control the decision making. Consequently, we may be unable to restructure an investment in a manner that we believe would maximize value.

CRE debt restructurings may reduce our net interest income or require provisions for loan losses.

Weak economic conditions in the future may cause our borrowers to be at increased risk of default and we or a third party may need to restructure loans if our borrowers are unable to meet their obligations to us and we believe restructuring is the best way to maximize value. In order to preserve long-term value, we may determine to lower the interest rate on loans in connection with a restructuring, which will have an adverse impact on our net interest income. We may also determine to extend the maturity and make other concessions with the goal of increasing overall value, however, there is no assurance that the results of our restructurings will be favorable to us. Restructuring an investment may ultimately result in us receiving less than had we not restructured the investment. We may lose some or all of our investment even if we restructure in an effort to increase value. Further, concessions we may make to troubled borrowers could result in the loans being deemed impaired, which may require additional provisions for loan loss.

Our CRE debt and securities investments may be adversely affected by changes in credit spreads.

Our CRE debt we originate or acquire and securities investments we invest in are subject to changes in credit spreads. When credit spreads widen, the economic value of our investments decrease even if such investment is performing in accordance with its terms and the underlying collateral has not changed.

Provision for loan losses is difficult to estimate, particularly in a challenging economic environment.

In a challenging economic environment, we may experience an increase in provisions for loan losses and asset impairment charges, as borrowers may be unable to remain current in payments on loans and declining property values weaken our collateral. Our determination of provision for loan losses requires us to make certain estimates and judgments, which may be difficult to determine, particularly in a challenging economic environment. Our estimates and judgments are based on a number of factors, including projected cash flow from the collateral securing our CRE debt, structure, including the availability of reserves and recourse guarantees, likelihood of repayment in full at the maturity of a loan, potential for refinancing and expected market discount rates for varying property types, all of which remain uncertain and are subjective. Our estimates and judgments may not be correct, particularly during challenging economic environments, and therefore our results of operations and financial condition could be severely impacted.

The subordinate CRE debt we originate and acquire may be subject to risks relating to the structure and terms of the related transactions, as well as subordination in bankruptcy, and there may not be sufficient funds or assets remaining to satisfy our investments, which may result in losses to us.

We originate, structure and acquire subordinate CRE debt investments secured primarily by commercial properties, which may include subordinate mortgage loans, mezzanine loans and participations in such loans and preferred equity interests in borrowers who own such properties. We have not placed any limits on the percentage of our portfolio that may be comprised of these types of investments, which may involve a higher degree of risk than the type of assets that we expect will constitute the majority of our debt investments, namely first mortgage loans secured by real property. These investments may be subordinate to other debt on commercial property and will be secured by subordinate rights to the commercial property or by equity interests in the borrower. In addition, real properties with subordinate debt may have higher loan-to-value ratios than conventional debt, resulting in less equity in the real property and increasing the risk of loss of principal and interest. If a borrower defaults or declares bankruptcy, after senior obligations are met, there may not be sufficient funds or assets remaining to satisfy our subordinate interests. Because each transaction is privately negotiated, subordinate investments can vary in their structural characteristics and lender rights. Our rights to control the default or bankruptcy process following a default will vary from transaction to transaction. The subordinate investments that we originate and invest in may not give us the right to demand taking title to collateral as a subordinate real estate debt holder. Furthermore, the presence of intercreditor agreements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies and control decisions made in bankruptcy proceedings relating to borrowers. Similarly, a majority of the participating lenders may be able to take actions to which we object, but by which we will be bound. Even if we have control, we may be unable to prevent a default or bankruptcy and we could suffer substantial losses. Certain transactions that we originate and invest in could be particularly difficult, time consuming and costly to work out because of their complicated structure and the diverging interests of all the various classes of debt in the capital structure of a given asset.

We may make investments in assets with lower credit quality, which will increase our risk of losses.

We may invest in unrated or non-investment grade CRE securities, enter into leases with unrated tenants or participate in subordinate, unrated or distressed mortgage loans. Because the ability of obligors of properties and mortgages, including mortgage loans underlying CMBS, to make rent or principal and interest payments may be impaired during an economic downturn, prices of lower credit quality investments and CRE securities may decline more quickly and severely than other higher credit quality investments. As a result, these lower credit quality investments may have a higher risk of default and loss than investment grade rated assets. The existing credit support in the securitization structure may be insufficient to protect us against loss of our principal on these investments. Any loss we incur may be significant and may reduce distributions to our stockholders and may adversely affect the value of our common stock.

Investments in non-performing real estate assets involve greater risks than investments in stabilized, performing assets and make our future performance more difficult to predict.

We may make investments in non-performing real estate assets, in which the operating cash flow generated from the underlying property is insufficient to support current debt service payments. Traditional performance metrics of real estate assets are generally not as reliable for non-performing real estate assets as they are for performing real estate assets. Nonperforming properties, for instance, do not have stabilized occupancy rates and may require significant capital for repositioning. Similarly, non-performing loans do not have a consistent stream of cash flow to support normalized debt service. In addition, for non-performing loans, often there is greater uncertainty as to the amount or timeliness of principal repayment. Borrowers will typically try to create value in a non-performing real estate investment including by development, redevelopment or lease-up of a property. However, none of these strategies may be effective and the subject properties may never generate sufficient cash flow to support debt service payments. If this occurs, we may negotiate a reduced payoff, restructure the terms of the loan or enforce rights as lender and take title to collateral securing the loan with respect to CRE debt investments. It is challenging to evaluate non-performing investments, which increases the risks associated with such investments. We may suffer significant losses with respect to these investments which would negatively impact our operating performance and our ability to pay distributions to our stockholders.

Floating-rate CRE debt, which is often associated with transitional assets, may entail greater risks of default to us than fixed-rate CRE debt.

Floating-rate loans are often, but not always, associated with transitional properties as opposed to those with highly stabilized cash flow. Floating-rate CRE debt may have higher delinquency rates than fixed-rate loans. Borrowers with floating-rate loans may be exposed to increased monthly payments if the related interest rate adjusts upward from the initial fixed rate in effect during the initial period of the loan to the rate calculated in accordance with the applicable index and margin. Increases in a borrower's monthly payment, as a result of an increase in prevailing market interest rates may make it more difficult for the borrowers with floating-rate loans to repay the loan and could increase the risk of default of their obligations under the loan.

Insurance may not cover all potential losses on CRE investments, which may impair the value of our assets.

We generally require that each of the borrowers under our CRE debt investments obtain comprehensive insurance covering the collateral, including liability, fire and extended coverage. We also generally obtain insurance directly on any property we acquire. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods and hurricanes that may be uninsurable or not economically insurable. We may not obtain, or require borrowers to obtain, certain types of insurance if it is deemed commercially unreasonable. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it infeasible to use insurance proceeds to replace a property if it is damaged or destroyed. Further, it is possible that our borrowers could breach their obligations to us and not maintain sufficient insurance coverage. Should an uninsured loss or a loss in excess of the limits of our insurance occur, we could lose our capital investment and/or anticipated profits and cash flow from one or more real estate properties, which in turn could cause the value of the shares of our common stock and distributions to our stockholders to be reduced.

We may obtain only limited warranties when we purchase a property, which will increase the risk that we may lose some or all of our invested capital in the property or rental income from the property which, in turn, could materially adversely affect our business, financial condition and results from operations and our ability to pay distributions to our stockholders.

The seller of a property often sells such property in an "as is" condition on a "where is" basis and "with all faults," without any warranties of merchantability or fitness for a particular use or purpose. In addition, the related real estate purchase and sale agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. Despite our efforts, we, the Advisor and the Sub-Advisor may fail to uncover all material risks during our diligence process. The purchase of properties with limited warranties increases the risk that we may lose some or all of our invested capital in the property, as well as the loss of rental income from that property if an issue should arise that decreases the value of that property and is not covered by the limited warranties. If any of these results occur, it may have a material adverse effect on our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

We depend on borrowers and tenants for a substantial portion of our revenue and, accordingly, our revenue and our ability to pay distributions to our stockholders is dependent upon the success and economic viability of such borrowers and tenants.

The success of our origination or acquisition of investments significantly depends on the financial stability of the borrowers and tenants underlying such investments. The inability of a single major borrower or tenant, or a number of smaller borrowers or tenants, to meet their payment obligations could result in reduced revenue or losses.

If we overestimate the value or income-producing ability or incorrectly price the risks of our investments, we may experience losses.

Analysis of the value or income-producing ability of a commercial property is highly subjective and may be subject to error. We value our potential investments based on yields and risks, taking into account estimated future losses on the CRE loans and the properties included in a securitization's pools or select CRE equity investments and the estimated impact of these losses on expected future cash flow and returns. In the event that we underestimate the risks relative to the price we pay for a particular investment, we may experience losses with respect to such investment.

Lease defaults, terminations or landlord-tenant disputes may reduce our income from our single-tenant net leased investments.

The creditworthiness of tenants in our real estate investments could become negatively impacted as a result of challenging economic conditions or otherwise, which could result in their inability to meet the terms of their leases. Lease defaults or terminations by one or more tenants may reduce our revenues unless a default is cured or a suitable replacement tenant is found promptly. In addition, disputes may arise between the landlord and tenant that result in the tenant withholding rent payments, possibly for an extended period. These disputes may lead to litigation or other legal procedures to secure payment of the rent withheld or to evict the tenant. Upon a lease default, we may have limited remedies, be unable to accelerate lease payments and have limited or no recourse against a guarantor. Tenants as well as guarantors may have limited or no ability to satisfy any judgments we may obtain. We may also have duties to mitigate our losses and we may not be successful in that regard. Any of these situations may result in extended periods during which there is a significant decline in revenues or no revenues generated by a property. If this occurred, it could adversely affect our results of operations.

We may have difficulty selling or re-leasing our single-tenant net leased properties, and this lack of liquidity may limit our ability to quickly change our portfolio in response to changes in economic or other conditions.

Real estate investments generally have less liquidity compared to other financial assets, and this lack of liquidity may limit our ability to quickly change our portfolio in response to changes in economic or other conditions. The leases we may enter into or acquire may be for properties that are specially suited to the particular needs of our tenant. With these properties, if the current lease is terminated or not renewed, we may be required to renovate the property or to make rent concessions in order to lease the property to another tenant. In addition, if we are forced to sell the property, we may have difficulty selling it to a party other than the tenant due to the special purpose for which the property may have been designed. These and other limitations may affect our ability to sell properties without adversely affecting returns to our stockholders.

Our ability to fully control the management of our single-tenant, net leased properties may be limited.

The tenants or managers of single-tenant, net leased properties are responsible for maintenance and other day-to-day management of the properties. If a property is not adequately maintained in accordance with the terms of the applicable lease, we may incur expenses for deferred maintenance expenditures or other liabilities once the property becomes free of the lease. While our leases will generally provide for recourse against the tenant in these instances, a bankrupt or financially-troubled tenant may be more likely to defer maintenance and it may be more difficult to enforce remedies against such a tenant. In addition, to the extent tenants are unable to successfully conduct their operations, their ability to pay rent may be adversely affected. Although we endeavor to monitor, on an ongoing basis, compliance by tenants with their lease obligations and other factors that could affect the financial performance of our properties, such monitoring may not always ascertain or forestall deterioration either in the condition of a property or the financial circumstances of a tenant.

Environmental compliance costs and liabilities associated with our properties or our real estate-related investments may materially impair the value of our investments and expose us to liability.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real property, such as us and our tenants, may be liable in certain circumstances for the costs of investigation, removal or remediation of, or related releases of, certain hazardous or toxic substances, including materials containing asbestos, at, under or disposed of in connection with such property, as well as certain other potential costs relating to hazardous or toxic substances, including government fines and damages for injuries to persons and adjacent property. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and the costs it incurs in connection with the contamination. These laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances and liability may be imposed on the owner in connection with the activities of a tenant at the property. The presence of contamination or the failure to remediate contamination may adversely affect our or our tenants' ability to sell or lease real estate, or to borrow using the real estate as collateral, which, in turn, could reduce our revenues. We, or our tenants, as owner of a site, including if we take ownership through foreclosure, may be liable under common law or otherwise to third parties for damages and injuries resulting from environmental contamination emanating from the site. The cost of any required investigation, remediation, removal, fines or personal or property damages and our or our tenants' liability could significantly exceed the value of the property without any limits. The scope of the indemnification our tenants have agreed to provide us may be limited. For instance, some of our agreements with our tenants may not require them to indemnify us for environmental liabilities arising before the tenant took possession of the premises. Further, we cannot assure stockholders that any such tenant would be able to fulfill its indemnification obligations. If we were deemed liable for any such environmental liabilities and were unable to seek recovery against our tenant, our business, financial condition and results of operations could be materially and adversely affected. Furthermore, we may invest in real estate, or mortgage loans secured by real estate, with environmental problems that materially impair the value of the real estate. Even as a lender, if we take title to collateral with environmental problems or if other circumstances arise, we could be subject to environmental liability. There are substantial risks associated with such an investment. We will be subject to additional risks if we make investments internationally.

We may originate or acquire properties located outside of the United States or loans that are made to borrowers or secured by properties located outside of the United States with the approval of our Board. These international investments present unique risks to our business.

Our Board may approve an investment in a property outside of the United States or in a CRE debt or CRE securities investment secured by a property located outside of the United States. Any international investments we make may be affected by factors peculiar to the laws of the jurisdiction in which the borrower or the property is located and these laws may expose us to risks that are different from or in addition to those commonly found in the United States. We may not be as familiar with the potential risks to our investments outside of the United States and we may incur losses as a result.

Any international investments we make could be subject to the following risks:

- governmental laws, rules and policies, including laws relating to the foreign ownership of real property or mortgages and laws relating to the ability of foreign persons or corporations to remove profits earned from activities within the country to the person's or corporation's country of origin;
- translation and transaction risks relating to fluctuations in foreign currency exchange rates;
- adverse market conditions caused by inflation or other changes in national or local political and economic conditions;
- challenges of complying with a wide variety of foreign laws, including corporate governance, operations, taxes and litigation;
- changes in relative interest rates;
- changes in the availability, cost and terms of borrowings resulting from varying national economic policies;
- changes in real estate and other tax rates, the tax treatment of transaction structures and other changes in operating expenses in a particular country where we have an investment;
- our REIT tax status not being respected under foreign laws, in which case any income or gains from foreign sources would likely be subject to foreign taxes, withholding taxes, transfer taxes and value added taxes;
- lack of uniform accounting standards (including availability of information in accordance with GAAP);
- changes in land use and zoning laws;

- more stringent environmental laws or changes in such laws;
- changes in the social stability or other political, economic or diplomatic developments in or affecting a country where we have an investment;
- changes in applicable laws and regulations in the United States that affect foreign operations; and
- legal and logistical barriers to enforcing our contractual rights in other countries, including insolvency regimes, landlord/tenant rights and ability to take possession of the collateral.

Certain of these risks may be greater in emerging markets and less developed countries. Each of these risks might adversely affect our performance and impair our ability to pay distributions to stockholders required to maintain our REIT qualification. In addition, there is less publicly available information about foreign companies and a lack of uniform financial accounting standards and practices (including the availability of information in accordance with GAAP) which could impair our ability to analyze transactions and receive timely and accurate financial information from tenants or borrowers necessary to meet our reporting obligations to financial institutions or governmental or regulatory agencies.

We invest in CRE securities, including CMBS, CRE, CLOs and other subordinate securities, which entail certain heightened risks.

We invest in a variety of CRE securities, including CMBS, CRE CLOs and other subordinate securities, which may be subject to the first risk of loss if any losses are realized on the underlying mortgage loans. CMBS and CRE CLOs entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of commercial or multifamily mortgage loans. Consequently, CMBS, CRE CLOs and other CRE securities will be adversely affected by payment defaults, delinquencies and losses on the underlying mortgage loans, which increase during times of economic stress and uncertainty. For example, in the wake of the COVID-19 pandemic, the market value of our CMBS investments declined, and we began selling the CMBS portfolio in April 2020 and sold all of our CMBS positions in 2020 for $121.2 million recognizing a loss of $35.0 million on those sales. Furthermore, if the rental and leasing markets deteriorate, including by decreasing occupancy rates and decreasing market rental rates, it could reduce cash flow from the mortgage loan pools underlying our CMBS and CRE CLO investments. The market for CRE securities is dependent upon liquidity for refinancing and may be negatively impacted by a slowdown in new issuance.

Additionally, CRE securities such as CMBS and CRE CLOs may be subject to particular risks, including lack of standardized terms and payment of all or substantially all of the principal only at maturity rather than regular amortization of principal. The value of CRE securities may change due to shifts in the market's perception of issuers and regulatory or tax changes adversely affecting the CRE debt market as a whole. Additional risks may be presented by the type and use of a particular commercial property, as well as the general risks relating to the net operating income from and value of any commercial property. The exercise of remedies and successful realization of liquidation proceeds relating to CRE securities may be highly dependent upon the performance of the servicer or special servicer. Expenses of enforcing the underlying mortgage loan (including litigation expenses) and expenses of protecting the properties securing the loan may be substantial. Consequently, in the event of a default or loss on one or more loans contained in a securitization, we may not recover a portion or all of our investment. Ratings for CRE securities can also adversely affect their value.

The terms of our CRE debt investments are based on our projections of market demand, as well as on market factors, and our return on our investment may be lower than expected if any of our projections are inaccurate.

The terms of our CRE debt investments are based on our projections of market demand, occupancy levels, rental income, the costs of any development, redevelopment or renovation of a property, borrower expertise and other factors. In addition, as the real estate market strengthens with the improvement of the U.S. economy, we will face increased competition, which may make loan origination terms less favorable to us. If any of our projections are inaccurate or we ascribe a higher value to assets and their value subsequently drops or fails to rise because of market factors, returns on our investment may be lower than expected and could experience losses.

The expected discontinuation of the LIBOR may adversely affect interest expense related to our loans and investments or otherwise adversely affect our results of operations, cash flows and the market value of our investments.

LIBOR is the subject of recent national, international and regulatory guidance and proposals for reform. In a speech on July 27, 2017, the Chief Executive of the Financial Conduct Authority of the U.K. (the "FCA"), announced the FCA's intention to cease sustaining LIBOR after 2021. The FCA has statutory powers to require panel banks to contribute to LIBOR where necessary. The FCA has decided not to ask, or to require, that panel banks continue to submit contributions to LIBOR beyond the end of 2021. The FCA has indicated that it expects that the current panel banks will voluntarily sustain LIBOR until the end of 2021. LIBOR may not survive thereafter in its current form, or at all. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, has identified the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements, backed by Treasury securities, as its preferred alternative rate for LIBOR. At this time, it is not possible to predict how markets will respond to SOFR or other alternative reference rates as the transition away from LIBOR proceeds in coming years.

There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. In addition, any LIBOR benchmark may perform differently during any phase-out period than in the past. As such, the potential effect of any such event on our cost of capital and net investment income cannot yet be determined and any changes to benchmark interest rates could increase our financing costs, which could impact our results of operations, cash flows and the market value of our investments. In addition, we may need to renegotiate certain of our loan agreements with lenders and borrowers that extend past 2021, which could require us to incur significant expense and may subject us to disputes or litigation over the appropriateness or comparability to the relevant benchmark of the replacement reference rates.

Risks Related to Our Financing Strategy

We may not be able to access financing sources on attractive terms, if at all, which could adversely affect our ability to execute our investment strategy.

We require outside capital to fund and grow our business. Our business may be adversely affected by disruptions in the debt and equity capital markets and institutional lending market, including the lack of access to capital or prohibitively high costs of obtaining or replacing capital. If economic conditions worsen, we could suffer a severe downturn and liquidity crisis. We cannot assure stockholders that financing will be available on acceptable terms, if at all, or that we will be able to satisfy the conditions precedent required to use our credit facilities, which could reduce the number, or alter the type, of investments that we would make otherwise. This may reduce our income. To the extent that financing proves to be unavailable when needed, we may be compelled to modify our investment strategy to optimize the performance of our portfolio. If we cannot obtain sufficient debt and equity capital on acceptable terms, our ability to grow our business, operate and pay distributions to stockholders could be severely impacted.

We use leverage to originate and acquire our investments, which may adversely affect our return on our investments and may reduce cash available for distribution.

We leverage our portfolio generally through the use of securitization financing transactions and credit facilities. The type and percentage of financing varies depending on our ability to obtain credit and the lender's estimate of the stability of the portfolio's cash flow. High leverage can, particularly during difficult economic times, increase our risk of loss and harm our liquidity. Moreover, we may have to incur more recourse borrowings, including recourse borrowings that are subject to mark-to-market risk, in order to obtain financing for our business.

Our performance can be negatively affected by fluctuations in interest rates and shifts in the yield curve may cause losses.

The financial performance of our fixed-rate investments is influenced by changes in interest rates, in particular, as such changes may affect our CRE securities, floating-rate borrowings and CRE debt to the extent such debt does not float as a result of floors or otherwise. Changes in interest rates, including changes in expected interest rates or “yield curves,” affect our business in a number of ways. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on our interest-earning assets and the interest expense incurred in connection with our interest-bearing borrowings and hedges. Changes in the level of interest rates also can affect, among other things, our ability to acquire CRE securities, acquire or originate CRE debt at attractive prices and enter into hedging transactions. Also, if market interest rates increase, the interest rate on any variable rate borrowings will increase and will create higher debt service requirements, which would adversely affect our cash flow and could adversely impact our results of operations. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political conditions and other factors beyond our control.

Interest rate changes may also impact our net book value as our CRE securities and hedge derivatives are recorded at fair value each month. Generally, as interest rates increase, the value of our fixed-rate securities decreases, which will decrease the book value of our equity.

Furthermore, shifts in the U.S. Treasury yield curve reflecting an increase in interest rates would also affect the yield required on our CRE securities and therefore their value. For instance, increasing interest rates would reduce the value of the fixed-rate assets we hold at the time because the higher yields required by increased interest rates result in lower market prices on existing fixed-rate assets in order to adjust the yield upward to meet the market and vice versa. This would have similar effects on our CRE securities portfolio and our financial position and operations as a change in interest rates generally.

Hedging against interest rate and currency exposure may adversely affect our earnings, limit our gains or result in losses, which could adversely affect cash available for distribution to our stockholders.

From time to time, we may use derivative financial instruments to hedge exposures to changes in interest rates and currency exchange rates. Derivative instruments may include interest rate swap contracts, interest rate cap or floor contracts, futures or forward contracts, options or repurchase agreements. Our actual hedging decisions will be determined in light of the facts and circumstances existing at the time of the hedge and may differ from our currently anticipated hedging strategy. There is no assurance that our hedging strategy will achieve our objectives, and we may be subject to costs, such as transaction fees or breakage costs, if we terminate these arrangements. Any hedging activity we engage in may adversely affect our earnings, which could adversely affect cash available for distribution to our stockholders.

Hedging instruments often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house or regulated by any U.S. or foreign governmental authorities and involve risks and costs.

The cost of using hedging instruments increases as the period covered by the instrument lengthens and during periods of rising and volatile interest rates. We may increase our hedging activity and thus increase our hedging costs during periods when interest rates are volatile or rising and hedging costs have increased. In addition, hedging instruments involve risk since they often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities. Consequently, there are no regulatory or statutory requirements with respect to record keeping, financial responsibility or segregation of customer funds and positions. Furthermore, the enforceability of agreements underlying derivative transactions may depend on compliance with applicable statutory, commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in a default. Default by a party with whom we enter into a hedging transaction may result in the loss of unrealized profits and force us to cover our resale commitments, if any, at the then current market price. It may not always be possible to dispose of or close out a hedging position without the consent of the hedging counterparty and we may not be able to enter into an offsetting contract in order to cover our risk. We cannot assure stockholders that a liquid secondary market will exist for hedging instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in losses.

We use short-term borrowings to finance our investments and may need to use such borrowings for extended periods of time to the extent we are unable to access long-term financing. This may expose us to increased risks associated with decreases in the fair value of the underlying collateral, which could have an adverse impact on our financial condition and results of operations.

While we seek nonrecourse, non-mark-to-market, long-term financing through securitization financing transactions or other structures, such financing may be unavailable to us on favorable terms or at all. Consequently, we may be dependent on short-term financing arrangements that are not matched in duration to our financial assets. Short-term borrowing through repurchase arrangements, credit facilities and other types of borrowings may put our assets and financial condition at risk. Furthermore, the cost of borrowings may increase substantially if lenders view us as having increased credit risk during periods of market distress. Any such short-term financing may also be recourse to us, which will increase the risk of our investments.

In addition, the value of assets underlying any such short-term financing may be marked-to-market periodically by the lender, including on a daily basis. To the extent these financing arrangements contain mark-to-market provisions, if the market value of the investments pledged by us declines due to credit quality deterioration, we may be required by our lenders to provide additional collateral or pay down a portion of our borrowings. In a weakening economic environment, we would generally expect credit quality and the value of the investment that serves as collateral for our financing arrangements to decline, and in such a scenario, it is likely that the terms of our financing arrangements would require partial repayment from us, which could be substantial. For example, in the wake of the COVID-19 pandemic, the purchasers of our CMBS under our master repurchase agreements required us to post additional assets as margin to secure our repurchase obligations. In April 2020, we sold six CMBS positions with values negatively impacted in the wake of the pandemic with a total par value of $63.3 million and realized losses on those sales of approximately $19.3 million.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to pay distributions to our stockholders.

When providing financing, a lender may impose restrictions on us that affect our distribution and operating policies and our ability to incur additional borrowings. Financing arrangements that we may enter into may contain covenants that limit our ability to further incur borrowings and restrict distributions to our stockholders or that prohibit us from discontinuing insurance coverage or replacing the Advisor or Sub-Advisor. These or other limitations would decrease our operating flexibility and our ability to achieve our operating objectives, including making distributions to stockholders.

We have broad authority to use leverage and high levels of leverage could hinder our ability to pay distributions and decrease the value of our stockholders' investment.

Our charter does not limit us from utilizing financing until our borrowings exceed 300% of our net assets, which is generally expected to approximate 75% of the aggregate cost of our investments, before deducting loan loss reserves, other non-cash reserves and depreciation. Further, we can incur financings in excess of this limitation with the approval of a majority of our independent directors. High leverage levels would cause us to incur higher interest charges and higher debt service payments and the agreements governing our borrowings may also include restrictive covenants. These factors could limit the amount of cash we have available to distribute to stockholders and could result in a decline in the value of our stockholders' investment.

If a counterparty to our repurchase transactions defaults on its obligation to resell the underlying security back to us at the end of the transaction term, if the value of the underlying security has declined as of the end of that term, or if we default on our obligations under the repurchase agreement, we may incur a loss on our repurchase transactions.

When we engage in repurchase transactions, we generally sell securities to lenders (repurchase agreement counterparties) and receive cash from these lenders. The lenders are obligated to resell the same or similar securities back to us at the end of the term of the transaction. Because the cash we receive from the lender when we initially sell the securities to the lender is less than the value of those securities (this difference is the haircut), if the lender defaults on its obligation to resell the same securities back to us we may incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). We may incur a loss on a repurchase transaction if the value of the underlying securities has declined as of the end of the transaction term, as we would have to repurchase the securities for their initial value but would receive securities worth less than that amount. Further, if we default on one of our obligations under a repurchase transaction, the lender can terminate the transaction and cease entering into any other repurchase transactions with us. Any losses we incur on our repurchase transactions could adversely affect our earnings and thus our cash available for distribution to our stockholders.

The repurchase agreements, secured loans and other financing arrangements that we use to finance our investments may require us to provide additional collateral and may restrict us from leveraging our assets as fully as desired.

The amount of financing we receive, or may in the future receive, under our repurchase agreements, secured loans and other financing arrangements, is directly related to the lenders' valuation of the assets that secure the outstanding borrowings. Lenders under our repurchase agreements and secured loans typically have the absolute right to reevaluate the market value of the assets that secure outstanding borrowings at any time. If a lender determines in its sole discretion that the value of the assets has decreased, it has the right to initiate a margin call or increase collateral requirements. A margin call or increased collateral requirements would require us to transfer additional assets to such lender without any advance of funds from the lender for such transfer or to repay a portion of the outstanding borrowings. Any such margin call or increased collateral requirements could have a material adverse effect on our results of operations, financial condition, business, liquidity and ability to pay distributions to our stockholders, and could cause the value of our capital stock to decline. We may be forced to sell assets at significantly depressed prices to meet such margin calls and to maintain adequate liquidity, which could cause us to incur losses. For example, in the wake of the COVID-19 pandemic, the purchasers of our CMBS under our master repurchase agreements required us to post additional assets as margin to secure our repurchase obligations, and in April 2020, we sold six CMBS positions with values negatively impacted in the wake of the pandemic with a total par value of $63.3 million and realized losses on those sales of approximately $19.3 million. Moreover, to the extent we are forced to sell assets at such time, given market conditions, we may be selling at the same time as others facing similar pressures, which could exacerbate a difficult market environment and which could result in our incurring significantly greater losses on our sale of such assets. In an extreme case of market duress, a market may not even be present for certain of our assets at any price. Such a situation would likely result in a rapid deterioration of our financial condition and possibly necessitate a filing for bankruptcy protection.

Further, financial institutions providing the repurchase facilities may require us to maintain a certain amount of cash uninvested or to set aside non-levered assets sufficient to maintain a specified liquidity position which would allow us to satisfy our collateral obligations. As a result, we may not be able to leverage our assets as fully as desired, which could reduce our return on equity. If we are unable to meet these collateral obligations, our financial condition could deteriorate rapidly.

A failure to comply with covenants in our repurchase agreements, secured loans and other financing arrangements would have a material adverse effect on us, and any future financings may require us to provide additional collateral or pay down debt.

We are subject to various covenants contained in our existing financing arrangements and may become subject to additional covenants in connection with future financings. Our master repurchase agreements require us to maintain compliance with various financial covenants, including a minimum tangible net worth, specified financial ratios, such as total debt to total assets and financial information delivery obligations. These covenants may limit our flexibility to pursue certain investments or incur additional debt. If we fail to meet or satisfy any of these covenants, we would be in default under these agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral or enforce their interests against existing collateral. Further, this could also make it difficult for us to satisfy the distribution requirements necessary to maintain our status as a REIT for U.S. federal income tax purposes.

Risks Related to Our Operations

If the Advisor's and the Sub-Advisor's portfolio management systems are ineffective, we may be exposed to material unanticipated losses.

The Advisor and the Sub-Advisor will periodically refine their portfolio management techniques, strategies and assessment methods. However, the Advisor's and the Sub-Advisor's portfolio management techniques and strategies may not fully mitigate the risk exposure of our operations in all economic or market environments, or against all types of risk, including risks that we might fail to identify or anticipate. Any failures in the Advisor's and the Sub-Advisor's portfolio management techniques and strategies to accurately quantify such risk exposure could limit our ability to manage risks in our operations or to seek adequate risk adjusted returns and could result in losses.

Our distribution policy is subject to change.

We cannot guarantee the amount of distributions paid, if any. Our Board will determine an appropriate common stock distribution based upon numerous factors, including our targeted distribution rate, REIT qualification requirements, the amount of cash flow generated from operations, availability of existing cash balances, borrowing capacity under existing credit agreements, access to cash in the capital markets and other financing sources, our view of our ability to realize gains in the future through appreciation in the value of our assets, general economic conditions and economic conditions that more specifically impact our business or prospects. Future distribution levels are subject to adjustment based upon any one or more of the risk factors set forth herein, as well as other factors that our Board may, from time-to-time, deem relevant to consider when determining an appropriate common stock distribution. The amount of distributions we may pay in the future is not certain.

On March 24, 2020, our Board suspended the payment of distributions to our stockholders after considering various factors, including the impact of the global COVID-19 pandemic on the economy and the inability to accurately calculate our NAV. On July 30, 2020, our Board began authorizing monthly distributions again consistent with its practice prior to the pandemic, but our Board may determine to formally suspend or otherwise not authorize monthly or any distributions in the future.

Our ability to pay distributions is limited by the requirements of Maryland law.

Our ability to pay distributions on our common stock is limited by the laws of Maryland. Under applicable Maryland law, a Maryland corporation may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its liabilities as the liabilities become due in the usual course of business, or generally if the corporation's total assets would be less than the sum of its total liabilities plus, unless the corporation’s charter permits otherwise, the amount that would be needed if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of the stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we may not make a distribution on our common stock if, after giving effect to the distribution, we would not be able to pay our liabilities as they become due in the usual course of business or generally if our total assets would be less than the sum of our total liabilities plus, unless our charter permits otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of preferred stock then outstanding, if any, with preferences senior to those of our common stock.

Stockholders have limited control over changes in our policies and operations, which increases the uncertainty and risks they face as a stockholder.

Our Board determines our major policies, including our policies regarding growth, REIT qualification and distributions. Our Board may amend or revise these and other policies without a vote of our stockholders. We may change our investment policies without stockholder notice or consent, which could result in investments that are different than, or in different proportion than, those described in this Annual Report on Form 10-K. Under the Maryland General Corporation Law (“MGCL”) and our charter, stockholders have a right to vote only on limited matters. Our Board’s broad discretion in setting policies and stockholders' inability to exert control over those policies increases the uncertainty and risks stockholders face. Under the MGCL and our charter, stockholders have a right to vote only on:

- the election or removal of directors;
- amendment of our charter, except that our Board may amend our charter without stockholder approval to (i) increase or decrease the aggregate number of our shares of stock or the number of shares of stock of any class or series that we have the authority to issue; (ii) effect certain reverse stock splits; and (iii) change our name or the name or other designation or the par value of any class or series of our stock and the aggregate par value of our stock;
- our liquidation or dissolution;
- certain reorganizations of our company, as provided in our charter;
- certain mergers, consolidations, conversions or sales or other dispositions of all or substantially all our assets, as provided in our charter; and
- statutory share exchanges.

Pursuant to the MGCL, all matters other than the election or removal of a director must be declared advisable by our Board prior to a binding stockholder vote. Our Board’s broad discretion in setting policies and stockholders’ inability to exert control over those policies increases the uncertainty and risks they face.

We are not required to comply with certain reporting requirements, including those relating to auditor's attestation reports on the effectiveness of our system of internal control over financial reporting, accounting standards and disclosure about our executive compensation, that apply to certain other public companies.

The Jumpstart Our Business Startups Act (the "JOBS Act") contains provisions that, among other things, relax certain reporting requirements for emerging growth companies, including certain requirements relating to accounting standards and compensation disclosure. We are classified as an emerging growth company. For as long as we are an emerging growth company, which may be up to five full fiscal years, unlike other public companies, we are not required to (1) provide an auditor's attestation report on the effectiveness of our system of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, (2) comply with any new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies under Section 102(b)(1) of the JOBS Act, (3) comply with any new requirements adopted by the Public Company Accounting Oversight Board ("PCAOB") requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer, (4) comply with any new audit rules adopted by the PCAOB after April 5, 2012 unless the SEC determines otherwise, (5) provide certain disclosure regarding executive compensation required of larger public companies or (6) hold stockholder advisory votes on executive compensation.

Once we are no longer an emerging growth company, so long as our shares of common stock are not traded on a securities exchange, we will be deemed to be a "non-accelerated filer" under the Exchange Act, and as a non-accelerated filer, we will be exempt from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. In addition, so long as we are externally managed by the Advisor and we do not directly compensate our executive officers, or reimburse the Advisor or its affiliates for salaries, bonuses, benefits and severance payments for persons who also serve as one of our executive officers or as an executive officer of the Advisor, we do not have any executive compensation, making the exemptions listed in (5) and (6) above generally inapplicable.

We cannot predict if investors will find our common stock less attractive because we choose to rely on any of the exemptions discussed above.

As noted above, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards that have different effective dates for public and private companies until such time as those standards apply to private companies. We have elected to opt out of this transition period, and will therefore comply with new or revised accounting standards on the applicable dates on which the adoption of these standards is required for non-emerging growth companies. This election is irrevocable.

Our UPREIT structure may result in potential conflicts of interest with limited partners in the Operating Partnership whose interests may not be aligned with those of our stockholders.

Our directors and officers have duties to our corporation and our stockholders under the MGCL and our charter in connection with their management of the corporation. At the same time, we, as general partner, will have fiduciary duties under Delaware law to the Operating Partnership and to the limited partners in connection with the management of the Operating Partnership. Our duties as general partner of the Operating Partnership and its partners may come into conflict with the duties of our directors and officers to our corporation and our stockholders. Under Delaware law, a general partner of a Delaware limited partnership owes its limited partners the duties of good faith and fair dealing. Other duties, including fiduciary duties, may be modified or eliminated in the partnership's partnership agreement. The partnership agreement of the Operating Partnership (the "Partnership Agreement") provides that, for so long as we own a controlling interest in the Operating Partnership, any conflict that cannot be resolved in a manner not adverse to either our stockholders or the limited partners will be resolved in favor of our stockholders.

Additionally, the Partnership Agreement expressly limits our liability by providing that we will not be liable or accountable to the Operating Partnership for losses sustained, liabilities incurred or benefits not derived if we acted in good faith. In addition, the Operating Partnership is required to indemnify us and our officers, directors, employees, agents and designees to the extent permitted by applicable law from and against any and all claims arising from operations of the Operating Partnership, unless it is established that: (1) the act or omission was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty; (2) the indemnified party received an improper personal benefit in money, property or services; or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful.

The provisions of Delaware law that allow the fiduciary duties of a general partner to be modified by a Partnership Agreement have not been tested in a court of law, and we have not obtained an opinion of counsel covering the provisions set forth in the Partnership Agreement that purport to waive or restrict our fiduciary duties.

Our charter permits our Board to issue stock with terms that may subordinate the rights of our common stockholders or discourage a third party from acquiring us in a manner that could result in a premium price to stockholders.

Our Board may classify or reclassify any unissued common stock or preferred stock into other classes or series of stock and establish the preferences, conversion or other rights, voting powers, restrictions, and limitations as to dividends or other distributions, qualifications and terms and conditions of redemption of any such stock. Thus, our Board could authorize the issuance of preferred stock with priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to holders of our common stock. Our Board may determine to issue different classes of stock that have different fees and commissions from those being paid with respect to the shares being sold in the IPO. Additionally, our Board may amend our charter from time to time to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of any class or series of stock without stockholder approval.

Payment of fees to the Advisor and its affiliates reduces cash available for investment and distribution and increases the risk that stockholders will not be able to recover the amount of their investment in our shares.

The Advisor, the Sub-Advisor and their affiliates perform services for us in connection with the selection, acquisition, origination, management and administration of our investments. We pay the Advisor substantial fees for these services, which reduces the cash available for investment or distribution to stockholders. We may increase the compensation we pay to the Advisor subject to approval by our Board and other limitations in our charter, which would further reduce the amount of cash available for investment or distribution to stockholders. Our Advisor has agreed to waive 50% of its management fee for the month of January 2021 and for future months until it notifies our Board that the waiver is terminated, which will increase the amount of cash that would otherwise be available to us, but the Advisor may revoke this waiver in its discretion at any time and without any advance notice.

Fees payable to the Advisor and its affiliates increase the risk that the amount available for distribution to our stockholders upon a liquidation of our portfolio would be less than the purchase price of the shares in the IPO. These substantial fees and other payments also increase the risk that stockholders will not be able to resell their shares at a profit, even if our shares are listed on a national securities exchange.

Our rights and the rights of our stockholders to recover claims against our independent directors are limited, which could reduce their and our recovery against them if they negligently cause us to incur losses.

Maryland law provides that a director has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Our charter generally provides that: (i) no director shall be liable to us or our stockholders for monetary damages (provided that such director satisfies certain applicable criteria); (ii) we will generally indemnify non-independent directors for losses unless they are negligent or engage in misconduct; and (iii) we will generally indemnify independent directors for losses unless they are grossly negligent or engage in willful misconduct. As a result, our stockholders and we may have more limited rights against our directors than might otherwise exist under common law, which could reduce their and our recovery from these persons if they act in a negligent manner. In addition, we may be obligated to fund the defense costs incurred by our independent directors (as well as by our other directors, officers, employees (if we ever have employees) and agents) in some cases, which would decrease the cash otherwise available for distribution to our stockholders.

Risks Related to Conflicts of Interest

The Sub-Advisor may face a conflict of interest with respect to the allocation of investment opportunities and competition for tenants between us and other real estate programs affiliated with Sound Point.

The Sub-Advisor's officers and key real estate professionals will identify potential investments which are consistent with our investment guidelines for our possible origination and acquisition. The Sub-Advisor or its affiliates will advise other investment programs affiliated with Sound Point that invest in real estate-related assets in which we may be interested and, therefore, the Sub-Advisor could face conflicts of interest in determining which programs will have the opportunity to acquire and participate in such investments as they become available. As a result, other investment programs advised by the Sub-Advisor or its affiliates may compete with us with respect to certain investments that we may want to acquire.

The Advisor faces a conflict of interest because the management fee and performance fee are based on the value of our investment portfolio as determined in connection with our determination of NAV, which is calculated by the Advisor.

The Advisor is paid a management fee and a performance fee for its services that are based on the value of our investment portfolio as determined in connection with our determination of NAV, which is calculated by the Advisor in accordance with our valuation guidelines. The calculation of our NAV includes certain subjective judgments with respect to estimating, for example, our accrued expenses, net portfolio income and liabilities, and therefore, our NAV may not correspond to realizable value upon a sale of those assets. The Advisor may benefit by us retaining ownership of our assets at times when our stockholders may be better served by the sale or disposition of our assets in order to avoid a reduction in our NAV. If our NAV is calculated in a way that is not reflective of our actual net asset value, then the then-current transaction price of shares of our common stock on a given date may not accurately reflect the value of our portfolio, and our stockholders' shares may be worth less than the then-current transaction price.

Our executive officers, our affiliated directors and the key real estate professionals acting on behalf of the Advisor and the Sub-Advisor face conflicts of interest related to their positions or interests in affiliates of Inland and Sound Point, which could hinder our ability to implement our business strategy and to generate returns to our stockholders.

Our executive officers, our affiliated directors and the key real estate professionals acting on behalf of the Advisor and the Sub-Advisor are also executive officers, directors, managers or key professionals of Inland or Sound Point. Some of these persons also serve as managers and investment advisers to other funds and institutional investors. As a result, they owe fiduciary duties to each of these entities and their investors, which fiduciary duties may from time to time conflict with the fiduciary duties that they owe to us and our stockholders, and could face conflicts of interest in allocating their time among us and such other funds, investors and activities. Their loyalties to these other entities and investors could result in action or inaction that is detrimental to our business, which could harm the implementation of our investment strategy, and could cause these individuals to allocate less of their time to us than we may require, which may adversely impact our operations and financial results.

Risks Related to Regulatory Matters

We are subject to substantial regulation, numerous contractual obligations and extensive internal policies and failure to comply with these matters could have a material adverse effect on our business, financial condition and results of operations.

We and our subsidiaries are subject to substantial regulation, numerous contractual obligations and extensive internal policies. Given our organizational structure and activities, we are subject to regulation by the SEC, the Financial Industry Regulatory Authority, Inc. ("FINRA"), the Internal Revenue Service (the "IRS"), and other federal, state and local governmental bodies and agencies and state blue sky laws. These regulations are extensive, complex and require substantial financial resources and management time and attention. If we fail to comply with any of the regulations that apply to our business, we could be subjected to extensive investigations as well as substantial costs and penalties and our business and operations could be materially adversely affected. Our lack of compliance with applicable law could result in among other penalties, our ineligibility to contract with and receive revenue from the federal government or other governmental authorities and agencies. We also expect to have numerous contractual obligations that we must adhere to on a continuous basis to operate our business, the default of which could have a material adverse effect on our business and financial condition. Our internal policies may not be effective in all regards and, further, if we fail to comply with our internal policies, we could be subjected to additional risk and liability.

Stockholders' investment return may be reduced if we are required to register as an investment company under the Investment Company Act.

We intend to conduct our operations so that none of we, the Operating Partnership or the subsidiaries of the Operating Partnership is required to register as an investment company under the Investment Company Act. Section 3(a)(1)(A) of the Investment Company Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. Excluded from the term "investment securities," among other things, are U.S. government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

With respect to Section 3(a)(1)(A), we do not intend to engage primarily or hold ourself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, we will be primarily engaged in the non-investment company businesses of the Operating Partnership and its wholly-owned or majority-owned subsidiaries, each of which will rely on an exception from registration under the Investment Company Act. With respect to Section 3(a)(1)(C), we expect that most of the entities through which we own assets will be wholly-owned subsidiaries that are not themselves investment companies and are not relying on the exceptions from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act and, thus, we do not expect to own a significant amount of "investment securities".

Through the Operating Partnership and its subsidiaries, we plan to originate, acquire, invest in and manage instruments that could be deemed to be securities for purposes of the Investment Company Act, including, but not limited to, first mortgage loans, subordinate mortgage and mezzanine loans, and participations in such loans, as well as CMBS, CRE CLOs and senior unsecured debt of publicly traded REITs. We may also invest in select equity investments in single-tenant, net leased properties. Accordingly, it is possible that more than 40% of the total assets of the Operating Partnership or its subsidiaries will be deemed to be investment securities for Investment Company Act purposes. However, in reliance on Section 3(c)(5)(C) of the Investment Company Act, we do not intend to register the Operating Partnership or any of its subsidiaries as an investment company under the Investment Company Act. Entities that meet the standards set forth in Section 3(c)(5)(C) are excepted from the definition of an investment company. Section 3(c)(5)(C) is available for entities "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exception generally requires that at least 55% of each such subsidiary's portfolio must be comprised of qualifying assets and at least another 25% of each of their portfolios must be comprised of real estate-related assets under the Investment Company Act (and no more than 20% comprised of non-qualifying or non-real estate-related assets). Qualifying assets for this purpose include mortgage loans and other assets, such as certain subordinated mezzanine loans and participations and other interests in real estate, as interpreted by the SEC staff in various no-action letters. As a result of the foregoing restrictions, we will be limited in our ability to make certain investments.

Existing SEC no-action positions were issued in accordance with factual situations that may be substantially different from the factual situations we may face, and a number of these no-action positions were issued more than 10 years ago. Certain mortgage loans and participations in mortgage loans may not constitute qualifying real estate investments for purposes of Section 3(c)(5)(C) of the Investment Company Act. No assurance can be given that the SEC will concur with our classification of the assets of the Operating Partnership or its subsidiaries. Future revisions to the Investment Company Act or further guidance from the SEC staff may cause us to lose our ability to rely on Section 3(c)(5)(C) or force us to re-evaluate our portfolio and our investment strategy. Such changes may prevent us from operating our business successfully.

The Advisor will continually review our investment activity to attempt to ensure that we will not be regulated as an investment company.

We believe that none of we, the Operating Partnership or the subsidiaries of the Operating Partnership will be required to register as an investment company under the Investment Company Act. However, if we were obligated to register as an investment company, we would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things:

- limitations on capital structure;
- restrictions on specified investments;
- restrictions or prohibitions on retaining earnings;
- restrictions on leverage or senior securities;
- restrictions on unsecured borrowings;
- requirements that our income be derived from certain types of assets;
- prohibitions on transactions with affiliates; and
- compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly increase our operating expenses.

If we were required to register as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

Registration with the SEC as an investment company would be costly, would subject our company to a host of complex regulations, and would divert the attention of management from the conduct of our business. In addition, the purchase of real estate that does not fit our investment guidelines and the purchase or sale of investment securities or other assets to preserve our status as a company not required to register as an investment company could materially adversely affect our NAV, the amount of funds available for investment and our ability to pay distributions to our stockholders.

Risks Related to our REIT Status and Certain Other Tax Items

If we do not maintain our qualification as a REIT, we will be subject to tax as a regular corporation and could face a substantial tax liability.

We have operated and expect to continue to operate so as to maintain our qualification as a REIT under the Internal Revenue Code of 1986, as amended ("the Code"). However, qualification as a REIT involves the application of highly technical and complex Code provisions for which only a limited number of judicial or administrative interpretations exist. Notwithstanding the availability of cure provisions in the Code, various compliance requirements could be failed and could jeopardize our REIT status. Furthermore, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to maintain our qualification as a REIT. If we fail to maintain our qualification as a REIT in any tax year, then:

- we would be taxed as a regular domestic corporation, which under current laws, among other things, means being unable to deduct dividends paid to stockholders in computing taxable income and being subject to federal income tax on our taxable income at regular corporate income tax rates;
- any resulting tax liability could be substantial and could have a material adverse effect on our NAV;
- our cash available for distribution to stockholders would be reduced by the amount of taxes we would be required to pay for each of the years during which we did not qualify as a REIT and for which we had taxable income; and
- we generally would not be eligible to re-elect to be taxed as a REIT for the subsequent four full taxable years.

Legislative, regulatory or administrative changes could adversely affect us or our stockholders.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of U.S. federal income tax laws applicable to investments similar to an investment in shares of our common stock. The 2017 tax legislation commonly referred to as the Tax Cuts and Jobs Act resulted in fundamental changes to the Code, with many of the changes applicable to individuals applying only through December 31, 2025. The IRS has issued significant guidance under the Tax Cuts and Jobs Act, but guidance on additional issues, finalization of proposed guidance and technical corrections legislation may adversely affect us or our stockholders. On March 27, 2020, federal legislation intended to ameliorate the economic impact of the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), was signed into law. The CARES Act made technical corrections to, or modified on a temporary basis, certain of the provisions of the Tax Cut and Jobs Act, and it is possible that additional such legislation may be enacted in the future. In addition, further changes to the tax laws, unrelated to the Tax Cuts and Jobs Act, are possible. In particular, the federal income taxation of REITs may be modified, possibly with retroactive effect, by legislative, administrative or judicial action at any time.

Although REITs generally receive certain tax advantages compared to entities taxed as regular corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real-estate-related debt to be treated for U.S. federal income tax purposes as a corporation. As a result, our charter authorizes our Board to revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that changes to U.S. federal income tax laws and regulations or other considerations mean it is no longer in our best interests to qualify as a REIT.

We cannot provide assurance that the Tax Cuts and Jobs Act or any future changes will not adversely affect the taxation of us or our stockholders. Any such changes could have an adverse effect on an investment in our common stock or on the market value or the resale potential of our assets. Stockholders are urged to consult with their tax advisor with respect to the impact of the Tax Cuts and Jobs Act, the CARES Act, and other legislative, regulatory or administrative developments and proposals and their potential effect on their investment.

The failure of a mezzanine loan to qualify as a real estate asset could adversely affect our ability to qualify as a REIT.

We may originate or acquire mezzanine loans, for which the IRS has provided a safe harbor, but not rules of substantive law, addressing whether such loans will be treated as real estate assets. Pursuant to the safe harbor, if a mezzanine loan meets certain requirements, it will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75% gross income test. Our mezzanine loans may not meet all of the requirements of this safe harbor. In the event we own a mezzanine loan that does not meet the safe harbor, the IRS could challenge such loan's treatment as a real estate asset for purposes of the REIT asset and gross income tests and, if such a challenge were sustained, we could fail to qualify as a REIT.

The receipt of certain fee income in connection with loans we make or hold may not be qualifying income for purposes of the REIT gross income tests and could adversely affect our ability to qualify as a REIT.

We may be entitled to receive various fees in connection with the loans we make or hold. Certain commitment fees are qualifying income for purposes of the REIT gross income tests, as are fees that are properly treated as interest or original issue discount for U.S. federal income tax purposes. Fees that represent compensation for services we perform are not qualifying income. If nonqualifying fee income, together with any other nonqualifying gross income, exceeds 5% of our gross income, we will fail to qualify as a REIT. While we monitor our satisfaction of the gross income tests and the terms of all loans we make or acquire, the IRS may not agree with all of our fee characterizations.

The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to qualify as a REIT.

We have entered into financing arrangements that are structured as sale and repurchase agreements pursuant to which we nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings that are secured by the assets sold pursuant thereto. We believe that we are treated for REIT asset and gross income test purposes as the owner of the assets that are the subject of such sale and repurchase agreements notwithstanding that such agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we do not own the assets during the term of the related sale and repurchase agreement, in which case we could fail to qualify as a REIT.

To maintain our REIT status, we may have to borrow funds on a short-term basis during unfavorable market conditions.

To qualify as a REIT, we generally must distribute annually to our stockholders dividends equal to at least 90% of our net taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains. We will be subject to regular corporate income taxes on any undistributed REIT taxable income each year. Additionally, we will be subject to a 4% nondeductible excise tax on any amount by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from previous years. Payments we make to our stockholders under our SRP generally will not be taken into account for purposes of these distribution requirements. If we do not have sufficient cash to pay distributions necessary to preserve our REIT status for any year or to avoid taxation, we may be forced to borrow funds or sell assets even if the market conditions at that time are not favorable for these borrowings or sales. These options could increase our costs or reduce our equity.

Compliance with REIT requirements may cause us to forego otherwise attractive opportunities, which may hinder or delay our ability to meet our investment objectives and reduce overall returns to stockholders.

To qualify as a REIT, we are required at all times to satisfy tests relating to, among other things, the sources of our income, the nature and diversification of our assets, the ownership of our stock and the amounts we distribute to our stockholders. Compliance with the REIT requirements may impair our ability to operate solely on the basis of maximizing profits. For example, we may be required to pay distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution.

Compliance with REIT requirements may force us to liquidate or restructure otherwise attractive investments.

To qualify as a REIT, at the end of each calendar quarter, at least 75% of the value of our assets must consist of cash, cash items, government securities and qualified real estate assets. The remainder of our investments in securities (other than securities that are qualified assets under the 75% asset test, securities of a taxable REIT subsidiary of ours or equity securities issued by an entity treated as a partnership for U.S. federal income tax purposes) generally cannot include more than 10% of the voting securities of any one issuer or more than 10% of the value of the outstanding securities of any one issuer. The 10% value asset test does not apply to "straight debt" securities. Debt will be treated as "straight debt" for these purposes if the debt is a written unconditional promise to pay on demand or on a specified date a certain sum of money, the debt is not convertible, directly or indirectly, into stock, and the interest rate and the interest payment dates of the debt are not contingent on the profits, the borrower's discretion, or similar factors. Additionally, no more than 5% of the value of our assets (other than securities that are qualified assets under the 75% asset test, securities of a taxable REIT subsidiary of ours or equity securities issued by an entity treated as a partnership for U.S. federal income tax purposes) can consist of the securities of any one issuer, no more than 20% of the value of our assets may be represented by securities of one or more taxable REIT subsidiaries and no more than 25% of the value of our assets may consist of "nonqualified publicly offered REIT debt investments." If we fail to comply with these requirements at the end of any calendar quarter, we must dispose of a portion of our assets within 30 days after the end of such calendar quarter or qualify for certain statutory relief provisions in order to avoid losing our REIT qualification and suffering adverse tax consequences. In order to satisfy these requirements and maintain our qualification as a REIT, we may be forced to liquidate assets from our portfolio or not make otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of securitizing mortgage loans, which would be treated as sales for federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including mortgage loans, held primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we were to dispose of, or securitize, loans in a manner that was treated as a sale of the loans for U.S. federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans at the REIT level and may limit the structures we utilize for any securitization transactions, even though the sales or such structures might otherwise be beneficial to us.

Stockholders may face adverse tax rules if we generate excess inclusion income.

If we acquire REMIC residual interests or equity interests in taxable mortgage pools (in a manner consistent with our REIT qualification) and generate "excess inclusion income," a portion of our dividends received by a tax-exempt stockholder will be treated as unrelated business taxable income. Excess inclusion income would also be subject to adverse U.S. federal income tax rules in the case of U.S. taxable stockholders and non-U.S. stockholders. We intend to structure our transactions in a manner we believe would avoid generating excess inclusion income.

Modification of the terms of our CRE debt investments and mortgage loans underlying our CMBS in conjunction with reductions in the value of the real property securing such loans could cause us to fail to continue to qualify as a REIT.

Our CRE debt and securities investments may be materially affected by a weak real estate market and economy in general. As a result, many of the terms of our CRE debt and the mortgage loans underlying our CRE securities may be modified to avoid taking title to a property. Under Treasury Regulations, if the terms of a loan are modified in a manner constituting a "significant modification," such modification triggers a deemed exchange of the original loan for the modified loan. In general, if a loan is secured by real property and other property, and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan determined as of the date we agreed to acquire the loan or the date we significantly modified the loan, a portion of the interest income from such loan will not be qualifying income for purposes of the 75% gross income test although it may nevertheless be qualifying income for purposes of the 95% gross income test. A portion of the loan may also be a non-qualifying asset for purposes of the 75% asset test. The non-qualifying portion of such a loan would be subject to, among other requirements, the requirement that a REIT not hold securities representing more than 10% of the total value of the outstanding securities of any one issuer.

IRS Revenue Procedure 2014-51 provides a safe harbor pursuant to which we will not be required to redetermine the fair market value of the real property securing a loan for purposes of the gross income and asset tests discussed above in connection with a loan modification that is: (i) occasioned by a borrower default; or (ii) made at a time when we reasonably believe that the modification to the loan will substantially reduce a significant risk of default on the original loan. No assurance can be provided that all of our loan modifications will qualify for the safe harbor in Revenue Procedure 2014-51. To the extent we significantly modify loans in a manner that does not qualify for that safe harbor, we will be required to redetermine the value of the real property securing the loan at the time it was significantly modified. In determining the value of the real property securing such a loan, we generally will not obtain third-party appraisals, but rather will rely on internal valuations. No assurance can be provided that the IRS will not successfully challenge our internal valuations. If the terms of our debt investments and mortgage loans underlying our CMBS are "significantly modified" in a manner that does not qualify for the safe harbor in Revenue Procedure 2014-51 and the fair market value of the real property securing such loans has decreased significantly, we could fail the 75% gross income test, the 75% asset test, the 5% asset test and/or the 10% value asset test. Unless we qualified for relief under certain Code cure provisions, such failures could cause us to fail to continue to qualify as a REIT.

Our acquisition of debt or securities investments may cause us to recognize income for federal income tax purposes even though no cash payments have been received on the investments.

We may acquire debt or securities investments in the secondary market for less than their face amount. The amount of such discount will generally be treated as a "market discount" for federal income tax purposes. If these debt or securities investments provide for "payment-in-kind" interest, we may recognize "original issue discount," or OID, for federal income tax purposes. Moreover, we may acquire distressed debt investments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding debt constitute "significant modifications" under the applicable Treasury Regulations, the modified debt may be considered to have been reissued to us in a debt-for-debt exchange with the borrower. In that event, if the debt is considered to be "publicly traded" for federal income tax purposes, the modified debt in our hands may be considered to have been issued with OID to the extent the fair market value of the modified debt is less than the principal amount of the outstanding debt. In the event the debt is not considered to be "publicly traded" for federal income tax purposes, we may be required to recognize taxable income to the extent that the principal amount of the modified debt exceeds our cost of purchasing it. Also, certain loans that we originate and later modify and certain previously modified debt we acquire in the secondary market may be considered to have been issued with the OID at the time it was modified.

In general, we will be required to accrue OID on a debt instrument as taxable income in accordance with applicable federal income tax rules even though no cash payments may be received on such debt instrument on a current basis.

In the event a borrower with respect to a particular debt instrument encounters financial difficulty rendering it unable to pay stated interest as due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income. Similarly, we may be required to accrue interest income with respect to subordinate mortgage-backed securities at the stated rate regardless of when their corresponding cash payments are received.

In order to meet the REIT distribution requirements, it might be necessary for us to arrange for short-term or possibly long-term borrowings, or to pay distributions in the form of our shares or other taxable in-kind distributions of property. We may need to borrow funds at times when the market conditions are unfavorable. Such borrowings could increase our costs and reduce the value of a stockholders' investment. In the event in-kind distributions are made, a stockholder's tax liabilities associated with an investment in our common stock for a given year may exceed the amount of cash we distribute to stockholders during such year.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Code may limit our ability to hedge our operations effectively. Our aggregate gross income from non-qualifying hedges, fees and certain other non-qualifying sources cannot exceed 5% of our annual gross income. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through a taxable REIT subsidiary ("TRS"). Any hedging income earned by a TRS would be subject to federal, state and local income tax at regular corporate rates. This could increase the cost of our hedging activities or expose us to greater risks associated with interest rate or other changes than we would otherwise incur.

Our charter does not permit any person or group to own more than 9.8% of our outstanding common stock or of our outstanding capital stock of all classes or series, and attempts to acquire our common stock or our capital stock of all other classes or series in excess of these 9.8% limits would not be effective without an exemption from these limits by our Board.

For us to qualify as a REIT under the Code, not more than 50% of the value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (including certain entities treated as individuals for this purpose) during the last half of a taxable year. For the purpose of assisting our qualification as a REIT for U.S. federal income tax purposes, our charter prohibits beneficial or constructive ownership by any person or group of more than 9.8%, in value or number of shares, whichever is more restrictive, of the outstanding shares of our outstanding common stock, or 9.8% in value of our outstanding capital stock of all classes or series, which we refer to as the "Ownership Limits." The constructive ownership rules under the Code and our charter are complex and may cause shares of the outstanding common stock owned by a group of related persons to be deemed to be constructively owned by one person. As a result, the acquisition of less than 9.8% of our outstanding common stock or our capital stock by a person could cause another person to be treated as owning in excess of 9.8% of our outstanding common stock or our capital stock, respectively, and thus violate the Ownership Limits. There can be no assurance that our Board, as permitted in the charter, will not decrease these Ownership Limits in the future. Any attempt to own or transfer shares of our common stock or capital stock in excess of the Ownership Limits without the consent of our Board will result either in the shares in excess of the limit being transferred by operation of our charter to a charitable trust or in the transfer being void.

The Ownership Limits may have the effect of precluding a change in control of us by a third party, even if such change in control would be in the best interests of our stockholders or would result in receipt of a premium to the price of our common stock (and even if such change in control would not reasonably jeopardize our REIT status). The exemptions to the Ownership Limits granted to date may limit our Board's power to increase the Ownership Limits or grant further exemptions in the future.

Non-U.S. stockholders may be required to file U.S. federal income tax returns and pay U.S. federal income tax upon their receipt of certain distributions from us or upon their disposition of shares of our common stock.

In addition to any potential withholding tax on ordinary dividends, a non-U.S. stockholder, other than a "qualified shareholder" or a "qualified foreign pension fund," as each is defined in Section 897 of the Code, that recognizes gain upon a disposition of a "United States real property interest" ("USRPI") or that receives a distribution from a REIT that is attributable to gains from such a disposition, is generally subject to U.S. federal income tax under the Foreign Investment in Real Property Tax Act of 1980, as amended ("FIRPTA"), on such gain. FIRPTA gains must be reported on U.S. federal income tax returns and are taxable at regular U.S. federal income tax rates. We will be a "United States real property holding corporation" ("USRPHC") if the value of our USRPIs is equal to or greater than 50% of the value of our USRPIs, interests in non-U.S. real property and other trade or business assets at any time during the relevant testing period. We do not expect to be a USRPHC but cannot give assurances that we will not become a USRPHC. Even if we were a USRPHC, such tax does not apply, however, to the disposition of stock in a REIT that is "domestically controlled." Generally, a REIT is domestically controlled if less than 50% of its stock, by value, has been owned directly or indirectly by non-U.S. persons during a continuous five-year period ending on the date of disposition or, if shorter, during the entire period of the REIT's existence. We cannot assure stockholders that we will qualify as a domestically controlled REIT. If we were to fail to so qualify, amounts received by a non-U.S. stockholder on certain dispositions of shares of our common stock (including a repurchase) would be subject to tax under FIRPTA, unless (i) our shares of common stock were regularly traded on an established securities market and (ii) the non-U.S. stockholder did not, at any time during a specified testing period, hold more than 10% of our common stock. Furthermore, even if we are not a USRPHC or are domestically controlled, distributions, including repurchases, by us that are attributable to gains from dispositions of USRPIs will be subject to tax under FIRPTA and special withholding rules unless the conditions in clauses (i) and (ii) of the immediately preceding sentence are satisfied, subject to certain exceptions. Our shares are not regularly traded on an established securities market and we do not expect that they will be in the future.

Investments outside of the United States may subject us to additional taxes and could present additional complications to our ability to satisfy the REIT qualification requirements.

Non-U.S. investments may subject us to various non-U.S. tax liabilities, including withholding taxes. In addition, operating in functional currencies other than the U.S. dollar and in environments in which real estate transactions are typically structured differently than they are in the United States or are subject to different legal rules may present complications to our ability to structure non-U.S. investments in a manner that enables us to satisfy the REIT qualification requirements. Even if we maintain our status as a REIT, entities through which we hold investments in assets located outside the United States may be subject to income taxation by jurisdictions in which such assets are located or in which our subsidiaries that hold interests in such assets are located. Any such taxes could adversely affect our business, results of operations, cash flows or financial condition, and our cash available for distribution to our stockholders will be reduced by any such non-U.S. income taxes.

Restrictions on the deduction of all of our interest expense could prevent us from satisfying the REIT distribution requirement and avoiding the incurrence of income or excise taxes.

Rules enacted by the Tax Cuts and Jobs Act may limit our ability (and the ability of entities that are not treated as disregarded entities for U.S. federal income tax purposes and in which we hold an interest) to deduct interest expense. Under amended Section 163(j) of the Code, the deduction for business interest expense may be limited to the amount of the taxpayer's business interest income plus 30% of the taxpayer's "adjusted taxable income" unless the taxpayer's gross receipts do not exceed $25 million per year during the applicable testing period or the taxpayer qualifies to elect and elects to be treated as an "electing real property trade or business." The CARES Act increases the 30% limitation to 50% for taxable years beginning in 2019 or 2020 and permits an entity to elect to use its 2019 adjusted taxable income to calculate the applicable limitation for its 2020 taxable year. Unless a partner elects otherwise, 50% of its share of a partnership's "excess business interest" for its 2019 taxable year will be treated as paid by the partner in its 2020 taxable year and will not be subject to any limitation. A taxpayer's adjusted taxable income will start with its taxable income and add back items of non-business income and expense, business interest income and business interest expense, net operating losses, any deductions for "qualified business income," and, in taxable years beginning before January 1, 2022, any deductions for depreciation, amortization or depletion. A taxpayer that is exempt from the interest expense limitations as an electing real property trade or business is ineligible for certain expensing benefits and is subject to less favorable depreciation rules for real property. The new rules for business interest expense will apply to us and at the level of each entity in which or through which we invest that is not a disregarded entity for U.S. federal income tax purposes. To the extent that our interest expense is not deductible, our taxable income will be increased, as will our REIT distribution requirement and the amounts we need to distribute to avoid incurring income and excise taxes.

We may incur tax liabilities that would reduce our cash available for distribution to stockholders.

Even if we qualify and maintain our status as a REIT, we may become subject to U.S. federal income taxes and related state and local taxes. For example, net income from the sale of properties that are "dealer" properties sold by a REIT generally will be subject to a 100% prohibited transactions tax. We may not make sufficient distributions to avoid excise taxes applicable to REITs. Similarly, if we were to fail a gross income test (and did not lose our REIT status because such failure was due to reasonable cause and not willful neglect), we would be subject to tax on the income that does not meet the gross income test requirements. We also may decide to retain net capital gain we earn from the sale or other disposition of our investments and pay income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability unless they file U.S. federal income tax returns and thereon seek a refund of such tax. We also may be subject to state and local taxes on our income or property, including franchise, payroll, mortgage recording and transfer taxes, either directly or at the level of the other companies through which we indirectly own our assets, such as our taxable REIT subsidiaries, which are subject to applicable corporate income taxes. Any taxes we pay directly or indirectly will reduce our cash available for distribution to stockholders.

Our Board is authorized to revoke our REIT election without stockholder approval, which may cause adverse consequences to our stockholders.

Our charter authorizes our Board to revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that changes to U.S. federal income tax laws and regulations or other considerations mean it is no longer in our best interests to qualify as a REIT. Our Board has fiduciary duties to us and our stockholders and could only cause such changes in our tax treatment if it determines in good faith that such changes are in our best interests and in the best interests of our stockholders. In this event, we would become subject to U.S. federal income tax on our taxable income and we would no longer be required to distribute most of our net income to our stockholders, which may cause a reduction in the total return to our stockholders.

If certain sale-leaseback transactions are not characterized by the IRS as "true leases," we may be subject to adverse tax consequences.

We may purchase investments in properties and lease them back to the sellers of these properties. If the IRS does not characterize these leases as "true leases," we could fail to maintain our REIT status.

Liquidation of assets may jeopardize our REIT qualification.

To continue to qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to satisfy our obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% prohibited transaction tax on any resulting gain if we sell assets that are treated as dealer property or inventory.

Our ownership of and relationship with any TRS that we may form or acquire is subject to limitations, and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100% excise tax.

We own 100% of the stock of a TRS, and we may own more in the future. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. Overall, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more TRSs at the end of any calendar quarter. A TRS will pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's length basis. There can be no assurance that we will be able to comply with the TRS limitations or to avoid application of the 100% excise tax discussed above.

Our domestic TRSs would pay U.S. federal and any applicable state and local income tax on their taxable income, and their after-tax net income would be available for distribution to us but would not be required to be distributed to us. If we were to organize a TRS as a non-U.S. corporation (or non-U.S. entity treated as a corporation for U.S. federal income tax purposes), we may generate income inclusions relating to the earnings of the non-U.S. TRS that are treated as qualifying income for purposes of the 95% gross income test but not the 75% gross income test.

Generally, ordinary dividends payable by REITs do not qualify for reduced U.S. federal income tax rates applicable to qualified dividend income.

Currently, the maximum tax rate applicable to qualified dividend income payable to certain non-corporate U.S. stockholders is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rate. REIT dividends that are not designated as "qualified dividend income" or capital gain dividends are taxable as ordinary income. The more favorable rates applicable to qualified dividend income could cause certain non-corporate investors to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends. However, for taxable years beginning before January 1, 2026, non-corporate U.S. taxpayers may be entitled to claim a deduction in determining their taxable income of up to 20% of qualified REIT dividends (dividends other than capital gain dividends and dividends attributable to certain qualified dividend income received by us), subject to certain limitations. Investors are urged to consult with their tax advisor regarding the effect of this change on their effective tax rate with respect to REIT dividends.

If our Operating Partnership failed to qualify as a partnership or is not disregarded for U.S. federal income tax purposes, we would cease to qualify as a REIT.

If the IRS were to successfully challenge the status of our Operating Partnership as a partnership or disregarded entity for U.S. federal income tax purposes, it would be taxable as a corporation. In the event that this occurs, it would reduce the amount of distributions that our Operating Partnership could make to us. This would also result in our failing to qualify as a REIT and becoming subject to a corporate-level tax on our income, which would substantially reduce our cash available to pay distributions and the yield on our stockholder's investment.

There may be tax consequences to any modifications to our borrowings, our hedging transactions and other contracts to replace references to LIBOR.

The publication of LIBOR rates may be discontinued by 2022. We are parties to loan agreements with LIBOR-based interest rates and derivatives with LIBOR-based terms used for hedging and may hold or acquire MBS and other assets with LIBOR-based terms. We may have to renegotiate such LIBOR-based instruments to replace references to LIBOR. Under current law, certain modifications of terms of LIBOR-based instruments may have tax consequences, including deemed taxable exchanges of the pre-modification instrument for the modified instrument. Proposed Treasury Regulations and Revenue Procedure 2020-44 would treat certain modifications that would be taxable events under current law as non-taxable events. The proposed Treasury Regulations also would permit REMICs to make certain modifications without losing REMIC qualification. The guidance does not discuss REIT-specific issues of modifications to LIBOR-based instruments. It is not clear when the proposed Treasury Regulations will be finalized or what, if any, changes will be made to the proposed Treasury Regulations in final Treasury Regulations. We will attempt to migrate to a post-LIBOR environment without jeopardizing our REIT qualification or suffering other adverse tax consequences but can give no assurances that we will succeed.

We may choose to pay dividends in a combination of cash and our own common stock, in which case stockholders may be required to pay income taxes in excess of the cash dividends they receive.

We may choose to pay dividends in a combination of cash and our own common stock. Under IRS Revenue Procedure 2017-45, as a publicly offered REIT, we may give stockholders a choice, subject to various limits and requirements, of receiving a dividend in cash or in our common stock. As long as at least 20% of the total dividend is available in cash and certain other requirements are satisfied, the IRS will treat the stock distribution as a dividend (to the extent applicable rules treat such distribution as being made out of our earnings and profits). As a result, U.S. stockholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends they receive. In the case of non-U.S. stockholders, we generally will be required to withhold tax with respect to the entire dividend, which withholding tax may exceed the amount of cash such non-U.S. stockholder would otherwise receive.

Foreclosures may impact our ability to qualify as a REIT and minimize tax liabilities.

When we foreclose, or consider foreclosing, on properties securing defaulted loans that we hold, we consider the impact that taking ownership of such properties has on our ability to continue to qualify to be taxed as a REIT and any tax liabilities attributable thereto if we continue to qualify as a REIT. In certain cases, operation of real property will not generate qualifying rents from real property for purposes of the REIT gross income tests, e.g., income from operation of a hotel. In certain circumstances, we will be able to make an election with the IRS to treat property we take possession of in a foreclosure as "foreclosure property." If, and for so long as, such property qualifies as "foreclosure property," income therefrom is treated as qualifying income for purposes of both REIT gross income tests and gain from the sale of such property will not be subject to the 100% prohibited transaction tax for dealer sales, regardless of our how short our holding period in such property is when we sell such property or other dealer sales considerations. On the other hand, net income with respect to a property for which we have made a foreclosure property election that would not otherwise be qualifying income for purposes of the gross income tests will be subject to corporate income tax. In certain circumstances, the IRS might argue that a particular property did not qualify for a foreclosure property election or that its status as foreclosure property terminated while we believed it continued to qualify, possibly causing us to fail one or both gross income tests or causing any gain from sale of such property to be subject to the prohibited transaction tax.

Retirement Plan Risks

If the fiduciary of an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), fails to meet the fiduciary and other standards under ERISA, the Code or common law as a result of an investment in our stock, the fiduciary could be subject to criminal and civil penalties.

There are special considerations that apply to investing in our shares on behalf of a trust, pension, profit sharing or 401(k) plans, health or welfare plans, individual retirement accounts, or IRAs, or Keogh plans. If stockholders are investing the assets of any of the entities identified in the prior sentence in our common stock, they should satisfy themselves that:

- the investment is consistent with their fiduciary obligations under applicable law, including common law, ERISA and the Code;
- the investment is made in accordance with the documents and instruments governing the trust, plan or IRA, including a plan's investment policy;
- the investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA and other applicable provisions of ERISA and the Code;
- the investment will not impair the liquidity of the trust, plan or IRA;
- the investment will not produce "unrelated business taxable income" for the plan or IRA;
- our stockholders will be able to value the assets of the plan annually in accordance with ERISA requirements and applicable provisions of the plan or IRA; and
- the investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code

Failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA, the Code, or other applicable statutory or common law may result in the imposition of civil (and criminal, if the violation was willful) penalties, and can subject the fiduciary to equitable remedies. In addition, if an investment in our shares constitutes a prohibited transaction under ERISA or the Code, the fiduciary that authorized or directed the investment may be subject to the imposition of excise taxes with respect to the amount invested.

General Risk Factors

Challenging economic and financial market conditions could significantly reduce the amount of income we earn on our CRE investments and further reduce the value of our investments.

Challenging economic and financial market conditions may cause us to experience an increase in the number of CRE investments that result in losses, including delinquencies, non-performing assets and taking title to collateral and a decrease in the value of the property or other collateral which secures our investments, all of which could adversely affect our results of operations. We may incur substantial losses and need to establish significant provision for losses or impairment. Our revenue from investments could diminish significantly.

Volatility, disruption or uncertainty in the financial markets may impair our ability to raise capital, obtain new financing or refinance existing obligations and fund real estate activities.

Market disruption, volatility or uncertainty could materially adversely impact our ability to raise capital, obtain new financing or refinance our existing obligations as they mature and fund real estate activities. In addition, market disruption, volatility or uncertainty may also expose us to increased litigation and stockholder activism. These conditions could materially disrupt our business, operations and ability to pay distributions to stockholders. Market volatility could also lead to significant uncertainty in the valuation of our investments, which may result in a substantial decrease in the value of our investments. As a result, we may not be able to recover the carrying amount of such investments and the associated goodwill, if any, which may require us to recognize impairment charges in earnings.

The CRE industry has been and may continue to be adversely affected by economic conditions in the United States and global financial markets generally.

Our business and operations are currently dependent on the CRE industry generally, which in turn is dependent upon broad economic conditions in the United States, Europe, China and elsewhere. Recently, concerns over global economic conditions, virus outbreaks, energy and commodity prices, geopolitical issues, deflation, Federal Reserve short-term rate decisions, foreign exchange rates, the availability and cost of credit, the Chinese economy and the relationship between the Chinese and U.S. governments have contributed to increased economic uncertainty. These factors could cause extreme volatility in security prices. Global economic and political headwinds, along with global market instability and the risk of maturing debt that may have difficulties being refinanced, may continue to cause periodic volatility in the CRE market for some time. Adverse conditions in the CRE industry could harm our business and financial condition by, among other factors, the tightening of the credit markets, decline in the value of our assets and continuing credit and liquidity concerns and otherwise negatively impacting our operations.

We may not be able to pay distributions in the future.

Our ability to generate income and to pay distributions may be adversely affected by the risks described in this Annual Report on Form 10-K or any subsequent periodic reports. All distributions are made at the discretion of our Board, subject to applicable law, and depend on our earnings, our financial condition, maintenance of our REIT qualification and such other factors as our Board may deem relevant from time-to-time. We may not be able to pay distributions in the future.

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

Our principal executive office is located at 2901 Butterfield Rd., Oak Brook, Illinois 60523. As part of the Advisory Agreement, the Advisor is responsible for providing office space and office services required in rendering services to us. As of the date of this Annual Report on Form 10-K, we own a ground lease interest in one hotel property acquired via deed-in-lieu of foreclosure during August 2020. See Item 15, Note 3 – “Commercial Mortgage Loans Held for Investment” and Note 13 – “Real Estate Owned” for further discussion.

Item 3. Legal Proceedings.

In the ordinary course of business, we may become subject to litigation, claims and regulatory matters. We have no knowledge of material legal or regulatory proceedings pending or known to be contemplated against us at this time.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

There is currently no established public trading market for our common stock, and we do not expect a public trading market to develop. We do not intend to list our common stock for trading on an exchange or other trading market, and we intend to be a perpetual-life entity with no requirement to pursue a liquidity event by any date certain or at all.

Stockholders

As of March 15, 2021, there were 2,855 holders of Class P, 251 holders of Class A, 128 holders of Class T, 15 holders of Class D, 131 holders of Class I and no holders of Class S common stock.

Distributions

Our Board declared cash distributions payable to our Class P stockholders of record on each calendar day from January 1, 2017 through July 31, 2019, in an amount per share equal to 1/365th of $1.92. Distributions declared on or after August 1, 2019 through February 29, 2020 on Class P Shares were based on monthly record dates, payable in arrears the following month equal to a monthly amount of 1/12th of $1.92 per share. Distributions on Class A, Class T, Class D and Class I shares were based on monthly record dates, payable in arrears the following month equal to a monthly amount of 1/12th of $1.62 per share from August 1, 2019 through February 29, 2020.

On March 24, 2020, as a result of the COVID-19 pandemic, our Board suspended, among other things, the payment of distributions to our stockholders and the operation of our DRP, effective as of April 6, 2020. In making these decisions, our Board considered the difficulty of confidently determining an NAV as a result of the uncertainty surrounding the extent of the economic effects of the pandemic, as well as the financing challenges related to additional collateral required by the banks that regularly finance our assets. We believed that the responsible course of action in the face of the economic slowdown and uncertainty was to conserve liquidity and prioritize the payment of operating and other essential expenses until the extent of the economic effects of the pandemic could be better understood and analyzed.

After considering, among other things, the reduced volatility in the market for our investments and some improvement in the U.S. economic outlook, on July 30, 2020, our Board authorized a distribution on our common stock that was paid to stockholders of record as of July 31, 2020. The gross distribution was 1/12th of $0.8576 per share for all classes of shares, and the net distribution was reduced for certain share classes for applicable class-specific expenses. We declared a distribution to stockholders of record as of August 31, 2020 in the gross amount of 1/12th of $0.88 per share for all classes of shares. For stockholders of record as of September 30, 2020, October 31, 2020, November 30, 2020 and December 31, 2020, we declared a distribution in the gross amount of 1/12th of $0.90 per share for all classes of shares. For stockholders of record as of January 31, 2021, February 28, 2021 and March 31, 2021, we declared distributions of 1/12th of $0.95 per share, 1/12th of $1.00 per share and 1/12th of $1.05 per share, respectively. The amount of distributions we may pay in the future is not certain. The table below shows distributions paid during the periods presented ($ in thousands).

Year ended December 31, 2020

	Common Stock					
	Class P	Class A	Class T	Class S	Class D	Class I
Aggregate gross distributions declared per share	$ 0.7648	$ 0.7148	$ 0.7148	$ —	$ 0.7148	$ 0.7148
Stockholder servicing fee per share	N/A	N/A	0.1270	—	0.0373	N/A
Net distributions declared per share	$ 0.7648	$ 0.7148	$ 0.5878	$ —	$ 0.6775	$ 0.7148

Year ended December 31, 2019

	Common Stock					
	Class P	Class A	Class T	Class S	Class D	Class I
Aggregate gross distributions declared per share	$ 1.9200	$ 0.5400	$ 0.6750	$ —	$ 0.5400	$ 0.6750
Stockholder servicing fee per share	N/A	N/A	0.0890	—	0.0209	N/A
Net distributions declared per share	$ 1.9200	$ 0.5400	$ 0.5860	$ —	$ 0.5191	$ 0.6750

Year ended December 31, 2018

	Common Stock					
	Class P	Class A	Class T	Class S	Class D	Class I
Aggregate gross distributions declared per share	$ 1.9200	$ —	$ —	$ —	$ —	$ —
Stockholder servicing fee per share	N/A	—	—	—	—	—
Net distributions declared per share	$ 1.9200	$ —	$ —	$ —	$ —	$ —

Distribution Reinvestment Plan

We have adopted a DRP, effective May 3, 2019, whereby holders of Class A, Class T, Class S, Class D and Class I shares will have their cash distributions automatically reinvested in additional shares of our common stock unless they elect to receive their distributions in cash or if the stockholder's state or participating dealer does not allow automatic enrollment. Investors that are not automatically enrolled in our DRP will automatically receive their distributions in cash unless they elect to have their cash distributions reinvested in additional shares of our common stock. Any cash distributions attributable to the class or classes of shares owned by participants in the DRP will be immediately reinvested in our shares on behalf of the participants on the business day such distribution would have been paid to such stockholder.

The per share purchase price for shares purchased pursuant to the DRP will be equal to the most recently published transaction price at the time the distribution is payable. Stockholders will not pay upfront selling commissions when purchasing shares pursuant to the DRP. The stockholder servicing fees with respect to shares of our Class T shares, Class S shares and Class D shares are calculated based on our NAV for those shares and may reduce the NAV or, alternatively, the distributions payable with respect to shares of each such class, including shares issued in respect of distributions on such shares under the DRP. Shares acquired under the DRP will entitle the participant to the same rights and be treated in the same manner as shares of that class purchased in this offering.

On March 24, 2020, our Board suspended, among other things, the operation of the DRP, effective as of April 6, 2020. In determining to suspend the DRP, our Board considered various factors, including the impact of the global COVID-19 pandemic on the economy, the inability to accurately calculate our NAV per share due to uncertainty, volatility and lack of liquidity in the market, our need for liquidity due to financing challenges related to additional collateral required by the banks that regularly finance our assets and these uncertain and rapidly changing economic conditions. On October 1, 2020, the SEC declared effective our post-effective amendment to our registration statement on Form S-11 thereby permitting us to resume offers and sales of shares of common stock in our IPO, including through the DRP.

Participants may terminate their participation in the DRP with five business days' prior written notice to us.

Equity Compensation Plan

Our restricted share plan offers our independent directors an opportunity to participate in our growth through awards in the form of, or based on, our common stock. The restricted share plan authorizes the granting of restricted stock, restricted or deferred stock units, dividend equivalents, and cash-based awards to independent directors for participation in the plan.

Under the independent director restricted share plan and subject to such plan's conditions and restrictions, each of our independent directors will automatically receive $10,000 in restricted Class I shares on the date of each annual stockholders' meeting or, if no annual meeting, in December of each year. Such restricted shares will generally vest over a three-year period following the grant date in increments of 33 ⅓% per annum; provided, however, that restricted stock will become fully vested on the earlier occurrence of: (i) the termination of the independent director's service as a director due to his or her death or disability; or (ii) a liquidity event. These restricted shares are issued pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act.

On December 1, 2020, the Company granted each of its three independent directors 464 restricted Class I shares for a total of 1,393 Class I shares with a grant date fair value of $21.54 per share and a total value of $30,000. The restricted Class I shares will vest in equal one-third increments on December 1, 2021, 2022 and 2023. On December 2, 2019, the Company granted each of its three independent directors 399 restricted Class I shares for a total of 1,197 Class I shares with grant date fair value of $25.07 per share and a total value of $30,000. The restricted Class I shares will vest in equal one-third increments on December 2, 2020, 2021 and 2022. On January 7, 2019, the Company granted each of its three independent directors 400 restricted Class P Shares for a total of 1,200 Class P Shares with a grant date fair value of $25.00 per share and a total value of $30. The restricted Class P Shares will vest in equal one-third increments on January 7, 2020, 2021 and 2022. On March 1, 2018, the Company granted 400 restricted Class P Shares to each of its three independent directors for a total of 1,200 Class P Shares at a grant date fair value of $25.00 per share for a total value of $30. These restricted Class P Shares vest in equal one-third increments on March 1, 2019, 2020 and 2021.

As of December 31, 2020, we have granted 4,990 restricted shares of which 1,599 have vested and none were forfeited. During the years ended December 31, 2020, 2019 and 2018, compensation expense associated with the restricted shares issued to the independent directors was $30,833, $20,833 and $8,333, respectively.

Securities Authorized for Issuance under Equity Compensation Plans

For information regarding the securities authorized for issuance under our equity compensation plan, see Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Annual Report on Form 10-K.

Recent Sales of Unregistered Equity Securities

On October 25, 2016, we commenced the Private Offering of up to $500.0 million in our Class P Shares. The Class P Shares were offered and sold pursuant to an exemption from the registration requirements of the Securities Act, in accordance with Rule 506(b) of Regulation D, and in compliance with any applicable state securities laws. On June 28, 2019, we terminated the Private Offering. We continued to accept Private Offering subscription proceeds through July 16, 2019 from subscription agreements executed no later than June 28, 2019. During the year ended December 31, 2019, we received and accepted investors' subscriptions for and issued 4,315,524 Class P Shares in the Private Offering resulting in gross offering proceeds of $116.3 million. As of July 16, 2019, we issued 10,258,094 Class P Shares resulting in gross offering proceeds of $276.7 million. Inland Securities Corporation served as our dealer manager for the Private Offering.

Except as set forth above, we have not sold any securities that were not registered under the Securities Act during the period covered by this report.

On May 3, 2019, our Registration Statement on Form S-11 (File No. 333-230465), covering the IPO of up to $2.35 billion in shares of Class A, Class T, Class S, Class D and Class I common stock, was declared effective under the Securities Act. Inland Securities Corporation serves as our dealer manager for the IPO.

On March 24, 2020, our Board suspended (i) the sale of shares in the IPO, (ii) the operation of the SRP, (iii) the payment of distributions to our stockholders, and (iv) the operation of the DRP, effective as of April 6, 2020. In determining to suspend the IPO, the SRP, the payment of distributions and the DRP, our Board considered various factors, including the impact of the global COVID-19 pandemic on the economy, the inability to accurately calculate our NAV per share due to uncertainty, volatility and lack of liquidity in the market, our need for liquidity due to financing challenges related to additional collateral required by the banks that regularly finance our assets and these uncertain and rapidly changing economic conditions.

As a result of these factors, we did not calculate our NAV for the months of March through May 2020. We resumed calculation of our NAV beginning of as June 30, 2020 following the Advisor's determination that volatility in the market for our investments had declined and the U.S. economic outlook had improved. In August 2020, we resumed paying distributions monthly to stockholders of record for all classes of our common stock. On October 1, 2020, the SEC declared effective our post-effective amendment to the Registration Statement thereby permitting us to resume offers and sales of shares of common stock in the IPO, including through the DRP.

The offering price for each class of our common stock is determined monthly and is made available on our website and in prospectus supplement filings. As of December 31, 2020, we received net offering proceeds of $36.4 million from the IPO. The following table summarizes certain information about the IPO proceeds ($ in thousands except for per share data):

	Class A Shares	Class T Shares	Class S Shares	Class D Shares	Class I Shares	Total
Primary shares sold	655,835	398,233	—	50,393	379,365	1,483,826
Gross proceeds from primary offering	$ 17,308	$ 10,206	$ —	$ 1,237	$ 9,418	$ 38,169
Reinvestments of distributions	122	54	—	25	81	282
Total gross proceeds	17,430	10,260	—	1,262	9,499	38,451
Selling commissions and dealer manager fees	1,004	284	—	—	—	1,288
Stockholder servicing fees	—	615	—	108	—	723
Total expenses	1,004	899	—	108	—	2,011
Net offering proceeds(1)	$ 16,426	$ 9,361	$ —	$ 1,154	$ 9,499	$ 36,440

(1) Excludes fund-level offering costs of $3,685. We primarily used the net offering proceeds from the IPO to originate CRE loans and purchase real estate securities on a levered basis, subject to our investment guidelines and to the extent consistent with maintaining our REIT qualification, and other general corporate purposes.

Share Repurchase Plan

We have adopted a SRP, effective May 3, 2019, whereby on a monthly basis, stockholders who have held our shares of common stock for at least one year may request that we repurchase all or any portion of their shares. Due to the illiquid nature of investments in real estate, we may not have sufficient liquid resources to fund repurchase requests. Because there is no public market for our shares, stockholders may have difficulty selling their shares if we choose to repurchase only some, or even none, of the shares that have been requested to be repurchased in any particular month, in our discretion, or if our Board modifies, suspends or terminates the SRP.

In addition, we have established limitations on the amount of funds we may use for repurchases during any calendar month and quarter. We may repurchase fewer shares than have been requested in any particular month to be repurchased under our SRP, or none at all, in our discretion at any time. In addition, the total amount of aggregate repurchases of shares will be limited to no more than 2% of our aggregate NAV per month and no more than 5% of our aggregate NAV per calendar quarter.

In the event that we determine to repurchase some but not all of the shares submitted for repurchase during any month, shares submitted for repurchase during such month will be repurchased on a pro rata basis in the following order of priority: (i) first, shares repurchased in connection with a death or disability, until all such shares have been repurchased; (ii) next, shares being repurchased from stockholder accounts with a small aggregate value of less than $500, until all such shares have been repurchased; and (iii) finally, all other shares submitted for repurchase. All unsatisfied repurchase requests must be resubmitted after the start of the next month or quarter, or upon the recommencement of the SRP, as applicable.

If the transaction price for the applicable month is not made available by the eighth business day prior to the last business day of the month (or is changed after such date), then no repurchase requests will be accepted for such month and stockholders who wish to have their shares repurchased the following month must resubmit their repurchase requests.

Should repurchase requests, in our judgment, place an undue burden on our liquidity, adversely affect our operations or risk having an adverse impact on us as a whole, or should we otherwise determine that investing our liquid assets in real properties or other illiquid investments rather than repurchasing our shares is in the best interests of us as a whole, we may choose to repurchase fewer shares in any particular month than have been requested to be repurchased, or none at all. Further, our Board may modify, suspend or terminate our SRP if it deems such action to be in our best interest and the best interest of our stockholders.

On March 24, 2020, our Board suspended our SRP. In determining to suspend the SRP, our Board considered various factors, including the impact of the global COVID-19 pandemic on the economy, the inability to accurately calculate our NAV per share due to uncertainty, volatility and lack of liquidity in the market, our need for liquidity due to financing challenges related to additional collateral required by the banks that regularly finance our assets and uncertain and rapidly changing economic conditions. As a result of these factors, we did not calculate our NAV for the months of March through May 2020. We resumed calculation of our NAV beginning as of June 30, 2020 following the Advisor's determination that volatility in the market for our investments had declined and the U.S. economic outlook had improved.

On March 1, 2021, our SRP was reinstated for our stockholders requesting repurchase of shares as a result of the death or qualified disability of the holder. Permitted repurchase requests must be submitted on or after March 1, 2021. The first settlement of permitted repurchase requests will be on March 31, 2021, the last business day of the month.

On July 1, 2021, our SRP will be reinstated for all stockholders. Repurchase requests must be submitted on or after July 1, 2021. The first settlement of permitted repurchase requests will be on July 30, 2021, the last business day of the month. In accordance with the terms of the SRP that allow us to repurchase fewer shares than the maximum amount permitted under the SRP, for the months of July, August and September 2021, the total amount of aggregate repurchases of shares (including Class P Shares) will be limited to no more than 1% of our aggregate NAV per month as of the last day of the previous calendar month and no more than 2.5% of our aggregate NAV per calendar quarter as of the last day of the previous calendar month. Beginning on October 1, 2021, the total amount of aggregate repurchases of shares will be limited as set forth in the SRP (no more than 2% of our aggregate NAV per month as of the last day of the previous calendar month and no more than 5% of our aggregate NAV per calendar quarter as of the last day of the previous calendar month). Notwithstanding the foregoing, we may repurchase fewer shares than these limits in any month, or none. Further, our Board may modify, suspend or terminate our SRP if it deems such action to be in our best interest and the best interest of our stockholders.

During the year ended December 31, 2020, prior to the suspension of the SRP, we repurchased shares of our common stock in the following amounts, which represented all of the share repurchase requests received for the same period:

Period	Total Number of Shares Repurchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[(1)]
January 1 — January 31, 2020	8,348	$	24.99	8,348	—
February 1 — February 29, 2020	22,170	$	25.00	22,170	—
March 1 — March 31, 2020	—	$	—	—	—
April 1 — April 30, 2020	—	$	—	—	—
May 1 — May 31, 2020	—	$	—	—	—
June 1 — June 30, 2020	—	$	—	—	—
July 1 — July 31, 2020	—	$	—	—	—
August 1 — August 31, 2020	—	$	—	—	—
September 1 — September 30, 2020	—	$	—	—	—
October 1 — October 31, 2020	—	$	—	—	—
November 1 — November 30, 2020	—	$	—	—	—
December 1 — December 31, 2020	—	$	—	—	—
	30,518	$	25.00	30,518	—

(1) Repurchases are limited as described above.

Item 6. Selected Financial Data.

Not applicable to us as a smaller reporting company.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Certain statements in this Annual Report on Form 10-K constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Words such as "may," "could," "should," "expect," "intend," "plan," "goal," "seek," "anticipate," "believe," "estimate," "predict," "variables," "potential," "continue," "expand," "maintain," "create," "strategies," "likely," "will," "would" and variations of these terms and similar expressions, or the negative of these terms or similar expressions, are intended to identify forward-looking statements.

These forward-looking statements are not historical facts but reflect the intent, belief or current expectations of our management based on their knowledge and understanding of the business and industry, the economy and other future conditions. These statements are not guarantees of future performance, and we caution stockholders not to place undue reliance on forward-looking statements. Actual results may differ materially from those expressed or forecasted in the forward-looking statements due to a variety of risks, uncertainties and other factors, including but not limited to the factors described below:

- *Market disruptions caused by the economic effects of, or uncertainties surrounding the future effects of, the COVID-19 pandemic have adversely impacted aspects of our operating results and operating condition and may continue to do so, and these effects may become more severe, e.g., if COVID-19 vaccinations are not as effective as expected or for some other reason COVID-19 cases increase nationally or in markets that affect the value of our investments;*
- *If we cannot generate sufficient cash flow from operations to fully fund distributions, some or all of our distributions may be paid from other sources, including from the proceeds from sales of our common stock, which will reduce the amount of cash we ultimately have to invest in assets;*
- *There is no current public trading market for our common stock, and we do not expect that such a market will ever develop. Therefore, repurchase of shares by us will likely be the only way for stockholders to dispose of their shares, and our SRP was suspended and may be suspended again in the future;*
- *Even if our stockholders are able to sell their shares pursuant to our SRP, or otherwise, they may not be able to recover the amount of their investment in our shares;*
- *Under our charter, we may borrow to 300% of our net assets, equivalent to 75% of the costs of our assets and may exceed this limitation with the approval of a majority of our independent directors;*
- *Our Advisor and Sub-Advisor may face conflicts of interest in allocating personnel and resources among us and their affiliates;*
- *None of our agreements with our Advisor, our Sub-Advisor or any affiliates of our Advisor or Sub-Advisor were negotiated at arm's-length;*
- *If we fail to continue to qualify as a REIT, our operations and distributions to stockholders will be adversely affected; and*
- *The COVID-19 pandemic has had a significant and adverse effect on the economy and our investments, particularly the Renaissance O'Hare, and its future impacts are uncertain and hard to measure but may cause a material adverse effect on our business and results of operations.*

Forward-looking statements in this Annual Report on Form 10-K reflect our management's view only as of the date of this Annual Report on Form 10-K, and may ultimately prove to be incorrect or false. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results except as required by applicable law. We intend for these forward-looking statements to be covered by the applicable safe harbor provisions created by Section 27A of the Securities Act and Section 21E of the Exchange Act.

The following discussion should be read in conjunction with our consolidated financial statements and the accompanying notes to our consolidated financial statements, which are included in Part IV, Item 15 of this Annual Report on Form 10-K. All dollar amounts are stated in thousands, except share data.

Overview

We are a Maryland corporation formed on September 13, 2016 to originate, acquire and manage an investment portfolio of CRE investments primarily comprised of (i) CRE debt, including floating-rate first mortgage loans, subordinate mortgage and mezzanine loans, and participations in such loans and (ii) floating-rate CRE securities such as CMBS and senior unsecured debt of publicly traded REITs. We may also invest in select equity investments in single-tenant, net leased properties. Substantially all of our business is conducted through our Operating Partnership, of which we are the sole general partner. We are externally managed by our Advisor, an indirect subsidiary of Inland Real Estate Investment Corporation. Our Advisor has engaged the Sub-Advisor, a subsidiary of Sound Point CRE Management, LP, to perform certain services on behalf of the Advisor for us.

We have operated in a manner that allows us to qualify as a REIT for U.S. federal income tax purposes commencing with the taxable year ended December 31, 2017. Among other requirements, REITs are required to distribute to stockholders at least 90% of their annual REIT taxable income (computed without regard to the dividends-paid deduction and excluding net capital gain).

For a discussion of the history of the Company and its Private Offering and IPO, please see Part IV, Item 15, "Note 1 – Organization and Business Operations" in the notes to our consolidated financial statements below.

Factors Impacting Our Operating Results

Our operating results can be affected by a number of factors and primarily depend on the timing and amount of capital raised, the composition of our investment portfolio, the amount of leverage applied to our investment portfolio and our net interest income. Several macroeconomic factors impact the interest rate environment and our target assets, none of which can be predicted with any certainty.

Market Conditions

The economic conditions that resulted from the COVID-19 pandemic had a significant impact on our investments during the year ended December 31, 2020. Prior to the pandemic, we held approximately $156.6 million in CMBS of which a significant portion consisted of interests in hotel property loans. The value of the CMBS declined as travel, in-person gatherings and shopping were restricted due to the pandemic. We began selling the CMBS portfolio in April 2020 and, as the effects of the pandemic continued, we eventually made the decision to exit the CMBS market and sold all our CMBS recognizing $35.0 million in losses.

Our CRE loan portfolio has performed well through the pandemic with every loan, other than the loan secured by the Renaissance O'Hare, making all of their scheduled debt service payments during 2020 in accordance with their respective terms, which included modifications to one hospitality loan, one retail loan and two office loans. In August, we took possession of the Renaissance O'Hare through a deed-in-lieu transaction and recognized a $4.7 million loss. With hotel occupancy rates continuing to lag normal levels due to reduced travel and government restrictions, in December 2020 we further reduced the valuation of the hotel for our NAV by a total of $7.6 million and reserved $2.25 million due to expected short-term losses projected until the hotel returns to its normal operating levels. See Non-GAAP Financial Measures – Net Asset Value below. Our review of the property determined the value was not permanently impaired, and we did not reduce the value in our financial statements.

Our CRE loan portfolio strategy has been to focus on smaller markets and properties owned by experienced and well-capitalized sponsors. Even during the severe market disruption caused by the COVID-19 pandemic, our strategy as to CRE loans has proven to be effective. We believe the current market conditions create a favorable investment environment for CRE loans and will improve further as the economy recovers from the pandemic. Our target investments provide the opportunity to participate in a CRE market where values have shown positive trends and we believe income growth is expected to continue.

We believe the CRE debt sector continues to represent a large market opportunity. According to Trepp – Federal Reserve Flow of Funds Data, there are approximately $2.1 trillion in U.S. CRE mortgage loans that are expected to mature during the period 2021 through 2025. We believe the large volume of maturing CRE loans over the next five years and the resulting need for borrowers to refinance assets will provide a significant opportunity to originate CRE debt. In addition, this volume of refinancings does not include the need to finance the purchases of CRE properties, which will provide additional finance opportunities.

There continues to be strong competition for CRE lending from banks and non-banking lenders. We believe the many years of industry experience of the portfolio managers of our Sub-advisor who have resulted in long-standing financing relationships will provide us access to attractive loan opportunities to compete in this market.

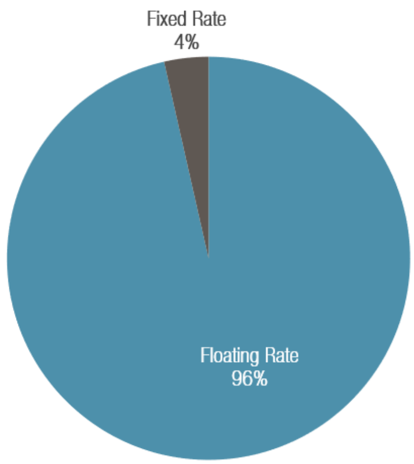
Portfolio

We began operations in October 2016, and our objective is to originate, acquire and manage an investment portfolio mainly of CRE debt that is primarily floating rate and diversified based on the type and location of collateral securing the underlying CRE debt. We anticipate our investment portfolio will be less diversified and have higher concentrations in asset class, collateral type and geographic location until our capital raise reaches levels that will allow for greater diversification.

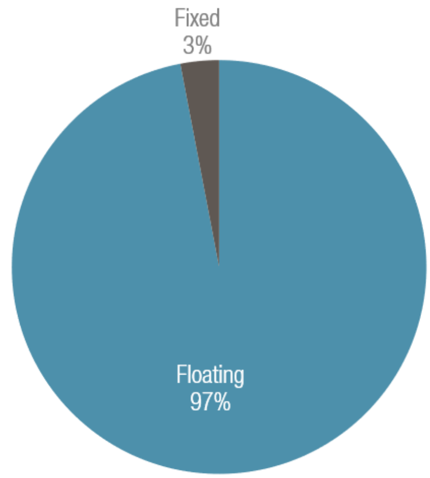
The charts below summarize our debt investments portfolio as a percentage of par value by type of rate, our total investment portfolio by investment type, and our loan portfolio by collateral type and geographical region as of December 31, 2020 and 2019.

Floating Vs. Fixed Rate Debt Investments:

December 31, 2020

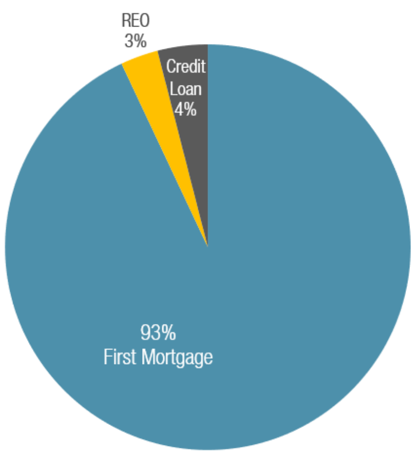


December 31, 2019

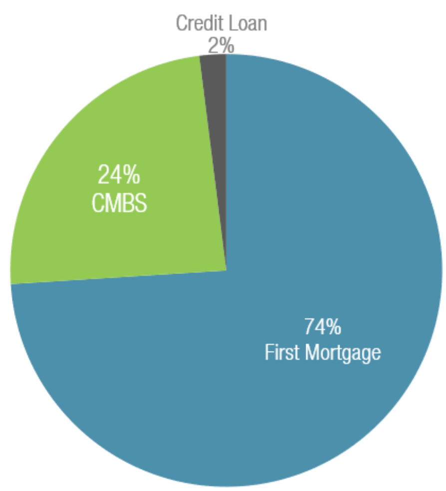


All Investments by Type:

December 31, 2020

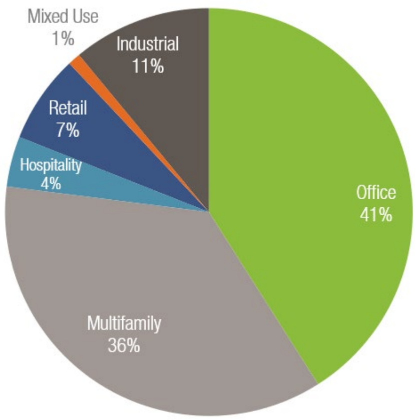


December 31, 2019

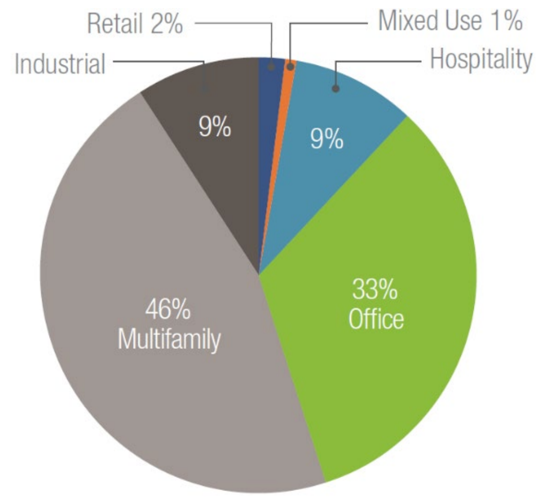


Loans by Property Type:

December 31, 2020

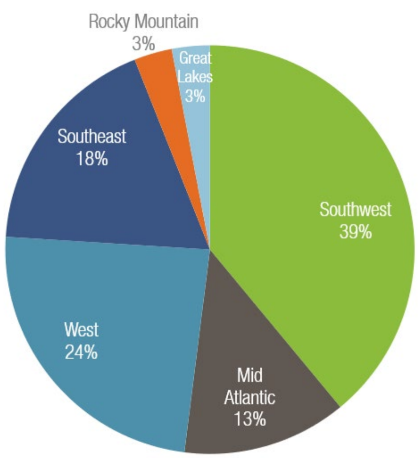


December 31, 2019

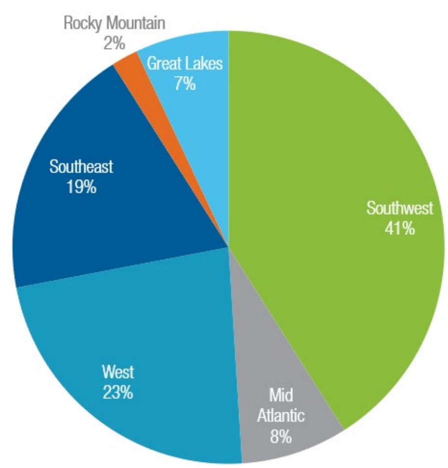


Loans by Region:

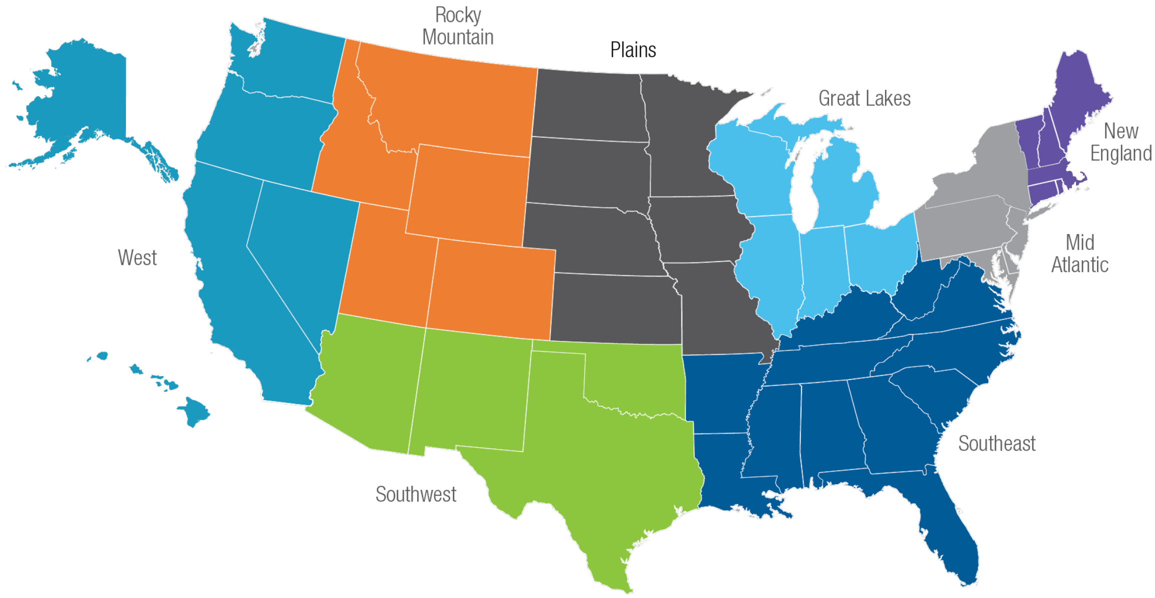
December 31, 2020



December 31, 2019



An investment's region is defined according to the below map based on the location of underlying property.



During the year ended December 31, 2020 and 2019, we raised combined gross proceeds from the Private Offering and IPO (collectively, the "Offerings"), including proceeds from the DRP, of $24,513 and $130,201, respectively. The changes in our portfolio as of December 31, 2020 compared to December 31, 2019 were primarily due to real estate securities sold during the period. Due to the small number of investments in our portfolio, changes in the portfolio composition may be significant. We anticipate that these changes will become less significant as our portfolio increases in size.

Commercial Mortgage Loans Held for Investment

	Year Ended December 31, 2020	Year Ended December 31, 2019
Principal balance of first mortgage loans	$ 425,196	$ 489,902
Number of first mortgage loans	26	29
Principal balance of credit loans	$ 16,500	$ 16,500
Number of credit loans	3	3
Total balance of loans	$ 441,696	$ 506,402
Total number of loans	29	32
All-in yield (1)	5.5%	5.7%
Weighted average years to maximum maturity	3.4	4.0

(1) All-in yield is the present value of all future principal and interest payments on the loan and does not include any origination fees or deferred commitment fees.

The decrease in the size of our portfolio is primarily due to loans that were paid off or sold during the period. The change in the all-in yield was not significant. The portfolio has not grown during 2020 due to the desire to preserve cash during the early period of the pandemic and the temporary suspension of our IPO.

The tables below present select loan information for each of our commercial mortgage loans as of:

December 31, 2020

	Origination Date	Loan Type (1)	Principal Balance	Cash Coupon (2)	All-in Yield (2)	Maximum Maturity (3)	State	Property Type	LTV (4)	Risk Rating (5)
1	12/12/17	First mortgage	$ 14,650	L+4.70%	5.9%	1/9/23	HI	Office	67%	2
2	12/13/17	First mortgage	16,860	L+4.50%	5.7%	6/9/21	VA	Office	55%	4
3	3/22/18	First mortgage	12,059	L+3.75%	5.1%	4/9/23	CO	Retail	74%	2
4	5/4/18	First mortgage	31,000	L+4.00%	5.5%	5/9/23	PA	Industrial	64%	2
5	5/17/18	First mortgage	6,962	L+4.50%	6.2%	6/9/23	NC	Multifamily	54%	3
6	9/7/18	First mortgage	24,411	L+3.75%	5.6%	9/9/23	TX	Office	73%	2
7	9/19/18	First mortgage	8,531	L+3.70%	5.7%	10/9/23	TX	Multifamily	69%	3
8	10/30/18	First mortgage	6,860	L+3.85%	5.7%	11/9/23	TX	Multifamily	76%	2
9	11/16/18	First mortgage	5,200	L+3.90%	5.9%	12/9/23	CA	Multifamily	64%	2
10 (6)	12/20/18	First mortgage	16,537	L+4.20%	6.2%	6/9/25	AL	Hospitality	64%	4
11	1/25/19	First mortgage	11,575	L+3.45%	5.4%	2/9/24	IL	Multifamily	78%	2
12	4/11/19	First mortgage	15,761	L+3.30%	5.7%	4/9/24	CA	Industrial	79%	2
13	5/29/19	First mortgage	24,000	L+3.25%	5.7%	6/9/24	TX	Multifamily	68%	3
14	5/31/19	First mortgage	12,828	L+3.25%	5.6%	6/9/24	CA	Multifamily	70%	3
15	6/18/19	First mortgage	47,507	L+2.75%	4.7%	7/9/24	TX	Office	72%	2
16	6/18/19	First mortgage	6,350	L+3.60%	5.7%	7/9/24	CA	Mixed Use	54%	2
17	8/15/19	First mortgage	7,567	L+4.20%	6.6%	9/9/24	TN	Office	45%	3
18	9/27/19	First mortgage	15,260	L+3.10%	4.6%	10/9/24	CA	Office	75%	2
19	9/30/19	First mortgage	30,000	L+3.30%	5.0%	10/9/24	TX	Multifamily	77%	2
20	10/4/19	First mortgage	20,958	L+2.90%	4.6%	10/9/24	NC	Office	61%	3
21	10/30/19	First mortgage	13,743	L+3.00%	4.9%	11/9/24	CA	Multifamily	80%	2
22	11/22/19	First mortgage	32,632	L+3.00%	4.9%	12/9/24	AZ	Multifamily	80%	2
23	2/6/20	First mortgage	19,835	L+3.30%	4.9%	2/9/25	NJ	Office	69%	2
24	2/20/20	First mortgage	8,000	L+3.85%	5.4%	3/9/25	CA	Retail	57%	2
25	2/28/20	First mortgage	9,320	L+3.50%	5.0%	3/9/25	FL	Retail	78%	2
26	10/13/20	First mortgage	6,790	L+4.00%	4.9%	10/9/25	CA	Multifamily	70%	2
27	9/29/17	Credit	7,500	9.20%	9.2%	10/11/27	NJ	Office	80%	3
28	3/27/18	Credit	3,000	9.35%	9.3%	4/1/23	FL	Hospitality	68%	4
29	10/4/19	Credit	6,000	10.00%	10.0%	10/6/24	NV	Office	75%	2
			$ 441,696		5.5%				70%	

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December 31, 2019

	Origination Date	Loan Type (1)	Principal Balance	Cash Coupon (2)	All-in Yield (2)	Maximum Maturity (3)	State	Property Type	LTV (4)	Risk Rating (5)
1	12/12/17	First mortgage	$ 14,650	L+4.70%	6.5%	1/9/23	HI	Office	67%	2
2	12/13/17	First mortgage	15,654	L+4.50%	6.3%	12/9/22	VA	Office	55%	2
3	3/22/18	First mortgage	11,954	L+3.75%	5.5%	4/9/23	CO	Retail	74%	2
4	5/4/18	First mortgage	31,000	L+4.00%	5.8%	5/9/23	PA	Industrial	64%	2
5	5/17/18	First mortgage	6,962	L+4.50%	6.3%	6/9/23	NC	Multifamily	54%	2
6	8/21/18	First mortgage	16,347	L+3.65%	5.5%	9/9/23	AZ	Multifamily	80%	2
7	9/7/18	First mortgage	24,084	L+3.75%	5.6%	9/9/23	TX	Office	73%	2
8	9/19/18	First mortgage	8,531	L+3.70%	5.7%	10/9/23	TX	Multifamily	69%	2
9	10/12/18	First mortgage	19,445	L+4.00%	6.0%	10/9/23	TX	Multifamily	76%	2
10	10/30/18	First mortgage	6,769	L+3.85%	5.7%	11/9/23	TX	Multifamily	76%	2
11	11/16/18	First mortgage	5,200	L+3.90%	5.9%	12/9/23	CA	Multifamily	64%	2
12	11/20/18	First mortgage	26,704	L+3.30%	5.4%	12/9/23	FL	Multifamily	78%	2
13	12/13/18	First mortgage	24,500	L+5.05% (7)	7.2%	12/9/21	IL	Hospitality	72%	3
14	12/20/18	First mortgage	16,150	L+4.20%	6.2%	1/9/24	AL	Hospitality	64%	2
15	1/24/19	First mortgage	14,200	L+3.40%	5.7%	2/9/24	NV	Multifamily	76%	2
16	1/25/19	First mortgage	10,290	L+3.45%	5.4%	2/9/24	IL	Multifamily	78%	2
17	4/11/19	First mortgage	15,761	L+3.30%	5.7%	4/9/24	CA	Industrial	79%	2
18	4/25/19	First mortgage	6,814	L+4.00%	6.4%	5/9/24	TX	Multifamily	58%	2
19	5/29/19	First mortgage	24,000	L+3.25%	5.7%	6/9/24	TX	Multifamily	68%	2
20	5/31/19	First mortgage	12,130	L+3.25%	5.6%	6/9/24	CA	Multifamily	70%	2
21	6/18/19	First mortgage	40,719	L+2.75%	4.7%	7/9/24	TX	Office	72%	2
22	6/18/19	First mortgage	6,350	L+3.60%	5.7%	7/9/24	CA	Mixed Use	54%	2
23	7/24/19	First mortgage	14,000	L+3.95%	5.9%	8/9/22	CA	Office	77%	2
24	8/15/19	First mortgage	7,000	L+4.20%	6.6%	9/9/24	TN	Office	45%	2
25	9/27/19	First mortgage	14,900	L+3.10%	4.9%	10/9/24	CA	Office	75%	2
26	9/30/19	First mortgage	30,000	L+3.30%	5.1%	10/9/24	TX	Multifamily	77%	2
27	10/4/19	First mortgage	20,400	L+2.90%	4.7%	10/9/24	NC	Office	61%	2
28	10/30/19	First mortgage	13,388	L+3.00%	4.9%	11/9/24	CA	Multifamily	80%	2
29	11/22/19	First mortgage	32,000	L+3.00%	4.9%	12/9/24	AZ	Multifamily	80%	2
30	9/29/17	Credit	7,500	9.20%	9.2%	10/11/27	NJ	Office	80%	2
31	3/27/18	Credit	3,000	9.35%	9.3%	4/1/23	FL	Hospitality	68%	3
32	10/4/19	Credit	6,000	10.00%	10.0%	10/6/24	NV	Office	75%	2
			$ 506,402		5.7%				71%	

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(1) First mortgage loans are first position mortgage loans and credit loans are mezzanine and subordinated loans.

(2) Cash coupon is the stated rate on the loan. All-in yield is the present value of all future principal and interest payments on the loan and does not include any origination fees or deferred commitment fees. The total is the weighted average rate as of December 31, 2020 and 2019. Our first mortgage loans are all floating rate and each contains a minimum LIBOR floor. The weighted average LIBOR floor for these loans was 1.83% and 1.93% as of December 31, 2020 and 2019, respectively.

(3) Maximum maturity assumes all extension options are exercised by the borrower, however loans may be repaid prior to such date.

(4) Loan-to-value ("LTV") was determined at loan origination and is not updated for subsequent property valuations or loan modifications. The total is the weighted average LTV.

(5) Risk rating is the internal risk rating assigned by the Sub-Advisor. The total is the average rating for the portfolio. See Note 3 – "Commercial Mortgage Loans Held for Investment," which is included in our notes to consolidated financial statements included in this Annual Report on Form 10-K.

(6) Loan has been modified to capitalize a portion of its interest payment for a temporary period of time. The all-in yield assumes the timely payment of interest and principal through maturity.

(7) Cash coupon increased to L+5.30% on the payment date in January 2020.

Real Estate Securities

During the year ended December 31, 2020, we sold all CMBS investments. The table below provides a summary of our real estate securities portfolio as of December 31, 2019:

	Year Ended December 31, 2019
Outstanding balance (fair value)	$ 157,869
Number of real estate securities	17
Weighted average interest rate [(1)]	5.0%
Weighted average years to maturity	1.0
Weighted average yield [(2)]	6.2%
Portfolio ratings % of total outstanding	
AAA	12%
AA-	1%
BB-	46%
BBB-	6%
Unrated	35%

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(1) The weighted average interest rate is based off the balance of the bonds outstanding and the applicable rates.

(2) The weighted average yield is calculated as interest income divided by the average carrying value.

We entered into master repurchase agreements to fund our investment portfolio. As of December 31, 2020 and 2019, we had total borrowings of $290,699 (which is net of $27 of unamortized debt issuance costs) and $443,294 (which is net of $80 of unamortized debt issuance costs), respectively. During the years ended December 31, 2020 and 2019, we had weighted average borrowings of $378,136 and $329,037 and weighted average borrowing costs of 2.7% and 4.2%, respectively. The decrease in borrowings was primarily due to the sale of CMBS that were financed under the master repurchase agreements. The value of the CMBS we held was impacted by the overall market decline caused by the COVID-19 pandemic, with those securities representing interests in hospitality property loans being severely impacted. As part of our financing relationships, we were required to meet certain financial covenants and, at times, were required to post additional cash or securities as margin to secure our borrowing positions, and in April 2020, we sold six CMBS positions with values negatively impacted in the wake of the pandemic with a total par value of $63.3 million at a realized loss of $19.3 million. With the continued negative economic effects of the COVID-19 pandemic, we chose to further reduce exposure to CMBS on a levered basis and sold all of our CMBS securities retaining the cash generated to invest in new loan originations. The decrease in the weighted average borrowing costs was primarily due to the change in LIBOR during the period.

Real Property

On August 20, 2020, through an indirect wholly-owned subsidiary, we acquired the Renaissance O’Hare from the borrower under one of our first mortgage loans. More specifically, we acquired a ground lease of the Renaissance O’Hare via a deed-in-lieu of foreclosure transaction following the borrower’s default on its loan, which had a par value of $24.5 million and an initial maturity date of December 9, 2020. Current annual rent under the ground lease is approximately $1.6 million on a net basis, with us as the tenant responsible for all operating expenses, including property taxes. The lease has a 10% rental increase every five years with the next increase scheduled to occur in April 2023. This ground lease runs through March 2098.

The Renaissance O’Hare is a full-service, 16-story hotel consisting of the hotel building and access to an adjoining five-story parking garage shared with an adjacent office building we do not own. The hotel features a business center, fitness center, indoor swimming pool and whirlpool, gift shop, restaurant, Starbucks and 170 available parking spaces. The hotel has 16 meeting and banquet rooms containing a total of 15,754 square feet, the largest of which is 5,000 square feet and seats 600.

Along with the hospitality sector as a whole, the Renaissance O’Hare was negatively impacted in 2020 by the COVID-19 pandemic and continues to be negatively impacted. The table below includes certain historical information with respect to the average occupancy, the average daily rate and the revenue per available room of the Renaissance O’Hare.

Year	Average Occupancy Per Night	Average Daily Rate	Revenue Per Available Room
2016	73.2%	$ 145.28	$ 106.36
2017	74.8%	$ 139.29	$ 104.24
2018	71.0%	$ 148.97	$ 105.68
2019	72.3%	$ 146.50	$ 105.85
2020	25.3%	$ 106.81	$ 26.88

The value of the hotel was appraised by a third-party at $21.6 million as of June 29, 2020, and $14 million as of December 31, 2020. We have estimated a $2.25 million expected loss during 2021 for the Renaissance O'Hare related to the continuing COVID-19 pandemic. Though vaccinations have begun, there are numerous risks and uncertainties still surrounding the effects of the pandemic, including whether and when a resumption of pre-pandemic levels of travel and in-person meetings and events might happen. Government restrictions on travel and in-person gatherings, reduced demand for these activities from businesses and individuals, and the uncertainties surrounding the duration and effects of the pandemic persist, so we believe it is prudent to have sought the December appraisal and to have reflected in our NAV as of December 31, 2020 our revised valuation of our interest in the hotel and the estimated loss in 2021 from the continued effects of COVID-19.

Ultimately, we intend to sell the Renaissance O'Hare and remain focused on our core business of investing in CRE debt. The performance of the hotel has trended positively in the first two months of 2021, with average occupancy per night doubling to approximately 32% in February 2021 from approximately 16% in the fourth quarter of 2020 and revenue per available room increasing to $24.32 from $13.60 on a slightly lower average daily rate of $76 from $85. Until we determine to sell the hotel, a third-party management company we have engaged will continue to manage it. To help facilitate operations while we monitor the course of the pandemic and market conditions, the hotel has received a $1.1 million loan under the federal government's paycheck protection program (PPP). Under the terms of the CARES Act, PPP loan recipients can apply for forgiveness for all or a portion of loans granted under the PPP. Such forgiveness will be determined, subject to limitations and ongoing rulemaking by the U.S. Small Business Administration, based in part on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels. Our intent is to use the loan proceeds for these purposes, but there is no assurance that our PPP loan will be forgiven.

Although occupancy and the hotel's performance has recently trended positively, balancing the potential increase in the price of a future sale against the potential for continued operating losses in the face of the uncertainty surrounding the pandemic is very difficult. Whether we achieve a sale price that is worth waiting for will likely depend in large part on how the aforementioned uncertainties surrounding the pandemic and the return of business travel and in-person large group events unfolds, which could result in a favorable sale price or future operating losses even beyond what we are expecting or a loss on sale, any of which could be material to our future results of operations. We will monitor the market for hotel sales while considering, among other things, the performance of the hotel, relevant market factors and our expected total return weighing current potential disposition prices and redeployment of the sales proceeds into our core investment strategy against the potential disposition prices expected later upon the stabilization of the performance of the hotel.

Summary of Critical Accounting Policies

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. We consider these policies to be critical because they require our management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If management's judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied, thus resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

Commercial Mortgage Loans and Allowance for Loan Losses

Commercial mortgage loans are held for investment purposes and are anticipated to be held until maturity. Accordingly, they are carried at cost, net of unamortized loan fees and origination costs, and premiums or discounts. Commercial mortgage loans that are deemed to be impaired will be carried at amortized cost less a specific allowance for loan losses. Interest income is recorded on the accrual basis and related discounts, premiums and net deferred fees or costs on investments are amortized over the life of the investment using the effective interest method. Amortization is reflected as an adjustment to interest income in our consolidated statements of operations. Upon measurement of impairment, we record an allowance for loan losses to reduce the carrying value of the loan with a corresponding charge through the provision for loan losses on our consolidated statements of operations.

The allowance for loan losses reflects management's estimate of loan losses inherent in the loan portfolio as of the balance sheet date. We use a uniform process for determining our allowance for loan losses. The allowance for loan losses includes an asset-specific component and will include a general, formula-based component when the portfolio is determined to be of sufficient size to warrant such a reserve.

The asset-specific reserve component relates to reserves for losses on individual impaired loans. We consider a loan to be impaired when, based upon current information and events, we believe that it is probable that we will be unable to collect all amounts due under the contractual terms of the loan agreement. This assessment is made on an individual loan basis each quarter based on such factors as payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographical location as well as national and regional economic factors. A reserve is established for an impaired loan when the present value of payments expected to be received, observable market prices or the estimated fair value of the collateral (for loans that are dependent on the collateral for repayment) is lower than the carrying value of that loan.

For collateral dependent impaired loans, impairment is measured using the estimated fair value of collateral less the estimated cost to sell. Valuations are performed or obtained at the time a loan is determined to be impaired and designated non-performing, and they are updated if circumstances indicate that a significant change in value has occurred. The Advisor generally will use the income approach through internally developed valuation models to estimate the fair value of the collateral for such loans. In more limited cases, the Advisor will obtain external “as is” appraisals for loan collateral, generally when third party participations exist.

General reserves are recorded when (i) available information as of each balance sheet date indicates that it is probable a loss has occurred in the portfolio and (ii) the amount of the loss can be reasonably estimated. Our policy is to estimate loss rates based on actual losses experienced, if any, or based on historic realized losses experienced in the industry if we have not experienced any losses. Current collateral and economic conditions affecting the probability and severity of losses are taken into account when establishing the allowance for loan losses. We perform a comprehensive analysis of our loan portfolio and assign risk ratings to loans that incorporate management's current judgments about their credit quality based on all known and relevant internal and external factors that may affect collectability. We consider, among other things, payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographic location as well as national and regional economic factors. This methodology results in loans being segmented by risk classification into risk rating categories that are associated with estimated probabilities of default and principal loss. Ratings range from “1” to “5” with “1” representing the lowest risk of loss and “5” representing the highest risk of loss.

Loans are generally placed on non-accrual status when principal or interest payments are past due 90 days or more or when there is reasonable doubt that principal or interest will be collected in full. Accrued and unpaid interest is generally reversed against interest income in the period the loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding the borrower's ability to make pending principal and interest payments. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current. We may make exceptions to placing a loan on non-accrual status if the loan has sufficient collateral value and is in the process of collection.

In June 2016, the Financial Accounting Standards Board (the “FASB”) issued ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”), which changes how entities measure credit losses for financial assets carried at amortized cost. ASU 2016-13 eliminates the requirement that a credit loss must be probable before it can be recognized and instead requires an entity to recognize the current estimate of all expected credit losses. ASU 2016-13 is effective for SEC filers for reporting periods beginning after December 15, 2019. The amendments may be adopted early for reporting periods beginning after December 15, 2018. In November 2019, the FASB issued ASU 2019-10, “Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates”, which grants smaller reporting companies (as defined by the SEC) until reporting periods commencing after December 15, 2022 to implement ASU 2016-13. The Company has elected to use this extension and is continuing to evaluate the impact ASU 2016-13 will have on its allowance for loan losses estimate.

Real Estate Securities at Fair Value

Our real estate securities are comprised of CMBS and we have chosen to make a fair value option election pursuant to ASC Topic 825*, Financial Instruments* for our securities and, therefore, our investment securities are recorded at fair market value on the consolidated balance sheets. The periodic changes in fair market value are recorded in current period earnings on the consolidated statements of operations as a component of net unrealized gain (loss) in value of real estate securities. These investments generally meet the requirements to be classified as available-for-sale under ASC Topic 320, *Investments - Debt and Equity Securities*, which requires the securities to be carried at fair value on the consolidated balance sheet with changes in fair value recorded to other comprehensive income on our consolidated statement of changes in stockholders' equity. Electing the fair value option permits us to record changes in fair value of our investments in the consolidated statements of operations which, in management's view, more appropriately reflects the results of operations for a particular reporting period.

We record our transactions in securities on a trade date basis and recognize realized gains and losses on securities transactions on an identified cost basis.

Results of Operations

The table below presents information from our consolidated statements of operations for the years ended December 31, 2020, 2019 and 2018.

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Interest income:			
Interest income	$ 33,490	$ 34,290	$ 11,105
Less: Interest expense	(10,317)	(14,035)	(4,091)
Net interest income	23,173	20,255	7,014
Revenue from real estate owned	972	—	—
Total income	24,145	20,255	7,014
Operating expenses:			
Advisory fee	5,528	5,632	2,540
Debt finance costs	1,331	950	456
Directors compensation	94	86	84
Professional service fees	2,031	651	356
Real estate owned operating expenses	2,709	—	—
Depreciation and amortization	405	—	—
Other expenses	921	579	243
Expense reimbursement	—	(359)	—
Total operating expenses	13,019	7,539	3,679
Other (loss) income:			
Provision for loan losses	(4,726)	—	—
Realized loss on sale of commercial loan	(375)	—	—
Unrealized gain (loss) in value of real estate securities	211	1,032	(1,279)
Realized loss on the sale of real estate securities	(35,020)	(43)	—
Total other (loss) income	(39,910)	989	(1,279)
Net (loss) income before income taxes	(28,784)	13,705	2,056
Income tax benefit	—	—	(13)
Net (loss) income	$ (28,784)	$ 13,705	$ 2,069
Net (loss) income per share, basic and diluted	$ (2.49)	$ 1.53	$ 0.57
Weighted average number of shares			
Basic	11,561,828	8,958,684	3,638,407
Diluted	11,561,828	8,959,035	3,638,574

The change in performance from December 31, 2019 to the year ended December 31, 2020 generally resulted from decrease in value of CMBS following the onset of the COVID-19 pandemic and losses on real estate acquired via deed-in-lieu of foreclosure, offset partially from the investment of the proceeds from the Offerings in CRE investments on a levered basis. For the year ended December 31, 2020, the ratio of the cost of raising equity capital to the gross amount of equity capital raised was approximately 9.3%.

The change in performance from December 31, 2018 to the year ended December 31, 2019 generally resulted from the investment of the proceeds from the Private Offering in CRE investments on a levered basis.

Net Interest Income

Net interest income is generated on our interest-earning assets less related interest-bearing liabilities. The following table presents the average balance of interest-earning assets less related interest-bearing liabilities, associated interest income and expense and corresponding yield earned and incurred for the periods indicated.

	Year Ended December 31, 2020			Year Ended December 31, 2019			Year Ended December 31, 2018		
	Average Carrying Value (1)	Interest Income/ Expense (2)(3)	Weighted Average Yield/ Financing Cost (4)	Average Carrying Value (1)	Interest Income/ Expense (2)(3)	Weighted Average Yield/ Financing Cost (4)	Average Carrying Value (1)	Interest Income/ Expense (2)(3)	Weighted Average Yield/ Financing Cost (4)
Interest-earning assets:									
Real estate securities	$ 82,790	$ 3,920	4.7%	$ 120,079	$ 7,517	6.2%	$ 58,812	$ 3,327	5.6%
Commercial mortgage loans	498,673	29,428	5.8%	382,805	26,074	6.7%	110,900	7,706	6.9%
Total/Weighted Average	$ 581,463	$ 33,348	5.7%	$ 502,884	$ 33,591	6.6%	$ 169,712	$ 11,033	6.4%
Interest-bearing liabilities:									
Repurchase agreements — securities	$ 47,214	$ 1,578	3.3%	$ 81,966	$ 2,996	3.6%	$ 37,866	$ 1,286	3.3%
Repurchase agreements — mortgage loans	330,922	8,739	2.6%	247,071	11,039	4.4%	61,355	2,805	4.5%
Total/Weighted Average	$ 378,136	$ 10,317	2.7%	$ 329,037	$ 14,035	4.2%	$ 99,221	$ 4,091	4.1%
Net interest income/spread		$ 23,031	3.0%		$ 19,556	2.4%		$ 6,942	2.3%
Average leverage % (5)	186.0%			189.3%			140.8%		
Weighted average levered yield (6)			11.1%			11.1%			9.7%

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(1) Based on amortized cost for real estate securities and principal amount for repurchase agreements. Amounts are calculated based on the average daily balance.

(2) Includes the effect of amortization of premium or accretion of discount.

(3) Interest income excludes $142, $699 and $72 for the years ended December 31, 2020, 2019 and 2018, respectively, related to bank deposits and Treasury bills not included in the investment portfolio.

(4) Calculated as interest income or expense divided by average carrying value.

(5) Calculated by dividing total average interest-bearing liabilities by total average equity (total average interest-earning assets less total average liabilities).

(6) Calculated by taking the sum of (i) the net interest spread multiplied by the average leverage and (ii) the weighted average yield on interest-earning assets.

The increase in our average interest-earning assets and interest-bearing liabilities was due to the investment of proceeds from the Offerings and through increased leverage as we executed our business strategy. The change in the weighted average yield and finance cost was due to the change in the portfolio composition between securities and mortgage loans and the changes in interest rates tied to LIBOR.

Revenue from Real Estate Owned

During the year ended December 31, 2020, we acquired a hotel property through a deed-in-lieu of foreclosure transaction that generated $972 in revenue. We did not own any real estate during the years ended December 31, 2019 and 2018.

Operating Expenses

Operating expenses for the years ended December 31, 2020, 2019 and 2018 are set forth in the table below:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Advisory fee	$ 5,528	$ 5,632	$ 2,540
Debt finance costs	1,331	950	456
Directors compensation	94	86	84
Professional service fees	2,031	651	356
Real estate owned operating expenses	2,709	—	—
Depreciation and amortization	405	—	—
Other expenses	921	579	243
Expense reimbursement	—	(359)	—
Total operating expenses	$ 13,019	$ 7,539	$ 3,679

Total operating expenses increased approximately $5.5 million in the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the increase in real estate owned operating expenses and professional fees. The increase in real estate owned operating expenses and depreciation and amortization during the year ended December 31, 2020 were from the hotel acquired through a deed-in-lieu of foreclosure transaction during August 2020. We did not hold any real estate during the years ended December 31, 2019 and 2018. The increase in professional service fees in the year ended December 31, 2020 compared to the year ended December 31, 2019 was primarily due to the write-off of deferred costs related to the issuance of a collateralized loan obligation we did not complete due to the economic impact of COVID-19 and increased legal expenses. Debt finance costs increased during the year ended December 31, 2020 compared to the year ended December 31, 2019 due to the extension fees paid for the CF Repo Facility (defined below) and the addition of the JPM Repo Facility (defined below) in Q2 2019 and the associated amortization of debt finance costs for both in 2020 compared to 2019. The increase in other expenses during the year ended December 31, 2020 was due to higher mortgage servicing fees due to a larger average loan portfolio during 2020 and D&O insurance expense. The expense reimbursement was newly implemented during 2019. The Advisor has agreed to reimburse us from time to time for certain costs incurred by us. There were no expense reimbursements during the years ended December 31, 2020 and 2018. These reimbursements represent one-time cash payments to us in order to provide additional operating support to us and ensure a particular return for our stockholders and are not subject to approval from our Board. For the year ended December 31, 2020 our total operating expenses were 2.2% of our average invested assets and 45.2% of our net loss. In order to support the performance of the Company, the Advisor has agreed to waive 50% of its management fee for the month of January 2021 and for future months until it notifies our Board that the waiver is terminated.

Other (Loss) Income

For the years ended December 31, 2020, 2019 and 2018, other (loss) income was $(39,910), $989 and $(1,279), respectively. The primary reason for the change in other income (loss) was due to the change in the fair value of the real estate securities resulting from different market conditions during each year, with a significant decrease in value following the onset of the COVID-19 pandemic in the year ended December 31, 2020. These real estate securities were all sold during the year ended December 31, 2020. There was also a provision for loan losses of $(4,726) recorded in 2020 related to the deed-in-lieu of foreclosure for the Renaissance O'Hare.

Net (Loss) Income

For the years ended December 31, 2020 and 2019, our net (loss) income was $(28,784) and $13,705, or $(2.49) and $1.53 per share (basic and diluted), respectively. The decrease was primarily due to realized losses on the sale of real estate securities and a provision for loan losses recorded during 2020. For the years ended December 31, 2019 and 2018, our net income was $13,705 and $2,069, or $1.53 and $0.57 per share (basic and diluted), respectively. The increase in net income was primarily due to an increase in net interest income as our investment portfolio increased due to investing the proceeds from the Offerings and borrowings.

Non-GAAP Financial Measures

Funds from Operations and Modified Funds from Operations

We use Funds from Operations ("FFO"), a widely accepted metric, to evaluate our performance. FFO provides a supplemental measure to compare our performance and operations to other REITs. Due to certain unique operating characteristics of real estate companies, The National Association of Real Estate Investment Trusts ("NAREIT") has promulgated a standard known as FFO, which it believes more accurately reflects the operating performance of a REIT. As defined by NAREIT, FFO means net income computed in accordance with GAAP, excluding gains (or losses) from sales of operating property, plus depreciation and amortization and after adjustments for unconsolidated entities. In addition, NAREIT has further clarified the FFO definition to add-back impairment write-downs of depreciable real estate or of investments in unconsolidated entities that are driven by measurable decreases in the fair value of depreciable real estate and to exclude the earnings impacts of cumulative effects of accounting changes. We have adopted the NAREIT definition for computing FFO.

Due to the unique features of publicly registered, non-listed REITs, the Institute for Portfolio Alternatives ("IPA"), an industry trade group, published a standardized measure known as Modified Funds from Operations ("MFFO"), which the IPA has promulgated as a supplemental measure for publicly registered non-listed REITs and which may be another appropriate supplemental measure to reflect the operating performance of a non-listed REIT.

The IPA defines MFFO as FFO adjusted for acquisition fees and expenses, amounts relating to straight line rents and amortization of premiums on debt investments, non-recurring impairments of real estate-related investments, mark-to-market adjustments included in net income, non-recurring gains or losses included in net income from the extinguishment or sale of debt, hedges, foreign exchange, derivatives or securities holdings where trading of such holdings is not a fundamental attribute of the business plan, unrealized gains or losses resulting from consolidation from, or deconsolidation to, equity accounting, and after adjustments for consolidated and unconsolidated partnerships and joint ventures.

We define MFFO in accordance with the concepts established by the IPA and adjust FFO for certain items, such as amortization of premium and discounts on real estate securities. We purchase real estate securities at a premium or discount to par value, and in accordance with GAAP, record the amortization of premium/accretion of the discount to interest income. We believe that excluding the amortization of premiums and discounts provides better insight to the expected contractual cash flows. In addition, we adjust FFO for unrealized gains or losses on real estate securities. Any mark-to-market or fair value adjustments are based on general market or overall industry conditions and may be temporary in nature.

Because MFFO may be a recognized measure of operating performance within the non-listed REIT industry, MFFO and the adjustments used to calculate it may be useful in order to evaluate our performance against other non-listed REITs. Like FFO, MFFO is not equivalent to our net income or loss as determined under GAAP, as detailed in the table below, and MFFO may not be a useful measure of the impact of long-term operating performance on value if we continue to acquire a significant amount of investments.

Our presentation of FFO and MFFO may not be comparable to other similarly titled measures presented by other REITs. We believe that the use of FFO and MFFO provides a more complete understanding of our operating performance to stockholders and to management, and when compared year over year, reflects the impact on our operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses, and interest costs. Neither FFO nor MFFO is intended to be an alternative to "net income" or to "cash flows from operating activities" as determined by GAAP as a measure of our capacity to pay distributions. Management uses FFO and MFFO to compare our operating performance to that of other REITs and to assess our operating performance.

Neither the SEC, any other regulatory body nor NAREIT has passed judgment on the acceptability of the adjustments that we use to calculate FFO or MFFO. In the future, the SEC, another regulatory body or NAREIT may decide to standardize the allowable adjustments across the non-listed REIT industry and we would have to adjust our calculation and characterization of FFO or MFFO.

Our FFO and MFFO are calculated as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Net income (loss)	$ (28,784)	$ 13,705	$ 2,069
Depreciation and amortization	405	—	—
Funds from operations	$ (28,379)	$ 13,705	$ 2,069
Amortization of discounts on real estate securities	(307)	(808)	(369)
Amortization of debt financing costs	1,331	950	456
Non-cash adjustment for ground lease	122	—	—
Provision for loan losses	4,726	—	—
Realized loss on sale of commercial loan	375	—	—
Unrealized (gain) loss on real estate securities	(211)	(1,032)	1,279
Realized loss on sale of real estate securities	35,020	43	—
Modified funds from operations	$ 12,677	$ 12,858	$ 3,435

Net Asset Value

Prior to the NAV Pricing Date, the purchase price for each class of our common stock in our IPO was $25.00 per share, plus applicable upfront selling commissions and dealer manager fees. Following the NAV Pricing Date, the purchase price per share for each class of our common stock in our IPO generally equals our prior month's NAV per share, as determined monthly, plus applicable selling commissions and dealer manager fees. Our NAV for each class of shares is based on the net asset values of our investments, the addition of any other assets (such as cash on hand) and the deduction of any liabilities, including the allocation/accrual of any performance participation and any stockholder servicing fees applicable to such class of shares.

On March 24, 2020, our Board suspended (i) the sale of shares in our IPO, (ii) the operation of the SRP, (iii) the payment of distributions to our stockholders, and (iv) the operation of the DRP, effective as of April 6, 2020. These changes were made to allow us to maintain fiscal responsibility and respond accordingly to the unprecedented economic disruption resulting from the COVID-19 pandemic. In determining to suspend our IPO, the SRP, the payment of distributions and the DRP, our Board considered various factors, including the impact of the global COVID-19 pandemic on the economy, the inability to accurately calculate our NAV per share due to uncertainty, volatility and lack of liquidity in the market, our need for liquidity due to financing challenges related to additional collateral required by the banks that regularly finance our assets and these uncertain and rapidly changing economic conditions.

As a result of these factors, we did not calculate our NAV for the months of March through May 2020. We resumed calculation of our NAV beginning as of June 30, 2020 following the Advisor's determination that volatility in the market for our investments had declined and the U.S. economic outlook had improved. In August 2020 we resumed paying distributions monthly to stockholders of record for all classes of shares. On October 1, 2020, the SEC declared effective our post-effective amendment to our registration statement on Form S-11 thereby permitting us to resume offers and sales of shares of common stock in our IPO, including through the DRP.

On March 1, 2021, our SRP was reinstated for our stockholders requesting repurchase of shares as a result of the death or qualified disability of the holder. Permitted repurchase requests must be submitted on or after March 1, 2021. The first settlement of permitted repurchase requests will be on March 31, 2021, the last business day of the month.

On July 1, 2021, our SRP will be reinstated for all stockholders. Repurchase requests must be submitted on or after July 1, 2021. The first settlement of permitted repurchase requests will be on July 30, 2021, the last business day of the month. In accordance with the terms of the SRP that allow us to repurchase fewer shares than the maximum amount permitted under the SRP, for the months of July, August and September 2021, the total amount of aggregate repurchases of shares (including Class P Shares) will be limited to no more than 1% of our aggregate NAV per month as of the last day of the previous calendar month and no more than 2.5% of our aggregate NAV per calendar quarter as of the last day of the previous calendar month. Beginning on October 1, 2021, the total amount of aggregate repurchases of shares will be limited as set forth in the SRP (no more than 2% of our aggregate NAV per month as of the last day of the previous calendar month and no more than 5% of our aggregate NAV per calendar quarter as of the last day of the previous calendar month). Notwithstanding the foregoing, we may repurchase fewer shares than these limits in any month, or none. Further, our Board may modify, suspend or terminate our SRP if it deems such action to be in our best interest and the best interest of our stockholders.

Please refer to Part IV, Item 15, "Note 15 – Subsequent Events" and Part I, for additional updates on our business after December 31, 2020.

The following table provides a breakdown of the major components of our NAV as of December 31, 2020 ($ and shares in thousands):

Components of NAV	As of December 31, 2020
Commercial mortgage loans	$ 441,267
Real estate owned	14,000
Cash and cash equivalents and restricted cash	72,107
Other assets	6,458
Repurchase agreements - commercial mortgage loans	(290,699)
Reserve for negative impact of COVID on real estate owned(1)	(2,250)
Due to related parties	(2,093)
Distributions payable	(867)
Interest payable	(292)
Accrued stockholder servicing fees(2)	(49)
Other liabilities	(3,253)
Net asset value	$ 234,329
Number of outstanding shares	11,638

(1) As of December 31, 2020, we established as a component of the NAV calculation a $2.25 million reserve for the expected losses during 2021 for the Renaissance O'Hare related to the continuing COVID-19 pandemic.

(2) Stockholder servicing fees only apply to Class T, Class S, and Class D shares. For purposes of NAV, we recognize the stockholder servicing fee as a reduction of NAV on a monthly basis as such fee is paid. Under GAAP, we accrue the full cost of the stockholder servicing fee as an offering cost at the time we sell Class T, Class S and Class D shares. As of December 31, 2020, we have accrued under GAAP $723 of stockholder servicing fees payable to the Dealer Manager related to the Class T and Class D shares sold. As of December 31, 2020, we have not sold any Class S shares and, therefore, we have not accrued any stockholder servicing fees payable to the Dealer Manager related to Class S shares. The Dealer Manager does not retain any of these fees, all of which are retained by, or reallowed (paid) to, participating dealers and servicing broker-dealers for ongoing stockholder services performed by such broker-dealers.

The table below outlines our total NAV and NAV per share by share class as of December 31, 2020 ($ and shares in thousands except for per share data):

	Common Stock						
NAV Per Share	Class P	Class A	Class T	Class S	Class D	Class I	Total
Monthly NAV	$204,338	$ 13,231	$ 8,034	$ —	$ 1,016	$ 7,706	$234,329
Number of outstanding shares	10,152	656	398	—	50	382	11,638
NAV per share as of December 31, 2020	$20.1283	$20.1742	$20.1732	$ —	$20.1694	$20.1749	$20.1348

The following table reconciles stockholders' equity per our consolidated balance sheet to our NAV:

Reconciliation of Stockholders' Equity to NAV	As of December 31, 2020
Stockholders' equity per GAAP	$ 240,256
Adjustments:	
Unamortized stockholder servicing fee and other expenses	691
Unamortized offering costs	3,387
Real estate owned non-cash adjustments	392
Fair value of real estate owned adjustment	(9,850)
Fair value loan adjustment	(547)
Net asset value	$ 234,329

Liquidity and Capital Resources

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to pay distributions to our stockholders, fund investments, originate loans, repay borrowings, and other general business needs including the payment of our operating and administrative expenses. Our primary sources of funds for liquidity consist of the net proceeds from the Offerings, net cash provided by operating activities, proceeds from repurchase agreements and other financing arrangements and future issuances of equity and/or debt securities. During the year ended December 31, 2020, proceeds from the sale of CMBS and one commercial loan provided additional cash.

We currently believe that we have sufficient liquidity and capital resources available for all anticipated uses, including the acquisition of additional investments, required debt service and the payment of distributions to stockholders.

Cash Flow Analysis

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Change 2020 vs 2019	Change 2019 vs 2018
Net cash provided by operating activities	$ 11,998	$ 10,078	$ 3,228	$ 1,920	$ 6,850
Net cash provided by (used in) investing activities	$ 163,931	$ (317,580)	$ (283,090)	$ 481,511	$ (34,490)
Net cash (used in) provided by financing activities	$ (141,461)	$ 316,644	$ 306,953	$ (458,105)	$ 9,691

We held cash, cash equivalents and restricted cash of $72,107, $37,639 and $28,497 as of December 31, 2020, 2019 and 2018, respectively. Our cash, cash equivalents, and restricted cash increased due to the net proceeds from the Offerings and the net proceeds from the sale of real estate securities.

Our operating activities generated net cash of $11,998 and $10,078 for the years ended December 31, 2020 and December 31, 2019, respectively. The increase in cash provided by operating activities was primarily due to higher net interest income on our investment portfolio. Our operating activities generated net cash of $10,078 and $3,228 for the years ended December 31, 2019 and December 31, 2018, respectively. The increase from cash provided by operating activities was due to the increase in the size of our investment portfolio.

Our investing activities provided (used) net cash of $163,931 and ($317,580) for the years ended December 31, 2020 and 2019 respectively. The primary driver of the change was due to the sale of real estate securities during 2020. Our investing activities used $317,580 and $283,090 for the years ended December 31, 2019 and December 31, 2018, respectively. The primary driver of the change was due to the origination of mortgage loans and purchase of real estate securities as we invested the proceeds of the Offerings on a levered basis.

Our financing activities (used) provided net cash of $(141,461) and $316,644 for the years ended December 31, 2020 and 2019, respectively. The primary driver of the change was due to the repayment of repurchase agreements related to real estate securities that were sold during 2020 and less proceeds from the issuance of common stock. Net cash provided by financing activities for the year ended December 31, 2019 increased compared to the year ended December 31, 2018 due to $12,315 greater net proceeds from issuance of our common stock, including redemptions, and $7,383 greater net proceeds from our repurchase agreement financing, partially offset by $10,007 greater distributions paid.

Repurchase Agreements

Commercial Mortgage Loans

On February 15, 2018, we, through our wholly owned subsidiary, entered into a master repurchase agreement (the “CF Repo Facility”) with Column Financial, Inc. as administrative agent for certain of its affiliates. The CF Repo Facility had an initial advance amount of $100,000 subject to a maximum advance amount of $250,000. We increased the advance amount in August 2018 to $175,000, and in January 2019 to the maximum of $250,000. In March 2020, we increase the maximum advance amount to $300,000 with this increase as amended expiring on June 30, 2020 whereupon the maximum advance amount reverted to $250,000. The initial term of the CF Repo Facility was 12 months and we extended the maturity date in March 2020 to February 2021. During December 2020, the maturity date was further extended to December 2021. Advances under the CF Repo Facility for current loans accrue interest at a per annum rate equal to LIBOR plus 2.25% with a 0.75% floor. New loans will accrue interest at a per annum rate equal to LIBOR plus 2.25% to 2.75% with a 0.25% to 0.75% floor. The CF Repo Facility is generally subject to certain financial covenants. We were in compliance with all financial covenant requirements as of December 31, 2020.

On May 6, 2019, we, through our wholly owned subsidiary, entered into an uncommitted master repurchase agreement (the "JPM Repo Facility") with JPMorgan Chase Bank, National Association. The JPM Repo Facility provides up to $150,000 in advances that we expect to use to finance the acquisition or origination of eligible loans and participation interests therein. Advances under the JPM Repo Facility accrue interest at per annum rates equal to the sum of (i) the applicable LIBOR index rate plus (ii) a margin of between 1.75% to 2.50%, depending on the attributes of the purchased assets. The initial maturity date of the JPM Repo Facility is May 6, 2021, with two successive one-year extensions at our option, which may be exercised upon the satisfaction of certain conditions. The JPM Repo Facility is subject to certain financial covenants. We were in compliance with all financial covenant requirements as of December 31, 2020.

The JPM Repo Facility and CF Repo Facility (collectively, the "Repo Facilities") are used to finance eligible loans and act in the manner of a revolving credit facility that can be repaid as our assets are paid off and re-drawn as advances against new assets.

The details of the Repo Facilities as of December 31, 2020 and 2019 are as follows:

December 31, 2020

	Committed Financing	Amount Outstanding (1)	Accrued Interest Payable	Collateral Pledged	Weighted Average Interest Rate	Weighted Average Days to Maturity
CF Repo Facility	$ 250,000	$ 159,948	$ 187	$ 228,359	3.00%	352
JPM Repo Facility	150,000	130,778	105	190,047	2.08%	126
	$ 400,000	$ 290,726	$ 292	$ 418,406	2.58%	250

December 31, 2019

	Committed Financing	Amount Outstanding (1)	Accrued Interest Payable	Collateral Pledged	Weighted Average Interest Rate	Weighted Average Days to Maturity
CF Repo Facility	$ 250,000	$ 224,590	$ 327	$ 304,708	3.74%	318
JPM Repo Facility	150,000	111,295	157	153,194	3.63%	492
	$ 400,000	$ 335,885	$ 484	$ 457,902	3.70%	376

(1) Excluding $27 and $80 of unamortized debt issuance costs as of December 31, 2020 and 2019, respectively.

Real Estate Securities

As of December 31, 2020 and 2019, we had entered into two master repurchase agreements for real estate securities with separate counterparties and had the following balances outstanding as described in the table below. As of December 31, 2020, we repaid all borrowings under the master repurchase agreements and had no balances outstanding.

	Amount Outstanding	Accrued Interest Payable	Collateral Pledged	Weighted Average Interest Rate	Weighted Average Days to Maturity
As of December 31, 2020	$ —	$ —	$ —	—	—
As of December 31, 2019	$ 107,489	$ 168	$ 149,164	3.14%	11

Western Alliance Warehouse Facility

On March 10, 2021, our Operating Partnership entered into a loan and security agreement and a promissory note (collectively the "Western Alliance Facility") with Western Alliance Bank, an Arizona corporation ("Western Alliance"). The Western Alliance Facility provides for loan advances up to the lesser of $75 million or the borrowing base. The borrowing base consists of eligible assets pledged to and accepted by Western Alliance in its discretion up to the lower of (i) 60% to 70% of loan-to-unpaid balance or (ii) 45% to 50% of the loan-to-appraised value (depending on the property type underlying the asset, for both (i) and (ii)). Assets that would otherwise be eligible become ineligible after being pledged as part of the borrowing base for 36 months.

We expect to use advances under the Western Alliance Facility primarily to finance the acquisition or origination of commercial mortgage loans. The Western Alliance Facility is expected to act in the manner of a revolving credit facility that can be repaid as our mortgage loan assets are paid off and re-drawn as advances against new assets. Advances under the Western Alliance Facility accrue interest at an annual rate equal to one-month LIBOR plus 3.25% with a floor of 4.0%. The initial maturity date of the Western Alliance Facility is March 10, 2023. We have an option to convert the loan made pursuant to the Western Alliance Facility upon its initial maturity to a term loan with the same interest rate and floor and a maturity of two years in exchange for, among other things, a conversion fee of 0.25% of the outstanding amount at the time of conversion.

In connection with the Western Alliance Facility, the Company entered into a guaranty dated March 10, 2021 (the "Western Alliance Guaranty"), under which the Company agreed to guarantee all obligations, indebtedness and liabilities of the borrower under the Western Alliance Facility and all related documents and agreements up to 30% of the amount owed under the Western Alliance Facility at the Determination Date plus certain additional amounts specified in the Western Alliance Guaranty, including all advances after the Determination Date. "Determination Date" means the earlier of (i) the date Western Alliance issues a written demand for payment under the Western Alliance Guaranty, (ii) the date of maturity of the loan, or (iii) the date upon which Western Alliance elects to accelerate the maturity date of the loan pursuant to the Western Alliance Facility loan documents.

The Western Alliance Facility requires maintenance of an average unrestricted aggregate deposit account balance with Western Alliance of not less than $3.75 million. Failure to meet the minimum deposit balance will result in, among other things, the interest rate of the Western Alliance Facility increasing by 0.25% per annum for each quarter in which the compensating balances are not maintained.

If the amount of the obligations (excluding interest) exceeds the borrowing base, the borrower must, within 15 days after written notice from Western Alliance (i) pay the difference to Western Alliance or (ii) provide to Western Alliance a lien and security interest in additional collateral acceptable to Western Alliance in its sole and absolute discretion.

Distributions

For the period from January 1, 2019 to July 31, 2019, we paid distributions on Class P Shares based on daily record dates, payable in arrears the following month, equal to a daily amount of 1/365th of $1.92 per share. Distributions declared on or after August 1, 2019 through February 29, 2020 on Class P Shares were based on monthly record dates, payable in arrears the following month, equal to a monthly amount of 1/12th of $1.92 per share.

For each class of common stock offered in the IPO through February 29, 2020, we paid the same gross distribution based on monthly record dates, payable in arrears the following month, equal to a monthly amount of 1/12th of $1.62 per share.

On March 24, 2020, as a result of the COVID-19 pandemic, our Board suspended, among other things, the payment of distributions to our stockholders and the operation of our DRP, effective as of April 6, 2020. In making these decisions, our Board considered the difficulty of confidently determining an NAV as a result of the uncertainty surrounding the extent of the economic effects of the pandemic, as well as the financing challenges related to additional collateral required by the banks that regularly finance our assets. Our Board believed that the responsible course of action in the face of the economic slowdown and uncertainty was to conserve liquidity and prioritize the payment of operating and other essential expenses until the extent of the economic effects of the pandemic could be better understood and analyzed.

After considering, among other things, the reduced volatility in the market for our investments and some improvement in the U.S. economic outlook, on July 30, 2020, our Board authorized a distribution on our common stock that was paid to our stockholders of record as of July 31, 2020. The gross distribution was 1/12th of $0.8576 per share for all classes of shares, and the net distribution was reduced for certain share classes for applicable class-specific expenses. We declared a distribution to stockholders of record as of August 31, 2020 in the gross amount of 1/12th of $0.88 per share for all classes of shares. For stockholders of record as of September 30, 2020, October 31, 2020, November 30, 2020 and December 31, 2020, we declared a distribution in the gross amount of 1/12th of $0.90 per share for all classes of shares. For stockholders of record as of January 31, 2021, February 28, 2021 and March 31, 2021, we declared distributions of 1/12th of $0.95 per share, 1/12th of $1.00 per share and 1/12th of $1.05 per share, respectively. The amount of distributions that we may pay in the future is not certain.

	Year Ended December 31,		
	2020	2019	2018
Distributions			
Paid in cash	$ 9,251	$ 16,333	$ 6,326
Reinvested in shares	245	37	—
Total distributions	$ 9,496	$ 16,370	$ 6,326
Cash flows from operating activities	$ 11,998	$ 10,078	$ 3,228

(1) For the years ended December 31, 2020, 2019 and 2018, none, 38.3% and 49.0% of distributions were paid from the net combined proceeds of our Private Offering and IPO, respectively.

Contractual Obligations and Commitments

Our contractual obligations, excluding expected interest payments, as of December 31, 2020 and December 31, 2019 are summarized as follows:

As of December 31, 2020	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Borrowings under repurchase agreements - commercial mortgage loans (1)	290,726	—	—	—	290,726
Ground lease (2)	1,611	3,222	3,515	271,459	279,807
Total	$ 292,337	3,222	3,515	271,459	$ 570,533
As of December 31, 2019					
Borrowings under repurchase agreements - real estate securities	$ 107,489	—	—	—	$ 107,489
Borrowings under repurchase agreements - commercial mortgage loans (1)	335,885	—	—	—	335,885
Total	$ 443,374	—	—	—	$ 443,374

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(1) Excluding $27 and $80 of unamortized debt issuance costs as of December 31, 2020 and 2019, respectively.

(2) The ground lease was assumed as part of a deed-in-lieu of foreclosure transaction on a hotel property during the year ended December 31, 2020.

We have made a commitment to advance additional funds under certain of our CRE loans if the borrower meets certain conditions. As of December 31, 2020 and 2019, we had 20 and 22 CRE loans, respectively, with a total remaining future funding commitment of $50,940 and $54,620, respectively. The future funding commitments are advanced if the borrower has met certain loan specific requirements.

Off-Balance Sheet Arrangements

As of December 31, 2020 and 2019, we had no off-balance sheet arrangements that are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Review of our Policies

Our Board, including our independent directors, has reviewed our policies described in this Annual Report on Form 10-K and our registration statement and determined that they are in the best interests of our stockholders because: (i) they increase the likelihood that we will be able to originate, acquire and manage a diversified portfolio of first mortgage loans secured by CRE and credit loans, thereby reducing risk in our portfolio; (ii) there are sufficient loan underwriting opportunities with the attributes that we seek; (iii) our executive officers, director, affiliates of our Advisor and Sub-Advisor have expertise with the type of real estate investments we seek; and (iv) our borrowings will enable us to originate and acquire loan assets and earn revenue more quickly, thereby increasing our likelihood of generating income for our stockholders and preserving stockholder capital.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Credit Risk

Our investments are subject to a high degree of credit risk. Credit risk is the exposure to loss from loan defaults. Default rates are subject to a wide variety of factors, including, but not limited to, borrower financial condition, property performance, property management, supply/demand factors, construction trends, consumer behavior, regional economics, interest rates, the strength of the U.S. economy, and other factors beyond our control. All loans are subject to some risk of default. We manage credit risk through the underwriting process and investment structuring process, acquiring our investments at the appropriate discount to face value, if any, and establishing loss assumptions. We also carefully monitor the performance of the loans, as well as external factors that may affect their value.

We also carefully monitor the performance of the loans, as well as external factors that may affect their level of risk and accordingly their value and the market prices of mortgage-related securities such as CMBS that are collateralized by borrower payments under mortgage loans. Adverse economic conditions could negatively impact hotels or tenants at commercial properties underlying our investments resulting in potential borrower delinquencies or defaults or declines in the values of properties that secure our investments, which could in turn impact the fundamental performance of mortgage-backed securities. Further, credit rating agencies may reassess transactions that are negatively impacted by these adverse changes, which may result in CMBS investments being downgraded and temporarily or permanently losing value. In particular, the COVID-19 pandemic and actions taken to try to contain its spread have caused severe volatility, dislocation and illiquidity in certain fixed income markets amidst forced selling of securities by market participants, including CMBS, at depressed market prices. The amount of financing we receive under our CMBS repurchase agreements is directly related to our counterparties' valuation of our assets that serve as collateral for our outstanding repurchase agreement financing. Our CMBS repurchase agreements are typically short-term in nature, are renewable at the discretion of our lenders and do not contain guaranteed roll-over terms and have been periodically refinanced at current market rates. If we fail to repay the lender at maturity, the lender has the right to immediately sell the collateral and pursue us for any shortfall if the sales proceeds are inadequate to cover the repurchase agreement financing. If adverse market conditions such as those described above stemming from the pandemic recur, valuations will likely be reduced, and margin call risk under repurchase agreements will likely be elevated. We have addressed these risks by selling our CMBS investments and focusing our potential investments more on floating-rate first mortgage loans backed by multifamily, industrial and office properties while continuing to assess the ongoing and potential effects of the pandemic on the hospitality and retail sectors.

Interest Rate Risk

Our market risk arises primarily from interest rate risk relating to interest rate fluctuations. Many factors including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control contribute to interest rate risk. To meet our short and long-term liquidity requirements, we may borrow funds at fixed and variable rates. Our interest rate risk management objectives are to limit the impact of interest rate changes in earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, from time to time, we may enter into interest rate hedge contracts such as swaps, collars and treasury lock agreements in order to mitigate our interest rate risk with respect to various debt instruments. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in benefits of lower interest rates with respect to our portfolio of investments with fixed interest rates. During the years ended December 31, 2020, 2019 and 2018, we did not engage in interest rate hedging activities. We do not hold or issue derivative contracts for trading or speculative purposes. We do not have any foreign denominated investments, and thus, we are not exposed to foreign currency fluctuations.

As of December 31, 2020 and 2019, our debt investment portfolio was 96% and 97% variable rate investments based on LIBOR for various terms, respectively. Borrowings under the Repo Facilities were short-term and at a variable rate. The following table quantifies the potential changes in interest income net of interest expense should interest rates increase or decrease by 25 or 50 basis points, assuming that our current balance sheet was to remain constant and no actions were taken to alter our existing interest rate sensitivity:

	Estimated Percentage Change in Interest Income Net of Interest Expense	
Change in Rates	December 31, 2020	December 31, 2019
(-) 50 Basis Points	1.13%	11.33%
(-) 25 Basis Points	1.13%	8.23%
Base Interest Rate	0.00%	0.00%
(+) 25 Basis Points	(1.96)%	4.60%
(+) 50 Basis Points	(3.92)%	5.74%

In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. ARRC has proposed a paced market transition plan to SOFR from USD-LIBOR and organizations are currently working on industry-wide and company-specific transition plans as it relates to derivatives and cash markets exposed to USD-LIBOR. We have material contracts that are indexed to USD-LIBOR and are monitoring this activity and evaluating any potential exposure.

Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements and the accompanying notes to our consolidated financial statements are included under Item 15 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, we evaluated, with the participation of our principal executive and principal financial officers, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, the principal executive and principal financial officers have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act.

In connection with the preparation of this Annual Report on Form 10-K, our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making that assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Based on this assessment, management has determined that our internal control over financial reporting as of December 31, 2020 was effective.

The rules of the SEC do not require, and this Annual Report on Form 10-K does not include, an attestation report of our independent registered public accounting firm regarding internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) or Rule 15d-15(f)) during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Our directors and executive officers and their positions and ages are as follows:

Name	Age*	Position
Mitchell A. Sabshon	68	Chief Executive Officer and Chairman of the Board
Donald MacKinnon	56	President and Director
Catherine L. Lynch	62	Chief Financial Officer and Treasurer
Andrew Winer	52	Chief Investment Officer
Roderick S. Curtis	53	Vice President and Secretary
Norman A. Feinstein	73	Independent Director
Cynthia Foster Curry	58	Independent Director
Robert N. Jenkins	69	Independent Director

* As of January 1, 2021

Set forth below is certain biographical information regarding each of our directors and executive officers.

Mitchell A. Sabshon is our Chief Executive Officer and Chairman of our Board, positions he has held since October 2016 and September 2016, respectively. Mr. Sabshon is also the Chief Executive Officer of the Advisor, a position he has held since August 2016. Mr. Sabshon has also served as a director and the Chief Executive Officer of Inland Real Estate Income Trust, Inc. (“IREIT”), positions he has held since September 2014 and April 2014, respectively, and as a director of its business manager since October 2013. Mr. Sabshon is also currently the Chief Executive Officer, President and a director of IREIC, positions he has held since August 2013, January 2014 and September 2013, respectively. He is a director, the President and Chief Executive Officer of the business manager of Inland Residential Properties Trust, Inc. (“IRPT”), positions he has held since December 2013, and was a director, the President and Chief Executive Officer of IRPT from December 2013 until December 2019. Mr. Sabshon is currently the Chief Executive Officer of Inland Venture Partners, LLC, a position he has held since November 2018, Chief Executive Officer of Inland Ventures MHC Manager, LLC, a position he has held since December 2018, and Chief Executive Officer of MH Ventures Fund II, Inc., a position he has held since September 2020. Mr. Sabshon has also served as a director of Inland Private Capital Corporation (“IPCC”) since September 2013 and a director of the Dealer Manager since January 2014. Prior to joining IREIC in August 2013, Mr. Sabshon served as Executive Vice President and Chief Operating Officer of Cole Real Estate Investments, Inc. (“Cole”), from November 2010 to June 2013. In this role, he was responsible for finance, asset management, property management, leasing and high yield portfolio management. He also worked on a broad range of initiatives across Cole, including issues pertaining to corporate and portfolio strategy, product development and systems. Prior to joining Cole in November 2010, Mr. Sabshon served as Managing Partner and Chief Investment Officer of EndPoint Financial LLC, an advisory firm providing acquisition and finance advisory services to equity investors, from 2008 to 2010. Mr. Sabshon was a licensed person with The OBEX Group from April 2009 through November 2009. Mr. Sabshon served as Chief Investment Officer and Executive Vice President of GFI Capital Resources Group, Inc., a national owner-operator of multifamily properties, from 2007 to 2008. Prior to joining GFI, Mr. Sabshon served with Goldman Sachs & Company from 2004 to 2007 and from 1997 to 2002 in several key strategic roles, including President and Chief Executive Officer of Goldman Sachs Commercial Mortgage Capital and head of the Insurance Client Development Group. From 2002 to 2004, Mr. Sabshon was Executive Director of the U.S. Institutional Sales Group at Morgan Stanley. Mr. Sabshon held various positions at Lehman Brothers Inc. from 1991 to 1997, including in the Real Estate Investment Banking Group. Prior to joining Lehman Brothers, Mr. Sabshon was an attorney in the Corporate Finance and Real Estate Structured Finance groups of Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Sabshon holds a B.A. from George Washington University and a J.D. from Hofstra University School of Law. We believe that Mr. Sabshon’s experience as a director and Chief Executive Officer of IRPT, IREIT and IREIC, his prior experience as an officer of Cole and his significant finance experience make him well qualified to serve as a member of our Board.

Donald MacKinnon is our President, one of our directors and a Portfolio Manager of the Sub-Advisor, positions he has held since October 2016, September 2016 and September 2016, respectively. Mr. MacKinnon served as the President and Chief Operating Officer of Realty Finance Trust, Inc. (“RFT”), and its advisor from January 2013 to November 2015, and as President of RFT and its advisor from November 2014 to November 2015. From May 2011 through December 2012, Mr. MacKinnon served as Senior Vice President and head of High Yield Portfolio Management for Cole, where he invested approximately $350 million in credit sensitive CMBS and mezzanine loans for Cole. From July 2008 to March 2011, Mr. MacKinnon was a partner with EndPoint Financial, LLC where he provided CMBS advisory and real estate workout services. From January 2004 through March 2007, Mr. MacKinnon was a Managing Director at Nomura Securities International where he managed the North American Structured Credit Trading businesses including commercial real estate and asset backed securities. Prior to joining Nomura, Mr. MacKinnon served as President and Chief Executive Officer of REALM, Inc., a privately owned real estate software and services company primarily owned by Hicks Muse Tate and Furst, CMGI and T.H. Lee Putnam Equity Partners. Prior to REALM, Mr. MacKinnon was co-head and co-founder of the Commercial Mortgage Group and Manager of the European Asset Securitization Group at Donaldson Lufkin & Jenrette, (“DLJ”). Prior to joining DLJ in 1992, Mr. MacKinnon worked in the Real Estate Finance Group at Salomon Brothers, Inc. on a variety of commercial real estate debt and equity transactions. Mr. MacKinnon also served on the board of directors for CRIIMI Mae, Inc. (NYSE: CMM) from 2001 to 2003. Mr. MacKinnon holds a B.A. in Economics from Ohio Wesleyan University and an M.B.A. from the Harvard Business School. We believe that Mr. MacKinnon's experience as Chief Operating Officer and President of RFT, his prior experience as an officer of Cole and his significant finance experience make him well qualified to serve as a member of our Board.

Catherine L. Lynch is our Chief Financial Officer and Treasurer, positions she has held since October 2016, and the Chief Financial Officer and Treasurer of the Advisor, positions she has held since August 2016. Ms. Lynch joined Inland in 1989 and has been a director of The Inland Group, LLC (formerly The Inland Group, Inc.) since June 2012. She serves as the Treasurer and Secretary (since January 1995), the Chief Financial Officer (since January 2011) and a director (since April 2011) of IREIC and as a director (since July 2000) and Chief Financial Officer and Secretary (since June 1995) of the Dealer Manager. She has served as the Chief Financial Officer of IREIT since April 2014 and as a director of IREIT's business manager since August 2011. Ms. Lynch also served as Chief Financial Officer of IRPT from December 2013 to October 2019 and has served and as Chief Financial Officer of the business manager of IRPT since October 2014. Ms. Lynch also has served as Treasurer of Inland Capital Markets Group, Inc. from January 2008 through October 2010 and as a director of IPCC since May 2012. Ms. Lynch served as the Treasurer of the business manager of IRPT from December 2013 to October 2014, as a director and Treasurer of Inland Investment Advisors, Inc. from June 1995 to December 2014 and as a director and Treasurer of Inland Institutional Capital Partners Corporation from May 2006 to December 2014. Ms. Lynch worked for KPMG Peat Marwick LLP from 1980 to 1989. Ms. Lynch holds a B.S. in Accounting from Illinois State University. Ms. Lynch is a certified public accountant and a member of the American Institute of Certified Public Accountants and the Illinois CPA Society. Ms. Lynch also is registered with FINRA as a financial operations principal.

Andrew Winer is our Chief Investment Officer and a Portfolio Manager of the Sub-Advisor, positions he has held since October 2016 and September 2016, respectively. Mr. Winer served as the Chief Investment Officer of RFT and its advisor from their formation in November 2012 to November 2015. Mr. Winer also served as the Chief Investment Officer of Global Net Lease, Inc. from May 2012 to November 2015 and as President from March 2015 to November 2015. Additionally, he was involved in arranging corporate lines of credit and designing loan facilities for all American Realty Capital-sponsored companies. From April 2000 to January 2012, Mr. Winer worked at Credit Suisse AG ("Credit Suisse") where he held multiple positions. From January 2011 to December 2011, Mr. Winer was a Director of CMBS business and headed the capital desk where he was responsible for pricing and hedging of loan production. From January 2009 to December 2010, Mr. Winer was a Director of Asset Management where he was responsible for winding down, working out and disposing of mortgage, mezzanine and warehouse commercial real estate positions. From 2006 to December 2008, Mr. Winer was a Director of Global Commercial Real Estate Business where he led the firm's global CRE CDO business. In that position, he created and managed warehouse lines and also worked with third-party clients for CDO execution and syndication. From 2004 to 2005, Mr. Winer was a Director working with new issuances and syndication of CMBS. In that position, Mr. Winer also was responsible for mortgage loan and mezzanine loan pricing, hedging and distribution. From 2000 to 2004, Mr. Winer was a Vice President in fixed-income structured product sales. From January 1999 to December 1999, Mr. Winer worked at Global Asset Capital, an intellectual property securitization firm. From August 1993 to November 1998, Mr. Winer was employed at DLJ where he focused on bond structuring, loan origination, securitization deal management, CMBS trading, loan pricing and hedging and new business. Mr. Winer started his career in the Structured Products Group of Arthur Andersen LLP and worked there from August 1991 to August 1993. During his time at DLJ, Mr. Winer was awarded "VP of the year" in 1995 and, while at Credit Suisse, he was awarded "Top 50" in 2010. Mr. Winer holds a B.B.A. and a Master's in Accounting, both from the University of Michigan.

Roderick S. Curtis serves as our Vice President and Secretary, positions he has held since October 2016, and as President of the Advisor, a position he has held since August 2016. He also serves as President of Inland Venture Partners, a position he has held since December 2018. Mr. Curtis joined IREIC in March 2011 and currently serves as Senior Vice President, Investment Funds. Prior to joining IREIC, Mr. Curtis held positions with Priority Capital Investments, LLC, AmREIT, Inc. and DWS Scudder Investments. Mr. Curtis holds a B.S. in Economics from the University of Wisconsin.

Norman A. Feinstein is one of our independent directors, a position he has held since October 2016. Mr. Feinstein currently serves as the Chief Executive Officer of Aspen Real Estate Capital, LLC, a real estate advisory firm, and has served in this role since October 1, 2019. Previously, Mr. Feinstein served as Vice Chairman of The Hampshire Companies ("Hampshire"), a full-service, privately held, fully-integrated real estate firm with assets valued at over $2.5 billion, from December 1998 to October 2019. While at Hampshire, Mr. Feinstein also served as Fund Manager of The Hampshire Generational Fund and as a member of Hampshire's Investment Committee since January 2005. In his prior role, he also sourced acquisitions and new opportunities and engaged with investors on behalf of Hampshire. Prior to joining Hampshire in 1998, Mr. Feinstein had been a practicing attorney for more than 25 years, specializing in real estate law. During his career, he was a real estate owner and operator of commercial and residential properties and has served as President and Counsel to the New Jersey Apartment Association and was a Regional Vice President of the National Apartment Association. Mr. Feinstein has also served as a member of the board of directors of Malvern Bancorp, Inc. and Malvern Federal Savings Bank since June 2016. Mr. Feinstein currently serves on the Executive Committee of the Metropolitan Golf Association and its Foundation Board. Mr. Feinstein holds a B.A. in the College of Liberal Arts and Sciences from the University of Connecticut and a J.D. from Suffolk University Law School. We believe that Mr. Feinstein's commercial real estate experience makes him well qualified to serve as a member of our Board.

Cynthia Foster Curry is one of our independent directors, a position she has held since October 2016. Ms. Foster Curry has served as the Chief Revenue Officer of LEX-Markets since January 2021, a commercial real estate marketplace that takes commercial buildings public through single-asset initial public offerings. From January 2015 to January 2021, Ms. Foster Curry served as President, National Office Brokerage and Valuation of Colliers International ("Colliers"), where she lead- Colliers' national office platform across service lines including office leasing, tenant and landlord representation, investment sales, leasing agency, property management and valuation. Prior to joining Colliers, Ms. Foster Curry served as Executive Managing Director at Cushman & Wakefield Inc. from June 2001 to January 2015. Ms. Foster Curry has also worked with the real estate investment banking group at Lazard Ltd., where she focused on large portfolio restructurings. Ms. Foster has over 25 years of experience leading significant transactions and developing new business initiatives for multinational clients across a wide geographic range. Ms. Foster Curry currently serves as Vice Chairperson and Trustee of the Urban Land Institute and as the Colliers delegate for the Urban Land Institute Real Estate Round Table. Ms. Foster Curry is a co-founder of the Committee of Professional Women, and she serves as a member of the Board of Trustees and the finance committee for the Hospital for Special Surgery, the Board of Advisors for the Westchester Children's Museum and the Board of Trustees for the Museum for the City of New York. Ms. Foster Curry holds a B.A. in the History of Science from Skidmore College and an M.B.A. from Harvard University. Ms. Foster Curry is a licensed real estate broker in the State of New York. We believe that Ms. Foster Curry's 25 years of experience in commercial real estate transactions make her well qualified to serve as a member of our Board.

Robert N. Jenkins is one of our independent directors, a position he has held since October 2016. Mr. Jenkins has also served as Executive Vice President of Municipal Capital Appreciation Partners ("MCAP"), since June 2016, where he is responsible for multifamily acquisitions and dispositions, and fund marketing and administration. Prior to joining MCAP, Mr. Jenkins served as Executive Director at W. P. Carey Inc. from January 2003 to March 2016, where he was responsible for the mortgage financing activities in the domestic net leased portfolio and for hotel acquisition financing in two managed funds. Previously, Mr. Jenkins was a Vice President at MetLife Real Estate Investments, where he headed the Real Estate Capital Markets Group and served as a senior member of the real estate department. Prior to joining MetLife Real Estate Investments, Mr. Jenkins worked for several real estate firms, including Eastdil Secured, LLC and Trammell Crow Company. Mr. Jenkins holds a B.A. in English from Colorado College and an M.B.A. from Columbia University Graduate School of Business. We believe that Mr. Jenkins' commercial real estate and finance experience makes him well qualified to serve as a member of our Board.

Board of Directors

General

We operate under the direction of our Board, the members of which are accountable to us and our stockholders as fiduciaries. Our Board is responsible for directing the management of our business and affairs. Our Board has retained the Advisor which is responsible for coordinating the management of our day-to-day operations. The Advisor has retained the Sub-Advisor to provide certain of its advisory services on its behalf including originating, acquiring and managing our investments, subject to the supervision of our Board.

Our charter and bylaws provide that the number of our directors may be established by a majority of our Board and our charter has initially set the number of directors at five. Our bylaws further provide that the number of directors may not be more than 15. Our charter also provides that a majority of our directors must be independent of us, the Advisor and our respective affiliates except for a period of 60 days after the death, resignation or removal of an independent director pending the election of his or her successor. We currently have five directors, three of whom are independent, as defined in our charter and by the independence rules of the New York Stock Exchange. An independent director is a director who is not and has not for the last two years been associated, directly or indirectly, with the Advisor or the Sub-Advisor. Since the commencement of our IPO, our charter has required that at all times at least one of our independent directors must have at least three years of relevant real estate experience. We refer to any director who is not independent as an "affiliated director." At the first meeting of our Board consisting of a majority of independent directors, our charter was reviewed and approved by a vote of our Board, including a majority of our independent directors, in accordance with the requirements of the North American Securities Administrators Association Statement of Policy Regarding Real Estate Investment Trusts.

Each director will serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualifies. Although the number of directors may be increased or decreased, a decrease will not have the effect of shortening the term of any incumbent director.

Any director may resign at any time and may be removed with or without cause by the stockholders upon the affirmative vote of stockholders entitled to cast at least a majority of all the votes entitled to be cast generally in the election of directors. The notice of any special meeting called to remove a director will indicate that the purpose, or one of the purposes, of the meeting is to determine if the director will be removed.

Advisor and Sub-Advisor Board Nomination Rights

Our bylaws require that nominees for election as a director, whether by the stockholders or by the Board, shall include such number of individuals as are entitled to be designated for nomination pursuant to the Advisory Agreement and the Sub-Advisory Agreement between the Advisor and the Sub-Advisor (the "Sub-Advisory Agreement"). For so long as the Advisory Agreement and the Sub-Advisory Agreement are in effect, and subject to our charter and bylaws, the Advisor and the Sub-Advisor shall each have the right to designate for nomination, subject to the approval of such nomination by our Board, one director to the slate to be voted on by the stockholders; provided however, that in the event the number of directors constituting the Board is increased by a vote of the Board pursuant to the charter and bylaws, such number of director nominees which each of the Advisor and the Sub-Advisor is entitled shall be increased as necessary by a number that will result in such nominees representing not less than 20% of the total number of directors. We refer to the director designated for nomination by the Advisor as the "Advisor affiliated director nominee" and the director designated for nomination by the Sub-Advisor as the "Sub-Advisor affiliated director nominee." The Advisor and the Sub-Advisor shall also have the right to consult with each other and jointly designate for nomination, subject to the approval of such nomination by our Board, three individuals to serve as independent directors; provided, however, that in the event the number of directors constituting the Board is increased by a vote of our Board pursuant to our charter and bylaws, such number of independent director nominees which the Advisor and the Sub-Advisor are entitled to designate shall be increased as necessary by a number that will result in such nominees representing not less than the minimum number of independent directors required under applicable law and pursuant to our charter and bylaws.

Director Nominations

Proposals to elect directors at an annual or special meeting must be brought in accordance with our bylaws. Our bylaws provide that nominations of individuals for election to the Board may be made at an annual meeting of stockholders (i) pursuant to the Company's notice of meeting, (ii) by or at the direction of the Board or (iii) by any stockholder of the Company who was a stockholder of record at the record date set by the Board for the purpose of determining stockholders entitled to vote at the annual meeting, at the time of giving of notice by the stockholder and at the time of the annual meeting (and any postponement or adjournment thereof), who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions of the bylaws.

For any nomination to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to our corporate secretary. To be timely, a stockholder's notice must set forth all information required under Section 11 of our bylaws and must be delivered to the secretary at our principal executive office not earlier than the 150th day nor later than 5:00 p.m., Central Time, on the 120th day prior to the first anniversary of the date of the proxy statement for the preceding year's annual meeting; provided, however, that in connection with the Company's first annual meeting or in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the 150th day prior to the date of such annual meeting and not later than 5:00 p.m., Central Time, on the later of the 120th day prior to the date of such annual meeting, as originally convened, or the tenth day following the day on which public announcement of the date of such meeting is first made. The public announcement of a postponement or adjournment of an annual meeting does not commence a new time period for the giving of a stockholder's notice as described above.

With respect to special meetings of stockholders, only the business specified in the notice of the special meeting may be brought at that meeting. Nominations of individuals for election to the Board may be made at a special meeting of stockholders at which directors are to be elected only (i) by or at the direction of the Board or (ii) provided that the special meeting has been called for the purpose of electing directors, by any stockholder of the Company who is a stockholder of record at the record date set by the Board for the purpose of determining stockholders entitled to vote at the special meeting, at the time of giving of notice and at the time of the special meeting (and any postponement or adjournment thereof), who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the notice procedures set forth in Section 11 of our bylaws. In the event the Company calls a special meeting of stockholders for the purpose of electing one or more individuals to the Board, any stockholder may nominate an individual or individuals (as the case may be) for election as a director as specified in the Company's notice of meeting, if the stockholder's notice, containing the information required by Section 11 of our bylaws, is delivered to our corporate secretary at our principal executive office not earlier than the 120th day prior to such special meeting and not later than 5:00 p.m., Central Time, on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. The public announcement of a postponement or adjournment of a special meeting does not commence a new time period for the giving of a stockholder's notice as described above.

Director Vacancies

A vacancy created by the death, resignation, adjudicated incompetence or other incapacity of a director or a vacancy following the removal of a director may be filled by a vote of a majority of the remaining directors, and a vacancy created by an increase in the number of directors may be filled by a vote of a majority of the entire Board. In the case of a vacancy in the position of the Advisor affiliated director nominee or the Sub-Advisor affiliated director nominee, the director to be elected by the Board to fill the vacancy must also be nominated by the Advisor or the Sub-Advisor, as applicable. In the case of the vacancy regarding an independent director position, the director must also be nominated by the remaining independent directors in consultation with the Advisor and the Sub-Advisor, in accordance with their nomination rights as set forth in our bylaws and the Advisory Agreement and the Sub-Advisory Agreement. If there are no remaining independent directors, then a majority vote of the remaining directors will be sufficient to fill a vacancy among our independent directors' positions. If at any time there are no independent or affiliated directors in office, successor directors will be elected by the stockholders. Any director elected to fill a vacancy will serve until the next annual meeting of stockholders and until his successor is duly elected and qualifies.

Responsibilities of Directors

The responsibilities of our Board include the following:

- approve and oversee our overall investment strategy, which consists of elements such as investment selection criteria, diversification strategies and asset disposition strategies;
- establish investment guidelines that govern our investments in CRE debt and securities, and equity investments in single-tenant, net leased properties and limit the types of investments that may be originated or acquired and, depending on the type of transaction, the extent to which the Sub-Advisor may execute investment and disposition transactions without specific board approval;
- approve and oversee our debt financing strategies;
- approve and monitor the relationship among us, our operating partnership, the Advisor and the Sub-Advisor;
- review our fees and expenses on at least an annual basis and with sufficient frequency to determine that the expenses incurred are in the best interest of our stockholders;
- adopt valuation guidelines to be used in connection with the calculation of our NAV from and after the NAV Pricing Date, and monitor compliance with the valuation guidelines;
- determine our distribution policy and authorize distributions from time to time; and
- oversee our SRP.

In order to address potential conflicts of interest, our charter requires that a majority of our Board (including a majority of the independent directors) not otherwise interested in the transaction approve any transaction with any of our directors, Inland, Sound Point or affiliates of any of the foregoing. The independent directors are also responsible for reviewing the performance of the Advisor at least annually and determining that the compensation to be paid to the Advisor is reasonable in relation to the nature and quality of services performed and that the provisions of the Advisory Agreement are being carried out.

In fulfilling his or her duties to us, each director will be bound by our charter. The directors are not required to devote all of their time to our business and are only required to devote the time to our affairs as their duties may require. Our Board will generally meet quarterly or more frequently if necessary, in addition to meetings of the various committees of our Board described below. It is not expected that the directors will be required to devote a substantial portion of their time to discharge their duties as directors. Consequently, in the exercise of their fiduciary responsibilities, the directors will rely heavily on the Advisor and the Sub-Advisor.

Compensation of Directors

For information relating to the compensation of our Board, see Item 11, "Executive Compensation" of this Annual Report on Form 10-K.

Committees of our Board of Directors

Our entire Board is responsible for supervising our entire business. However, pursuant to our charter, our Board may delegate some of its powers to one or more committees as deemed appropriate by the Board, provided that each committee consists of at least a majority of independent directors.

Audit Committee

Our Board has established an audit committee, which consists of Norman A. Feinstein, Cynthia Foster Curry and Robert N. Jenkins, each of whom is an independent director. Robert N. Jenkins serves as the chairman of our audit committee and as an audit committee financial expert as that term is defined by the SEC. The audit committee assists our Board in overseeing our accounting and financial reporting processes, the integrity and audits of our financial statements, our compliance with legal and regulatory requirements, the qualifications and independence of our independent registered public accounting firm and the performance of our internal and independent registered public accounting firm. In addition, the audit committee selects the independent registered public accounting firm to audit our annual financial statements and reviews with the independent registered public accounting firm the plans and results of the audit engagement. The audit committee also approves the audit and non-audit services provided by the independent registered public accounting firm and the fees we pay for these services.

Appointment and Removal of Officers

Our Board shall have the authority to appoint and remove our officers in its sole discretion. The Advisor and the Sub-Advisor have agreed to consult with each other and jointly agree upon any officers recommended to our Board for appointment. If an officer jointly recommended by the Advisor and the Sub-Advisor to serve as an officer is not appointed to hold the designated office by our Board following appointment by our Board is no longer retained as such officer as a result of death, disability, retirement, resignation or removal, the Advisor and the Sub-Advisor have agreed to consult with each other and jointly recommend a replacement for such officer subject to approval by our Board.

Code of Ethics

Our Board has adopted a code of ethics applicable to our directors, officers and employees. Copies of the code of ethics, including any amendments and waivers thereto, are available to any stockholder, without charge, (i) on our website at *www.inland-investments.com/inpoint* or (ii) by writing us at 2901 Butterfield Road, Oak Brook, Illinois 60523, Attention: Investor Services.

Item 11. Executive Compensation.

Compensation of Executive Officers

We do not currently have any employees nor do we currently intend to hire any employees who will be compensated directly by us. Each of our executive officers, including our executive officers who serve as directors, is employed by IREIC, Sound Point, or their affiliates and receive compensation for his or her services, including services performed for us on behalf of the Advisor or the Sub-Advisor, from IREIC or Sound Point, as applicable.

Compensation of Directors

The following table summarizes compensation earned by the independent directors for the year ended December 31, 2020 (dollar amounts in thousands).

Name	Fees Earned or Paid in Cash	Stock Awards	Options Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total Compensation
Norman A. Feinstein	$ 28	$ 10	—	—	—	—	$ 38
Cynthia Foster Curry	$ 27	$ 10	—	—	—	—	$ 37
Robert N. Jenkins	$ 33	$ 10	—	—	—	—	$ 43

Cash Compensation

We pay each of our independent directors a retainer of $20,000 per year plus $1,000 for each board meeting the director attends in person ($500 for each board committee meeting) and $500 for each board meeting the director attends by telephone ($350 for each board committee meeting). We also pay our audit committee chairperson an annual fee of $5,000. Our independent directors may elect to receive their annual retainer in cash, unrestricted Class I shares, or both.

All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attending meetings of our Board. If a director is also one of our officers, or is an employee of the Advisor or the Sub-Advisor, we will not pay any compensation to such person for services rendered as a director.

Stock Compensation

Our Board has adopted an independent director compensation plan, which operates as a sub-plan of our independent director restricted share plan, which we use to attract and retain directors. Our restricted share plan offers our independent directors an opportunity to participate in our growth through awards in the form of, or based on, our common stock. The restricted share plan authorizes the granting of restricted stock, restricted or deferred stock units, dividend equivalents, and cash-based awards to independent directors for participation in the plan. Our Board will administer the restricted share plan, with sole authority to determine all of the terms and conditions of the awards. No awards will be granted under the plan if the grant or vesting of the awards would jeopardize our status as a REIT under the Code or otherwise violate the ownership and transfer restrictions imposed under our charter. Unless otherwise determined by our Board, no award granted under the plan will be transferable except through the laws of descent and distribution.

Our Board has authorized Class I shares for issuance under the restricted share plan. However, no awards shall be granted under the restricted share plan on any date on which the aggregate number of shares subject to awards previously issued under the restricted share plan, together with the proposed awards to be granted on such date, exceeds 5% of the number of outstanding shares of common stock on such date. In the event of a transaction between our company and our stockholders that causes the per-share value of our common stock to change (including, without limitation, a stock dividend, stock split, spin-off, rights offering or large nonrecurring cash dividend), the share authorization limits under the plan will be adjusted proportionately and our Board will make adjustments to the restricted share plan and awards as it deems necessary, in its sole discretion, to prevent dilution or enlargement of rights immediately resulting from the transaction. In the event of a stock split, a stock dividend or a combination or consolidation of the outstanding shares of common stock into a lesser number of shares, the authorization limits under the plan will automatically be adjusted proportionately and the shares then subject to each award will automatically be adjusted proportionately without any change in the aggregate purchase price.

Our Board may, in its sole discretion at any time, determine that all or a portion of a participant's awards will become fully vested. Our Board may discriminate among participants or among awards in exercising its discretion. The restricted share plan will automatically expire on the tenth anniversary of the date on which it was approved by our Board and stockholders, unless extended or earlier terminated by our Board. Our Board may terminate the plan at any time. The expiration or other termination of the plan will not, without the participant's consent, have an adverse impact on any award that is outstanding at the time the plan expires or is terminated. Our Board may amend the plan at any time, but no amendment will adversely affect any award without the participant's consent and no amendment to the plan will be effective without the approval of our stockholders if such approval is required by any law, regulation or rule applicable to the plan.

Under the independent director restricted share plan and subject to such plan's conditions and restrictions, each of our independent directors will automatically receive $10,000 in restricted Class I shares on the date of each annual stockholders' meeting or, if no annual meeting, in December of each year. Such restricted shares will generally vest over a three-year period following the grant date in increments of 33 ⅓% per annum; provided, however, that restricted stock will become fully vested on the earlier occurrence of: (i) the termination of the independent director's service as a director due to his or her death or disability; or (ii) a liquidity event.

Compensation Committee Interlocks and Insider Participation

We currently do not have a compensation committee of our Board because we do not plan to pay any compensation to our officers. There are no interlocks or insider participation as to compensation decisions required to be disclosed pursuant to SEC regulations.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth, as of March 15, 2021, the amount of our common stock beneficially owned (unless otherwise indicated) by: (i) any person who is known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock; (ii) each of our directors; (iii) each of our executive officers; and (iv) all of our directors and executive officers in the aggregate. Unless otherwise noted, the address for each of the persons or entities named in the following table is 2901 Butterfield Road, Oak Brook, Illinois 60523.

	Common Stock Beneficially Owned(1)	
Name	**Number of Shares**	**Percentage(2)**
Mitchell A. Sabshon(3)	50,588	*
Donald MacKinnon(4)	26,241	*
Norman A. Feinstein	5,681	*
Cynthia Foster Curry	11,681	*
Robert N. Jenkins	5,681	*
Catherine L. Lynch	600	*
Andrew Winer(4)	13,345	*
Roderick S. Curtis	400	*
All officers and directors as a group (8 persons)	114,217	*

* Less than 1%

(1) Beneficial ownership is determined in accordance with the rules of the SEC. Under SEC rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote, or to direct the voting of, such security, or "investment power," which includes the right to dispose of or to direct the disposition of such security. A person also is deemed to be a beneficial owner of any securities which that person has a right to acquire within 60 days. Except as otherwise indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

(2) Based on a total of 11,642,173 shares of common stock issued and outstanding as of March 15, 2021.

(3) The shares owned by the Advisor are deemed to be beneficially owned by Mr. Sabshon. Mr. Sabshon exercises control over the Advisor but does not have sole voting and investment power with respect to the shares owned by the Advisor.

(4) The address of such person is 375 Park Avenue, 33rd Floor, New York, New York 10152.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information regarding securities authorized for issuance under our independent director restricted share plan as of December 31, 2020:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity Compensation Plans approved by security holders	—	—	576,920
Equity Compensation Plans not approved by security holders	—	—	—
Total	—	—	576,920

Item 13. Certain Relationships and Related Transactions, and Director Independence.

We are subject to various conflicts of interest arising out of our relationship with the Advisor, the Sub-Advisor and their affiliates (including, without limitation, the Dealer Manager) and employees, some of whom serve as our executive officers and directors. These conflicts include (1) conflicts with respect to the allocation of the time of the Advisor, the Sub-Advisor and their key personnel, (2) conflicts with respect to the allocation of investment opportunities and (3) conflicts related to the compensation arrangements between the Advisor, its affiliates and us. Our independent directors have an obligation to function on our behalf in all situations in which a conflict of interest may arise. All of our directors have a fiduciary obligation to act on behalf of our stockholders. We have adopted corporate governance measures to mitigate material conflict risk. Material conflicts and the corporate governance measures we have adopted to mitigate some of the risks associated with these conflicts are discussed below.

Interests of the Advisor, the Sub-Advisor and Their Affiliates in Other Real Estate Programs

We rely on the real estate professionals employed by, and acting on behalf of, the Advisor and the Sub-Advisor to source and manage our investments. Certain members of the Advisor's and the Sub-Advisor's management teams are presently, and in the future intend to be, involved with a number of other real estate programs and activities. Existing funds that the Advisor's and the Sub-Advisor's management teams are involved with may directly compete with us for investment opportunities because the programs also may seek to provide investors with an attractive level of current income by means of stable distributions from investments in or related to real estate as an asset class.

The Advisor, the Sub-Advisor and their affiliates are not prohibited from engaging, directly or indirectly, in any other business or from possessing interests in any other business venture or ventures, including businesses and ventures involved in the acquisition, ownership, development, management, leasing or sale of real property or the origination, acquisition, ownership, management and disposition of real estate-related assets. None of the entities affiliated with the Advisor or the Sub-Advisor are prohibited from raising money for another entity that makes the same types of investments that we target, and we may co-invest with any such entity. Any such potential co-investment will be subject to approval by our independent directors.

Competition for Originating, Acquiring, Managing and Selling Investments

The Advisor has delegated to the Sub-Advisor the duty to identify, negotiate, originate and acquire our investments and to provide portfolio management, disposition, property management and leasing services for our assets on our behalf. As a result, certain investment opportunities may not be available to us in the future.

Our investment strategy is expected to overlap with the investment strategy of one client account managed by our Sub-Advisor or its affiliates and may overlap with others in the future. Our Sub-Advisor has prepared written investment allocation guidelines regarding the allocation of investment opportunities between us and other Sound Point accounts, which have been approved by our Advisor and our Board and are described below.

If both we and one or more other Sound Point accounts are interested in making an investment, the Sub-Advisor or its affiliates will determine which program is ultimately awarded the right to pursue the investment in accordance with the investment allocation guidelines. The Sub-Advisor is required to provide information to our Board to enable our Board, including the independent directors, to determine whether such procedures are being fairly applied to us.

Sound Point has adopted the investment allocation guidelines to address conflicts of interest arising from its allocation of investment opportunities. Sound Point will screen the suitability of each investment opportunity for each account based on the following Screening Criteria: liquidity position (i.e., sufficiency of available cash to make and support the investment or need to raise cash); strategic investment objectives; appropriateness of investment based on current portfolio composition, including loan-type, loan-size, asset-type and geographic or borrower diversity; time horizon; tax sensitivity; and any applicable legal or regulatory restrictions, or governing document applicable covenants or asset tests/restrictions.

Since bespoke whole commercial real estate loan investments are not divisible and cannot be allocated pro rata as a general matter, Sound Point will allocate investment opportunities on a pre-determined rotational order and maintain a record of such rotations. Any new account will be added to the bottom of the rotational queue. If, upon giving due consideration to the Screening Criteria, Sound Point reasonably determines in its discretion that an investment opportunity is suitable and appropriate for only one account, the investment opportunity will be allocated to such account without regard to or any resulting effect upon the then-current rotational order. If, however, upon giving due consideration to the Screening Criteria, Sound Point reasonably determines that an investment opportunity is suitable and appropriate for two or more accounts, the investment opportunity will be allocated to the account that has not executed a written non-binding expression of interest (subject to Sound Point's underwriting and due diligence) in providing commercial real estate debt financing related to a separate investment opportunity previously allocated to it for the longest period of time. In such instance, the account receiving allocation of such investment opportunity will thereupon be moved to the bottom of the rotational queue.

Our executive officers, certain of our directors and their affiliates also have, and may continue to, acquire or develop CRE-related assets for their own accounts. Furthermore, our executive officers, certain of our directors and their affiliates may form additional CRE-related investment programs in the future, whether public or private, which can be expected to have the same or similar investment objectives and targeted assets as we have, and such persons may be engaged in sponsoring one or more of such programs at approximately the same time as our IPO. The Advisor, the Sub-Advisor, their employees and certain of their affiliates and related parties will experience conflicts of interest as they simultaneously perform investment services for us and other real estate programs that they sponsor or have involvement with.

Allocation of Time of the Advisor's and the Sub-Advisor's Key Personnel

We rely on the personnel of the Advisor and its affiliates to manage our day-to-day activities, and we rely on the personnel of the Sub-Advisor to implement our investment strategy. Certain of our officers and non-independent directors are also employees of either the Advisor or the Sub-Advisor and certain of their affiliates, and these individuals are presently, and plan in the future to continue to be, involved with real estate programs and activities which are unrelated to us. As a result, these individuals may have conflicts of interest in allocating their time between us and other activities in which they are or may become involved. The Advisor, the Sub-Advisor and their employees will devote only as much of their time to our business as the Advisor and the Sub-Advisor, in their respective judgment, determine is reasonably required, which, with respect to each individual, may be substantially less than full time. Therefore, the Advisor, the Sub-Advisor and their employees may experience conflicts of interest in allocating management's time and services among us and other real estate programs or business ventures that the Advisor, the Sub-Advisor or their affiliates manage. This could result in actions that are more favorable to other entities affiliated with the Advisor or the Sub-Advisor than to us. However, the Advisor and the Sub-Advisor have assured us that they and their affiliates have, and will continue to have, sufficient personnel to discharge fully their responsibilities to all of the activities in which they are involved.

Receipt of Fees and Other Compensation by the Advisor and the Sub-Advisor

The Advisory Agreement is not the result of arm's-length negotiations. As a result, the fees we agree to pay pursuant to the Advisory Agreement may exceed what we would pay to an independent third party. The Advisory Agreement has been approved by a majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction as being fair and reasonable to us and on terms and conditions not less favorable than those which could be obtained from unaffiliated entities.

The Advisor will receive substantial fees from us, and the Sub-Advisor will receive substantial fees from the Advisor. These compensation arrangements could influence the Advisor's and the Sub-Advisor's advice to us, as well as the judgment of the personnel of the Advisor and the Sub-Advisor who serve as our officers or directors. Among other matters, the compensation arrangements could affect the judgment of the Advisor's and the Sub-Advisor's personnel with respect to:

- the continuation, renewal or enforcement of the Advisory Agreement, and the amounts we pay under such agreement;
- the advisory fee that we pay to the Advisor is based upon the valuation of our investment portfolio as determined in connection with our determination of NAV, and the Advisor has authority under certain circumstances to adjust the value of certain of our real estate-related assets;
- the Advisor could be motivated to recommend riskier or more speculative investments in order for us to generate the specified levels of performance that would entitle the Advisor to incentive compensation through the performance component of the advisory fee; and
- the decision to buy or sell an asset based on whether it will increase or decrease our NAV as opposed to whether it is the most suitable investment for our portfolio.

We will pay the advisory fee regardless of the quality of the services that the Advisor provides during the term of the Advisory Agreement. The Advisor, however, has a fiduciary duty to us. If the Advisor fails to act in our best interest, then it will have violated this duty. The Advisory Agreement may be terminated by us or the Advisor on 60 days' prior written notice.

Joint Venture and Co-ownership Arrangements with Affiliates

Subject to approval by our Board and the separate approval of our independent directors, we may enter into joint ventures, participations or other arrangements with affiliates of the Advisor or the Sub-Advisor to acquire CRE debt and other CRE investments. In conjunction with any such arrangements, the Advisor, the Sub-Advisor and their affiliates may have conflicts of interest in determining which of such entities should enter into any particular agreements. Our affiliated partners may have economic or business interests or goals which are or that may become inconsistent with our business interests or goals. In addition, should any such arrangements be consummated, the Advisor or the Sub-Advisor may face a conflict in structuring the terms of the relationship between our interests and the interest of the affiliated partner, in managing the arrangement and in resolving any conflicts or exercising any rights in connection with the arrangements. Since the Advisor and the Sub-Advisor will make various decisions on our behalf, agreements and transactions between the Advisor's and the Sub-Advisor's affiliates and us as partners with respect to any such venture will not have the benefit of arm's-length negotiations of the type normally conducted between unrelated parties. The Advisor, the Sub-Advisor or their affiliates may receive various fees for providing services to the joint venture, including but not limited to an advisory fee, with respect to the proportionate interest in the properties held by our joint venture partners.

In evaluating investments and other management strategies, the opportunity to earn these fees may lead the Advisor or the Sub-Advisor to place undue emphasis on criteria relating to its compensation at the expense of other criteria, such as preservation of capital, in order to achieve higher short-term compensation. We may enter into ventures with the Advisor, the Sub-Advisor, our directors or their affiliates for the acquisition of investments or co-investments, but only if: (i) a majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction approve the transaction as being fair and reasonable to us; and (ii) the investment by us and the Advisor, the Sub-Advisor, such directors or such affiliate are on substantially the same terms and conditions. If we enter into a joint venture with any of our affiliates, the fees payable to the Advisor by us would be based on our share of the investment.

Certain Conflict Resolution Measures

Our charter contains many restrictions relating to conflicts of interest, including those described below.

Advisor Compensation

The independent directors evaluate at least annually whether the compensation that we contract to pay to the Advisor is reasonable in relation to the nature and quality of services performed and whether such compensation is within the limits prescribed by our charter. The independent directors supervise the performance of the Advisor and the compensation we pay to it to determine whether the provisions of the Advisory Agreement are being carried out.

Term of Advisory Agreement

The current term of the Advisory Agreement ends December 31, 2021, subject to renewals upon mutual consent of the parties, including an affirmative vote of a majority of our independent directors, for an unlimited number of successive one-year periods. It is the duty of our Board to evaluate the performance of the Advisor before renewing the Advisory Agreement. The criteria used in these evaluations will be reflected in the minutes of the meetings of our Board in which the evaluations occur. The Advisory Agreement may be terminated without cause or penalty by us upon a vote of a majority of the independent directors, or by the Advisor, in each case by providing no fewer than 60 days' prior written notice to the other party.

Certain Transactions with Affiliates

In order to reduce the conflicts inherent in transactions with affiliates, our charter prohibits us from purchasing, selling or leasing assets from or to the Advisor, the Sub-Advisor, any of our directors or affiliates of any of the foregoing. In addition, we may not make any loans to the Advisor, the Sub-Advisor, any of our directors or affiliates of any of the foregoing. Our charter also prohibits us from investing in indebtedness secured by a mortgage on real property which is subordinate to any mortgage or equity interest of the Advisor, the Sub-Advisor, our directors or any of our affiliates.

Our charter prohibits us from borrowing funds from the Advisor, the Sub-Advisor, any of our directors or affiliates of any of the foregoing unless approved by a majority of our Board, including a majority of our independent directors, not otherwise interested in the transaction as fair, competitive and commercially reasonable, and on terms not less favorable to us than comparable loans between unaffiliated parties under the same or similar circumstances. This prohibition on loans will only apply to advances of cash that are commonly viewed as loans, as determined by our Board. By way of example only, the prohibition on loans would not restrict advances of cash for legal expenses or other costs incurred as a result of any legal action for which indemnification is being sought, nor would the prohibition limit our ability to advance reimbursable expenses incurred by directors or officers, the Advisor, the Sub-Advisor or affiliates of any of the foregoing.

A majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction, must conclude that all other transactions between us and the Advisor, the Sub-Advisor, any of our directors or affiliates of any of the foregoing are fair and reasonable to us and on terms and conditions not less favorable to us than those available from unaffiliated third parties. Our independent directors are specifically charged with the duty to examine, and have examined, the fairness of such transactions, and have determined that all such transactions occurring in the year ended December 31, 2020 are fair and reasonable to us and on terms no less favorable to us than those available from unaffiliated third parties.

Our charter prohibits us from paying a fee to the Advisor, the Sub-Advisor, our directors or affiliates of any of the foregoing in connection with our repurchase of our common stock.

The Advisor, the Sub-Advisor, our directors and their affiliates may not vote their shares regarding (1) the removal of any of them or (2) any transaction between them and us. In determining the requisite percentage in interest of shares necessary to approve a matter on which the Advisor, the Sub-Advisor, our directors and their affiliates may not vote, any shares owned by them will not be included.

Director Independence

For information relating to our independent directors, see Item 10, “Directors, Executive Officers and Corporate Governance” of this Annual Report on Form 10-K.

Item 14. Principal Accounting Fees and Services.

The following table presents fees for professional services rendered by KPMG for the audit of our annual financial statements for the years ended December 31, 2020 and 2019, together with fees for audit-related services and tax services rendered by KPMG for the years ended December 31, 2020 and 2019, respectively (dollar amounts in thousands).

	Year Ended December 31, 2020	Year Ended December 31, 2019
Audit fees[(1)]	$ 366	$ 300
Audit-related fees	—	—
Tax fees[(2)]	30	25
All other fees	—	—
Total	$ 396	$ 325

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(1) Audit fees consist of fees incurred for the audit of our annual consolidated financial statements and the review of our financial statements included in our quarterly reports on Form 10-Q, as well as fees relating to registration statements.

(2) Tax fees are comprised of tax compliance and tax consulting fees incurred and billed during the respective years.

Approval of Services and Fees

Our audit committee has reviewed and approved all of the fees charged by KPMG and actively monitors the relationship between audit and non-audit services provided by KPMG. The audit committee concluded that all services rendered by KPMG during the years ended December 31, 2020 and 2019, respectively, were consistent with maintaining KPMG’s independence. Accordingly, the audit committee has approved all of the services provided by KPMG. As a matter of policy, we will not engage our primary independent registered public accounting firm for non-audit services other than "audit-related services," as defined by the SEC, certain tax services and other permissible non-audit services except as specifically approved by the chairperson of the audit committee and presented to the full committee at its next regular meeting. We also follow limits on hiring partners of, and other professionals employed by, KPMG to ensure that the SEC's auditor independence rules are satisfied.

The audit committee must pre-approve any engagements to render services provided by our independent registered public accounting firm and the fees charged for these services including an annual review of audit fees, audit-related fees, tax fees and other fees with specific dollar value limits for each category of service. During the year, the chairperson of the audit committee will monitor the levels of fees charged by KPMG and compare these fees to the amounts previously approved. The chairperson periodically will report the results of such monitoring to the audit committee. The audit committee also will consider on a case-by-case basis and, if appropriate, approve specific engagements that are not otherwise pre-approved. Any proposed engagement that does not fit within the definition of a pre-approved service may be presented to the chairperson of the audit committee for approval.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) *Financial Statements*: The financial statements are contained herein on pages 86 - 112 of this Annual Report on Form 10-K.

(a)(2) *Financial Statement Schedules:* Refer to Index to Consolidated Financial Statements contained herein on page 84 of this Annual Report on Form 10-K.

(a)(3) *Exhibits:* Refer to Exhibit Index on page 81 of this Annual Report on Form 10-K.

Item 16. Form 10-K Summary.

The Company has elected not to provide summary information.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Amendment and Restatement of InPoint Commercial Real Estate Income, Inc. (filed as Exhibit 3.1 to the Registrant's Registration Statement on Form 10 filed May 2, 2017 and incorporated by reference)
3.2	Articles of Amendment of InPoint Commercial Real Estate Income, Inc. (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed April 30, 2019 and incorporated by reference)
3.3	Articles Supplementary of InPoint Commercial Real Estate Income, Inc. (filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed April 30, 2019 and incorporated by reference)
3.4	Certificate of Correction of InPoint Commercial Real Estate Income, Inc. (filed as Exhibit 3.4 to the Registrant's Quarterly Report on Form 10-Q filed August 14, 2019 and incorporated by reference)
3.5	Bylaws of InPoint Commercial Real Estate Income, Inc. (filed as Exhibit 3.2 to the Registrant's Registration Statement on Form 10 filed May 2, 2017 and incorporated by reference)
4.1	Amended and Restated Distribution Reinvestment Plan (filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-11 filed September 18, 2020 and incorporated by reference)
4.2*	Description of Registrant's Securities
10.1	Dealer Manager Agreement, dated as of April 29, 2019, by and between InPoint Commercial Real Estate Income, Inc. and Inland Securities Corporation (filed as Exhibit 1.1 to the Registrant's Current Report on Form 8-K filed April 30, 2019 and incorporated by reference)
10.2	First Amended and Restated Advisory Agreement, dated as of April 29, 2019, by and among InPoint Commercial Real Estate Income, Inc., InPoint REIT Operating Partnership, LP, and Inland InPoint Advisor, LLC (filed as Exhibit 10.1 to the Registrant's Registration Statement on Form S-11 filed April 30, 2019 and incorporated by reference)
10.3	First Amended and Restated Sub-Advisory Agreement, dated as of April 29, 2019, between Inland InPoint Advisor, LLC and SPCRE InPoint Advisors, LLC (filed as Exhibit 10.2 to the Registrant's Registration Statement on Form S-11 filed April 30, 2019 and incorporated by reference)
10.4	Limited Partnership Agreement of InPoint REIT Operating Partnership, LP, dated October 7, 2016 (filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-11 filed March 22, 2019 and incorporated by reference)
10.5	Amendment No. 1 to Limited Partnership Agreement, dated January 30, 2017 (filed as Exhibit 10.4 to the Registrant's Registration Statement on Form S-11 filed March 22, 2019 and incorporated by reference)
10.6	Independent Director Restricted Share Plan, effective October 25, 2016 (filed as Exhibit 10.3 to the Registrant's Registration Statement on Form 10 filed May 2, 2017 and incorporated by reference)
10.7	Independent Directors Compensation Plan, effective October 6, 2016 (filed as Exhibit 10.3 to the Registrant's Annual Report on Form 10-K filed March 12, 2019 and incorporated by reference)
10.8	Form of Restricted Stock Award Agreement (filed as Exhibit 10.5 to the Registrant's Annual Report on Form 10-K filed March 12, 2019 and incorporated by reference)
10.9	Form of Indemnification Agreement, between InPoint Commercial Real Estate Income, Inc. and each of its officers and directors (filed as Exhibit 10.4 to the Registrant's Registration Statement on Form 10 filed May 2, 2017 and incorporated by reference)
10.10	Master Repurchase Agreement, dated as of February 15, 2018, by and among Column Financial, Inc., as administrative agent, Credit Suisse AG, acting through its Cayman Islands Branch, Alpine Securitization LTD, and InPoint CS Loan, LLC (filed as Exhibit 10.1 to the Registrant's Current Report Form 8-K filed February 16, 2018 and incorporated by reference)
10.11	Guaranty, dated as of February 15, 2018, by InPoint Commercial Real Estate Income, Inc. in favor of Column Financial, Inc. (filed as Exhibit 10.2 to the Registrant's Current Report Form 8-K filed February 16, 2018 and incorporated by reference)

10.12	Uncommitted Master Repurchase Agreement, dated as of May 6, 2019, by and between JPMorgan Chase Bank, National Association and InPoint JPM Loan, LLC (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed May 7, 2019 and incorporated by reference)
10.13	Guarantee Agreement, dated as of May 6, 2019, by InPoint Commercial Real Estate Income, Inc. in favor JPMorgan Chase Bank, National Association (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed May 7, 2019 and incorporated by reference)
10.14	Amendment No. 1 to Independent Director Restricted Share Plan of InPoint Commercial Real Estate Income, Inc., effective November 26, 2019 (filed as Exhibit 10.14 to the Registrant's Annual Report on Form 10-K filed March 11, 2020 and incorporated by reference)
10.15	Loan and Security Agreement, dated March 10, 2021, between Western Alliance Bank and InPoint REIT Operating Partnership, LP (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed March 16, 2021 and incorporated by reference)
10.16	Promissory Note, dated March 10, 2021, made by InPoint REIT Operating Partnership, LP to Western Alliance Bank (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed March 16, 2021 and incorporated by reference)
10.17	Guaranty Agreement, dated March 10, 2021, executed by InPoint Commercial Real Estate Income, Inc., as Guarantor, for the benefit of Western Alliance Bank, as Lender (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed March 16, 2021 and incorporated by reference)
21.1*	List of Subsidiaries of InPoint Commercial Real Estate Income, Inc.
24.1*	Power of Attorney (included in the signature page)
31.1*	Certification of the Principal Executive Officer of the Company, pursuant to Securities Exchange Act Rule 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2*	Certification of the Principal Financial Officer of the Company, pursuant to Securities Exchange Act Rule 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1*	Certification of the Principal Executive Officer of the Company pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
32.2*	Certification of the Principal Financial Officer of the Company pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
101	The following financial information from our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission on March 19, 2021 is formatted in Extensible Business Reporting Language ("XBRL"): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statement of Changes in Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements (tagged as blocks of text)

* Filed as part of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

INPOINT COMMERCIAL REAL ESTATE INCOME, INC.

By:	/s/ Mitchell A. Sabshon
Name:	Mitchell A. Sabshon
Title:	Chief Executive Officer and Chairman
Date:	March 19, 2021

Each individual whose signature appears below hereby severally constitutes and appoints Mitchell A. Sabshon, Donald MacKinnon and Catherine L. Lynch, and each of them singly, his or her true and lawful attorney-in-fact and agent with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report on Form 10-K, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute, may lawfully do or cause to be done or by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

By:	/s/ Mitchell A. Sabshon	Chief Executive Officer and Chairman of the Board	March 19, 2021
Name:	Mitchell A. Sabshon	(principal executive officer)	
By:	/s/ Donald MacKinnon	President and Director	March 19, 2021
Name:	Donald MacKinnon		
By:	/s/ Catherine L. Lynch	Chief Financial Officer and Treasurer	March 19, 2021
Name:	Catherine L. Lynch	(principal financial officer and principal accounting officer)	
By:	/s/ Norman A. Feinstein	Director	March 19, 2021
Name:	Norman A. Feinstein		
By:	/s/ Cynthia Foster Curry	Director	March 19, 2021
Name:	Cynthia Foster Curry		
By:	/s/ Robert N. Jenkins	Director	March 19, 2021
Name:	Robert N. Jenkins		

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Stockholders and Board of Directors

InPoint Commercial Real Estate Income, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of InPoint Commercial Real Estate Income, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes and financial statement schedule IV (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2016.

Chicago, Illinois
March 19, 2021

INPOINT COMMERCIAL REAL ESTATE INCOME, INC.

CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands, except per share data)

	December 31, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents	$ 72,107	$ 37,210
Restricted cash	—	429
Real estate securities at fair value	—	157,869
Commercial mortgage loans at cost, net of allowance for loan loss of $0	441,814	504,702
Real estate owned, net of depreciation	32,474	—
Finance lease right of use asset, net of amortization	5,525	—
Deferred debt finance costs	1,001	1,133
Accrued interest receivable	1,168	1,822
Prepaid expenses and other assets	902	154
Total assets	$ 554,991	$ 703,319
LIABILITIES AND EQUITY		
Liabilities:		
Repurchase agreements - real estate securities	$ —	$ 107,489
Repurchase agreements - commercial mortgage loans	290,699	335,805
Finance lease liability	16,790	—
Loan fees payable	401	55
Due to related parties	2,093	698
Interest payable	292	652
Distributions payable	867	1,699
Accrued expenses	3,593	755
Total liabilities	314,735	447,153
Stockholders' Equity:		
Class P common stock, $0.001 par value, 500,000,000 shares authorized, 10,151,787 and 10,182,305 shares issued and outstanding at December 31, 2020 and 2019, respectively	10	10
Class A common stock, $0.001 par value, 500,000,000 shares authorized, 655,835 and 272,006 shares issued and outstanding as of December 31, 2020 and 2019, respectively	1	—
Class T common stock, $0.001 par value, 500,000,000 shares authorized, 398,233 and 121,718 shares issued and outstanding as of December 31, 2020 and 2019, respectively	—	—
Class S common stock, $0.001 par value, 500,000,000 shares authorized, 0 shares issued and outstanding as of December 31, 2020 and 2019, respectively	—	—
Class D common stock, $0.001 par value, 500,000,000 shares authorized, 50,393 and 41,538 shares issued and outstanding as of December 31, 2020 and 2019, respectively	—	—
Class I common stock, $0.001 par value, 500,000,000 shares authorized, 381,955 and 100,743 shares issued and outstanding as of December 31, 2020 and 2019, respectively	—	—
Additional paid in capital (net of offering costs of $24,964 and $22,718 as of December 31, 2020 and 2019, respectively)	287,498	265,963
Accumulated deficit	(47,253)	(9,807)
Total stockholders' equity	240,256	256,166
Total liabilities and stockholders' equity	$ 554,991	$ 703,319

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

INPOINT COMMERCIAL REAL ESTATE INCOME, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollar amounts in thousands, except per share amounts)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Interest income:			
Interest income	$ 33,490	$ 34,290	$ 11,105
Less: Interest expense	(10,317)	(14,035)	(4,091)
Net interest income	23,173	20,255	7,014
Revenue from real estate owned	972	—	—
Total income	24,145	20,255	7,014
Operating expenses:			
Advisory fee	5,528	5,632	2,540
Debt finance costs	1,331	950	456
Directors compensation	94	86	84
Professional service fees	2,031	651	356
Real estate owned operating expenses	2,709	—	—
Depreciation and amortization	405	—	—
Other expenses	921	579	243
Expense reimbursement	—	(359)	—
Total operating expenses	13,019	7,539	3,679
Other (loss) income:			
Provision for loan losses	(4,726)	—	—
Realized loss on sale of commercial loan	(375)	—	—
Unrealized gain (loss) in value of real estate securities	211	1,032	(1,279)
Realized loss on the sale of real estate securities	(35,020)	(43)	—
Total other (loss) income	(39,910)	989	(1,279)
Net (loss) income before income taxes	(28,784)	13,705	2,056
Income tax benefit	—	—	(13)
Net (loss) income	$ (28,784)	$ 13,705	$ 2,069
Net (loss) income per share, basic and diluted	$ (2.49)	$ 1.53	$ 0.57
Weighted average number of shares			
Basic	11,561,828	8,958,684	3,638,407
Diluted	11,561,828	8,959,035	3,638,574

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

INPOINT COMMERCIAL REAL ESTATE INCOME, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollar amounts in thousands)

	Par Value Common Stock								
	Class P	**Class A**	**Class T**	**Class S**	**Class D**	**Class I**	**Additional Paid in Capital**	**Accumulated Deficit**	**Total Stockholders' Equity**
Balance as of December 31, 2017	**$ 2**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 43,428**	**$ (1,445)**	**$ 41,985**
Proceeds from issuance of common stock	4	—	—	—	—	—	114,066	—	114,070
Offering costs	—	—	—	—	—	—	(8,806)	—	(8,806)
Net income	—	—	—	—	—	—	—	2,069	2,069
Distributions declared	—	—	—	—	—	—	—	(7,008)	(7,008)
Redemptions	—	—	—	—	—	—	(46)	—	(46)
Equity-based compensation	—	—	—	—	—	—	8	—	8
Balance as of December 31, 2018	**6**	**—**	**—**	**—**	**—**	**—**	**148,650**	**(6,384)**	**142,272**
Proceeds from issuance of common stock	4	—	—	—	—	—	130,160	—	130,164
Offering costs	—	—	—	—	—	—	(10,993)	—	(10,993)
Net income	—	—	—	—	—	—	—	13,705	13,705
Distributions declared	—	—	—	—	—	—	—	(17,128)	(17,128)
Distribution reinvestment	—	—	—	—	—	—	37	—	37
Redemptions	—	—	—	—	—	—	(1,911)	—	(1,911)
Equity-based compensation	—	—	—	—	—	—	20	—	20
Balance as of December 31, 2019	**10**	**—**	**—**	**—**	**—**	**—**	**265,963**	**(9,807)**	**256,166**
Proceeds from issuance of common stock	—	1	—	—	—	—	24,268	—	24,269
Offering costs	—	—	—	—	—	—	(2,246)	—	(2,246)
Net loss	—	—	—	—	—	—	—	(28,784)	(28,784)
Distributions declared	—	—	—	—	—	—	—	(8,662)	(8,662)
Distribution reinvestment	—	—	—	—	—	—	245	—	245
Redemptions	—	—	—	—	—	—	(763)	—	(763)
Equity-based compensation	—	—	—	—	—	—	31	—	31
Balance as of December 31, 2020	**$ 10**	**$ 1**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 287,498**	**$ (47,253)**	**$ 240,256**

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

INPOINT COMMERCIAL REAL ESTATE INCOME, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts in thousands)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Cash flows from operating activities			
Net (loss) income	**$ (28,784)**	**$ 13,705**	**$ 2,069**
Adjustments to reconcile net income (loss) to cash provided by operations:			
Net realized loss on real estate securities	35,020	43	—
Net unrealized (gain) loss on real estate securities	(211)	(1,032)	1,279
Provision for loan losses	4,726	—	—
Realized loss on sale of commercial loan	375	—	—
Depreciation and amortization expense	429	—	—
Amortization of equity-based compensation	31	20	8
Amortization of debt finance costs to operating expense	1,331	950	456
Amortization of debt finance costs to interest expense	79	80	56
Amortization of bond discount	(307)	(808)	(369)
Amortization of origination fees	(1,534)	(1,779)	(380)
Amortization of deferred exit fees	62	(624)	(144)
Changes in assets and liabilities:			
Accrued interest receivable	268	(828)	(852)
Accrued expenses	487	1,059	(515)
Loan fees payable	346	(45)	60
Accrued interest payable	(397)	226	404
Due to related parties	648	(758)	1,174
Prepaid expenses and other assets	(571)	(131)	(18)
Net cash provided by operating activities	**11,998**	**10,078**	**3,228**
Cash flows from investing activities:			
Origination of commercial loans	(69,135)	(329,155)	(219,274)
Origination fees received on commercial loans	—	1,951	2,319
Principal repayments of commercial loans	99,727	74,478	—
Proceeds from sale of commercial loan	9,625	—	—
Acquisition of real estate owned	347	—	—
Purchase of real estate securities	—	(76,277)	(69,767)
Real estate securities sold	121,189	9,211	2,996
Real estate securities principal pay-down	2,178	2,212	636
Net cash provided by (used in) investing activities	**163,931**	**(317,580)**	**(283,090)**
Cash flows from financing activities:			
Proceeds from issuance of common stock	24,269	130,164	114,070
Redemptions of common stock	(763)	(1,911)	(46)
Payment of offering costs	(1,844)	(10,720)	(8,806)
Proceeds from repurchase agreements	578,182	1,309,146	668,045
Principal repayments of repurchase agreements	(730,830)	(1,092,052)	(458,877)
Debt finance costs	(1,224)	(1,650)	(1,107)
Distributions paid	(9,251)	(16,333)	(6,326)
Net cash (used in) provided by financing activities	**(141,461)**	**316,644**	**306,953**
Net change in cash, cash equivalents and restricted cash	**34,468**	**9,142**	**27,091**
Cash, cash equivalents and restricted cash at beginning of period	**37,639**	**28,497**	**1,406**
Cash, cash equivalents and restricted cash at end of period	**$ 72,107**	**$ 37,639**	**$ 28,497**
Supplemental disclosure of cash flow information:			
Change in deferred offering costs and accrued offering expenses, included in due to related parties	$ —	$ (498)	$ (1,005)
Amortization of deferred exit fees due to related party	$ 346	$ —	$ —
Interest paid	$ 10,677	$ 13,810	$ 3,688
Distributions payable	$ 867	$ 1,699	$ 941
Deferred interest capitalized on commercial loan	$ 386	$ —	$ —
Transfer of commercial loan on deed-in-lieu of foreclosure to real estate owned	$ 19,774	$ —	$ —
Accrued stockholder servicing fee due to related party	$ 401	$ 273	$ —
Distribution reinvestment	$ 245	$ 37	$ —

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

Note 1 – Organization and Business Operations

InPoint Commercial Real Estate Income, Inc. (the “Company”) was incorporated in Maryland on September 13, 2016 to originate, acquire and manage a diversified portfolio of commercial real estate (“CRE”) investments primarily comprised of (i) CRE debt, including floating rate first mortgage loans, subordinate mortgage and mezzanine loans, and participations in such loans and (ii) floating rate CRE securities, such as commercial mortgage-backed securities (“CMBS”), and senior unsecured debt of publicly traded real estate investment trusts (“REITs”). The Company may also invest in select equity investments in single-tenant, net leased properties. Substantially all of the Company’s business is conducted through InPoint REIT Operating Partnership, LP (the “Operating Partnership”), a Delaware limited partnership. The Company is the sole general partner and directly or indirectly holds all of the limited partner interests in the Operating Partnership. The Company has elected to be taxed as a REIT for U.S. federal income tax purposes.

The Company is externally managed by Inland InPoint Advisor, LLC (the “Advisor”), a Delaware limited liability company formed in August 2016 that is a wholly owned indirect subsidiary of Inland Real Estate Investment Corporation, a member of The Inland Real Estate Group of Companies, Inc. The Advisor is responsible for coordinating the management of the day-to-day operations and originating, acquiring and managing the Company’s CRE investment portfolio, subject to the supervision of the Company’s board of directors (the “Board”). The Advisor performs its duties and responsibilities as the Company’s fiduciary pursuant to an amended and restated advisory agreement dated April 29, 2019 among the Company, the Advisor and the Operating Partnership (the “Advisory Agreement”), which supersedes and replaces the advisory agreement dated October 25, 2016 (the “Prior Advisory Agreement”).

The Advisor has delegated certain of its duties to SPCRE InPoint Advisors, LLC (the “Sub-Advisor”), a Delaware limited liability company formed in September 2016 that is a wholly owned subsidiary of Sound Point CRE Management, LP, pursuant to an amended and restated sub-advisory agreement between the Advisor and the Sub-Advisor dated April 29, 2019, which supersedes and replaces the sub-advisory agreement dated October 25, 2016. Among other duties, the Sub-Advisor has the authority to identify, negotiate, acquire and originate the Company’s investments and provide portfolio management, disposition, property management and leasing services to the Company. Notwithstanding such delegation to the Sub-Advisor, the Advisor retains ultimate responsibility for the performance of all the matters entrusted to it under the Advisory Agreement, including those duties which the Advisor has not delegated to the Sub-Advisor such as (i) valuation of the Company’s assets and calculation of the Company’s net asset value (“NAV”); (ii) management of the Company’s day-to-day operations; (iii) preparation of stockholder reports and communications and arrangement of the Company’s annual stockholder meetings; and (iv) advising the Company regarding its initial qualification as a REIT for U.S. federal income tax purposes and monitoring its ongoing compliance with the REIT qualification requirements thereafter.

On October 25, 2016, the Company commenced a private offering (the “Private Offering”) of up to $500,000 in shares of Class P common stock (“Class P Shares”). Inland Securities Corporation, an affiliate of the Advisor (the “Dealer Manager”), was the dealer manager for the Private Offering. On June 28, 2019, the Company terminated the Private Offering. The Company continued to accept Private Offering subscription proceeds through July 16, 2019 from subscription agreements executed no later than June 28, 2019. The Company issued 10,258,094 Class P Shares in the Private Offering, resulting in gross proceeds of $276,681.

On March 22, 2019, the Company filed a Registration Statement on Form S-11 (File No. 333-230465) (the “Registration Statement”) to register up to $2,350,000 in shares of common stock (the “IPO”).

On April 29, 2019, the Company filed articles of amendment with the State Department of Assessments and Taxation of the State of Maryland (the “SDAT”) (i) to modify the number of shares of capital stock the Company has authority to issue under its charter from 500,000,000 to 3,050,000,000, consisting of 3,000,000,000 Class P common shares and 50,000,000 shares of preferred stock, and (ii) to modify the aggregate par value of all authorized shares of stock from $500 to $3,050.

On April 29, 2019, the Company also filed articles supplementary with SDAT to reclassify and designate: (i) 500,000,000 authorized but unissued Class P common shares as Class A common shares; (ii) 500,000,000 authorized but unissued Class P common shares as Class D common shares; (iii) 500,000,000 authorized but unissued Class P common shares as Class I common shares; (iv) 500,000,000 authorized but unissued Class P common shares as Class S common shares; and (v) 500,000,000 authorized but unissued Class P common shares as Class T common shares.

On May 3, 2019, the Securities and Exchange Commission (the "SEC") declared effective the Registration Statement and the Company commenced the IPO. Prior to July 17, 2019 (the "NAV Pricing Date"), the purchase price for each class of its common stock in its primary offering was $25.00 per share, plus applicable upfront selling commissions and dealer manager fees. Following the NAV Pricing Date, the purchase price per share for each class of common stock in the IPO varies and generally equals the prior month's NAV per share, as determined monthly, plus applicable upfront selling commissions and dealer manager fees. The Dealer Manager serves as the Company's exclusive dealer manager for the IPO on a best efforts basis.

On March 24, 2020, the Board suspended (i) the sale of shares in the IPO, (ii) the operation of the share repurchase plan (the "SRP"), (iii) the payment of distributions to the Company's stockholders, and (iv) the operation of the distribution reinvestment plan (the "DRP"), effective as of April 6, 2020. In determining to suspend the IPO, the SRP, the payment of distributions and the DRP, the Board considered various factors, including the impact of the global COVID-19 pandemic on the economy, the inability to accurately calculate the Company's NAV per share due to uncertainty, volatility and lack of liquidity in the market, the Company's need for liquidity due to financing challenges related to additional collateral required by the banks that regularly finance the Company's assets and these uncertain and rapidly changing economic conditions.

Though the Company did not calculate the NAV for the months of March through May 2020, the Advisor has determined since then that there has been reduced volatility in the market for the Company's investments and some improvement in the U.S. economic outlook and resumed calculation of the NAV beginning as of June 30, 2020. In August 2020 the Company resumed paying distributions monthly to stockholders of record for all classes of its common stock. On October 1, 2020, the SEC declared effective the Company's post-effective amendment to the Registration Statement thereby permitting the Company to resume offers and sales of shares of common stock in the IPO, including through the DRP.

Please refer to "Note 15 – Subsequent Events" and Part II, "Item 1A – Risk Factors" for updates to the Company's business after December 31, 2020 and risk factors related to the COVID-19 pandemic, respectively.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements and related footnotes have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reported periods. Actual results could differ from such estimates.

Principles of Consolidation

The Company consolidates all entities that the Company controls through either majority ownership or voting rights. The accompanying consolidated financial statements include the accounts of the Company and the Operating Partnership. All intercompany accounts and transactions have been eliminated in consolidation. In determining whether the Company has a controlling financial interest in a joint venture and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions and contractual and substantive participating rights of the other partners or members as well as whether the entity is a variable interest entity ("VIE") for which the Company is the primary beneficiary. The Company has determined the Operating Partnership is a VIE of which the Company is the primary beneficiary. Substantially all of the Company's assets and liabilities are held by the Operating Partnership.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include funds on deposit with financial institutions, including demand deposits with financial institutions with original maturities of three months or less. The account balance may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance coverage limits and, as a result, there could be a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage limits. The Company believes that the risk will not be significant, as the Company does not anticipate the financial institutions' non-performance.

Restricted cash represents cash the Company is required to hold in a segregated account. As of December 31, 2019, the restricted cash was held as additional collateral on real estate securities repurchase agreements. As of December 31, 2020, there is no restricted cash held.

(Dollar amounts in thousands, except per share amounts)

The following table provides a reconciliation of cash, cash equivalents and restricted cash in the Company's consolidated balance sheets to the total amount shown in the consolidated statements of cash flows:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	$ 72,107	$ 37,210
Restricted cash	—	429
Total cash, cash equivalents, and restricted cash	$ 72,107	$ 37,639

Real Estate Securities at Fair Value

The Company's real estate securities are comprised of CMBS and are accounted for in accordance with ASC Topic 320, *Investments — Debt and Equity Securities* ("ASC 320"). The Company has chosen to make a fair value option election pursuant to ASC Topic 825*, Financial Instruments* for its securities and, therefore, its real estate securities are recorded at fair value on the consolidated balance sheets. The periodic changes in fair value are recorded in current period earnings on the consolidated statements of operations as a component of net unrealized gain (loss) in value of real estate securities. These investments generally meet the requirements to be classified as available-for-sale under ASC 320, which requires the securities to be carried at fair value on the balance sheet with changes in fair value recorded to other comprehensive income on the Company's consolidated statement of changes in stockholders' equity. Electing the fair value option permits the Company to record changes in fair value of its investments in the consolidated statements of operations which, in management's view, more appropriately reflects the results of operations for a particular reporting period.

The Company records its transactions in securities on a trade date basis and recognizes realized gains and losses on securities transactions on an identified cost basis.

Commercial Mortgage Loans Held for Investment and Allowance for Loan Losses

Commercial mortgage loans are held for investment purposes and are anticipated to be held until maturity. Accordingly, they are carried at cost, net of unamortized loan fees and origination costs, and premiums or discounts. Commercial mortgage loans that are deemed to be impaired will be carried at amortized cost less a specific allowance for loan losses. Interest income is recorded on the accrual basis and related discounts, premiums and net deferred fees or costs on investments are amortized over the life of the investment using the effective interest method. Amortization is reflected as an adjustment to interest income in the Company's consolidated statements of operations. Upon measurement of impairment, the Company records an allowance for loan losses to reduce the carrying value of the loan with a corresponding charge through the provision for loan losses on the Company's consolidated statements of operations.

The allowance for loan losses reflects management's estimate of loan losses inherent in the loan portfolio as of the balance sheet date. The Company uses a uniform process for determining its allowance for loan losses. The allowance for loan losses includes an asset-specific component and may include a general, formula-based component when the portfolio is determined to be of sufficient size to warrant such a reserve.

The asset-specific reserve component relates to reserves for losses on individual impaired loans. The Company considers a loan to be impaired when, based upon current information and events, it believes that it is probable that the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. This assessment is made on an individual loan basis each quarter based on such factors as payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographic location, as well as national and regional economic factors. A reserve is established for an impaired loan when the present value of payments expected to be received, observable market prices or the estimated fair value of the collateral (for loans that are dependent on the collateral for repayment) is lower than the carrying value of that loan.

For collateral dependent impaired loans, impairment is measured using the estimated fair value of collateral less the estimated cost to sell. Valuations are performed or obtained at the time a loan is determined to be impaired and designated non-performing, and they are updated if circumstances indicate that a significant change in value has occurred. The Advisor generally will use the income approach through internally developed valuation models to estimate the fair value of the collateral for such loans. In more limited cases, the Advisor will obtain external "as is" appraisals for loan collateral, generally when third party participations exist.

General reserves are recorded when (i) available information as of each balance sheet date indicates that it is probable a loss has occurred in the portfolio and (ii) the amount of the loss can be reasonably estimated. The Company's policy is to estimate loss rates based on actual losses experienced, if any, or based on historical realized losses experienced in the industry if the Company has not experienced any losses. Current collateral and economic conditions affecting the probability and severity of losses are taken into account when establishing the allowance for loan losses.

The Company performs a comprehensive analysis of its loan portfolio and assigns risk ratings to loans that incorporate management's current judgments about their credit quality based on all known and relevant internal and external factors that may affect collectability. The Company considers, among other things, payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographic location, as well as national and regional economic factors. This methodology results in loans being segmented by risk classification into risk rating categories that are associated with estimated probabilities of default and principal loss. Ratings range from "1" to "5" with "1" representing the lowest risk of loss and "5" representing the highest risk of loss.

Loans are generally placed on non-accrual status when principal or interest payments are past due 90 days or more or when there is reasonable doubt that principal or interest will be collected in full. Accrued and unpaid interest is generally reversed against interest income in the period the loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding the borrower's ability to make pending principal and interest payments. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current. The Company may make exceptions to placing a loan on non-accrual status if the loan has sufficient collateral value and is in the process of collection.

As of December 31, 2020 and 2019, the Company had $441,814 and $504,702 of commercial mortgage loans held for investment, respectively. The Company has not recorded any allowance for loan losses as the Company did not consider a loan loss to be probable.

Interest Income

Interest income on CMBS, which includes accretion of discounts and amortization of premiums on such CMBS, and on commercial loans, which includes origination fees paid by borrowers, is recognized over the life of the investment using the effective interest method. Management estimates, at the time of purchase, the future expected cash flows and determines the effective interest rate based on these estimated cash flows and the Company's purchase price. As needed, these estimated cash flows are updated and a revised yield is computed based on the current amortized cost of the investment. In estimating these cash flows, there are a number of assumptions that are subject to uncertainties and contingencies, including the rate and timing of principal payments (prepayments, repurchases, defaults and liquidations), the pass through or coupon rate and interest rate fluctuations. In addition, management must use its judgment to estimate interest payment shortfalls due to delinquencies on the underlying mortgage loans. These uncertainties and contingencies are difficult to predict and are subject to future events that may impact management's estimates and the Company's interest income.

Real Estate Owned

Real estate owned ("REO") represents real estate acquired by the Company through foreclosure, deed-in-lieu of foreclosure, or purchase. For real estate acquired by the Company through foreclosure or deed-in-lieu of foreclosure, REO assets are recorded at fair value at acquisition and are presented net of accumulated depreciation. For REO assets acquired through purchase, REO assets are recorded at cost at acquisition and are presented net of accumulated depreciation.

REO assets are depreciated using the straight-line method over estimated useful lives of up to 40 years for buildings and improvements and up to 15 years for furniture, fixtures and equipment. Renovations and/or replacements that improve or extend the life of the real estate asset are capitalized and depreciated over their estimated useful lives.

Revenue from Real Estate Owned

Revenue from REO represents revenue associated with the operations of a hotel property classified as REO. Revenue from the operation of the hotel property is recognized when guestrooms are occupied, services have been rendered or fees have been earned. Revenues are recorded net of any discounts and sales and other taxes collected from customers. Revenues consist of room sales, food and beverage sales and other hotel revenues.

Leases

Finance lease right of use ("ROU") assets represent the Company’s right to use an underlying asset during the lease term, and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets are recorded based on the fair value of the underlying property. Lease liabilities are recognized at commencement date based on the present value of fixed lease payments over the lease term. Leases will be classified as either a finance or operating lease, with such classification affecting the pattern and classification of expense recognition in the consolidated statements of operations. For leases greater than 12 months, the Company determines, at the inception of the contract, if the arrangement meets the classification criteria for an operating or finance lease. For leases that have extension options, which can be exercised at the Company's discretion, management uses judgment to determine if it is reasonably certain that such extension options will be elected. If the extension options are reasonably certain to occur, the Company includes the extended term's lease payments in the calculation of the respective lease liability. Total lease expense is recognized as interest on the finance lease liability and amortization of the ROU asset on a straight-line basis over the lease term. The incremental borrowing rate used to discount the lease liability is determined at commencement of the lease, or upon modification of the lease, as the interest rate a lessee would have to pay to borrow on a fully collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The Company's incremental borrowing rate considers information at both the corporate and property level and analysis of current market conditions for obtaining new financings. As of December 31, 2020, the Company had one finance lease assumed as part of a deed-in-lieu of foreclosure of a hotel property during August 2020.

Fair Value Measurements

The Company estimates fair value using available market information and valuation methodologies it believes to be appropriate for these purposes. The Company defines fair value based on the price that would be received upon sale of an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820, *Fair Value Measurements* establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value. The fair value hierarchy consists of three broad levels, which are described below:

- Level I - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level II - Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- Level III - Unobservable inputs which reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The determination of where an asset or liability falls in the above hierarchy requires judgment and factors specific to the asset or liability. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company evaluates its hierarchy disclosures each quarter and depending on various factors, it is possible that an asset or liability may be classified differently from quarter to quarter.

Real estate securities are valued utilizing both observable and unobservable market inputs. These factors include projected future cash flows, ratings, subordination levels, vintage, remaining lives, credit issues, recent trades of similar real estate securities and the spreads used in the prior valuation. The Company obtains current market spread information where available and uses this information in evaluating and validating the market price of all real estate securities. Depending upon the significance of the fair value inputs used in determining these fair values, these real estate securities are classified in either Level II or Level III of the fair value hierarchy. As of December 31, 2019, the Company received third-party quotes on each real estate security used in determining the fair value, all of which have been classified as Level II due to the observable nature of all significant inputs. As of December 31, 2020, the Company did not hold any real estate securities.

The Company is required by GAAP to disclose fair value information about financial instruments that are not otherwise reported at fair value in its consolidated balance sheets, to the extent it is practicable to estimate a fair value for those instruments. These disclosure requirements exclude certain financial instruments and all non-financial instruments.

Organization and Offering Expenses

The Company is conducting an IPO that commenced following the conclusion of the Private Offering on June 28, 2019. For classes of shares sold in the IPO, the purchase price per share is based on a monthly NAV published around the 15th of the month preceding its effective date with the valuation based on the end of the previous month. For the Private Offering, the purchase price per Class P Share was equal to $25.00 (the "Transaction Price") plus applicable selling commissions, dealer manager fees and organization and offering expenses, resulting in a total purchase price of $27.38 per Class P Share if maximum selling commissions, dealer manager fees and organization and offering expenses were paid. The Dealer Manager was the dealer manager for the Private Offering and is the dealer manager for the IPO.

Organization and offering expenses include all expenses incurred in connection with the Private Offering and IPO. Organization and offering expenses (other than selling commissions, dealer manager fees and stockholder servicing fees) of the Company may be paid by the Advisor, Sub-Advisor, the Dealer Manager, or their respective affiliates on behalf of the Company and subsequently reimbursed by the Company. For the Private Offering, offering expenses were deferred and a payable was recognized to the Advisor or Sub-Advisor until shares were sold in the Private Offering, at which point the expense reimbursement was paid from additional paid-in capital. For the IPO, offering costs are offset against additional paid-in capital when incurred. These expenses include but are not limited to: (i) reimbursing the Dealer Manager and participating broker-dealers for bona fide out-of-pocket, itemized and detailed due diligence expenses incurred by these entities, (ii) expenses for printing and mailing, charges of transfer agents, registrars, trustees, escrow holders, depositaries and experts, and (iii) expenses of qualifying the sale of the shares under federal and state laws, including taxes and fees and accountants' and attorneys' fees and expenses.

The Company reimbursed the Advisor, the Sub-Advisor and their respective affiliates for costs and other expenses related to the Private Offering not in excess of the organization and offering expenses paid by investors in connection with the sale of Class P Shares in the Private Offering. The Company also reimburses the Advisor, the Sub-Advisor and their respective affiliates for costs and other expenses related to the IPO, provided the Advisor has agreed to reimburse the Company to the extent that the organization and offering expenses that the Company incurs exceeds 15% of its gross proceeds from the IPO.

Repurchase Agreements

The Company enters into master repurchase agreements that allow the Company to sell real estate loans and securities while providing a fixed repurchase price for the same real estate loans and securities in the future. Repurchase agreements are being accounted for as secured borrowings since the Company maintains effective control of the financed assets. Under the master repurchase agreements, the respective lender retains the right to mark the underlying collateral to fair value.

Equity-Based Compensation

In accordance with the Company's Independent Director Restricted Share Plan (the "RSP"), restricted shares are issued to independent directors as compensation. The Company recognizes expense related to the fair value of equity-based compensation awards as operating expense in the consolidated statements of operations. The Company recognizes expense based on the fair value at the grant dated on a straight-line basis over the vesting period representing the requisite service period. See Note 11 – "Equity-Based Compensation" for further information.

Income Taxes

The Company qualifies as a REIT under the Internal Revenue Code of 1986, as amended, for federal income tax purposes commencing with the tax year ended December 31, 2017 and qualifies for taxation as a REIT. The Company generally will not be subject to federal income tax to the extent it distributes its REIT taxable income, subject to certain adjustments, to its stockholders. Subsequently, if the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax on its taxable income at regular corporate tax rates. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income, property or net worth and federal income and excise taxes on its undistributed income.

The Company had no uncertain tax positions as of December 31, 2020 or 2019. The Company expects no significant increases or decreases in uncertain tax positions due to changes in tax positions within one year of December 31, 2020. The Company had no interest or penalties relating to income taxes recognized in the consolidated statements of operations for the years ended December 31, 2020, 2019 or 2018. As of December 31, 2020, returns for the calendar years 2017, 2018, 2019 and 2020 remain subject to examination by U.S. and various state and local tax jurisdictions.

(Dollar amounts in thousands, except per share amounts)

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences and are attributable to (1) differences between the financial statement carrying amounts and their respective tax bases, and (2) net operating losses.

For the year ended December 31, 2018, the Company has recognized $13 as a current income tax benefit in a consolidated taxable REIT subsidiary. This benefit is primarily comprised of a $13 refund in state income tax.

For the year ended December 31, 2019, no income tax expense or benefit was recorded.

As a result of the $1,235 operating loss from the Renaissance Chicago O'Hare Suites Hotel (the "Renaissance O'Hare") on the Company's consolidated statement of operations during the year ended December 31, 2020, the Company expects to recognize a net operating loss, for income tax purposes. The Company operates the Renaissance O'Hare through a taxable REIT subsidiary that has engaged a third-party hotel management company to manage the hotel under a management contract. Based on an effective tax rate of 28.51%, which is calculated by combining a 21% Federal tax rate and an IL tax rate of 7.51% (9.5% state rate net of the Federal benefit), the deferred tax benefit related to the operating loss is approximately $352. Since the taxable REIT subsidiary does not currently conduct any activities outside of the operation of Renaissance O'Hare and the hotel operations are not projecting future net taxable income, management does not believe it is more likely than not that the taxable REIT subsidiary will be able to utilize these net operating losses in future tax periods. As a result, during the year ended December 31, 2020, management recorded a full valuation allowance, in the amount of $352.

Distributions Payable

Distributions payable represent distributions declared as of the balance sheet date which are payable to stockholders.

Per Share Data

The Company calculates basic and diluted earnings per share by dividing net income attributable to the Company for the period by the weighted-average number of shares of common stock outstanding for that period. Basic earnings (loss) per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the common shares plus common share equivalents. For further information about the Company's calculation of EPS, see Note 7 – "Net Income Per Share."

Note 3 – Commercial Mortgage Loans Held for Investment

The following is a summary of the Company's commercial mortgage loans held for investment as of December 31, 2020:

	Number of Loans	Principal Balance	Unamortized (fees)/costs, net	Carrying Value	Weighted Average Coupon	Weighted Average Years to Maturity
First mortgage loans	26	$ 425,196	$ 118	$ 425,314	5.3%	1.5
Credit loans	3	16,500	—	16,500	9.5%	4.9
Total and average	29	$ 441,696	$ 118	$ 441,814	5.5%	1.6

The following is a summary of the Company's commercial mortgage loans held for investment as of December 31, 2019:

	Number of Loans	Principal Balance	Unamortized (fees)/costs, net	Carrying Value	Weighted Average Coupon	Weighted Average Years to Maturity
First mortgage loans	29	$ 489,902	$ (1,700)	$ 488,202	5.6%	2.0
Credit loans	3	16,500	—	16,500	9.5%	5.9
Total and average	32	$ 506,402	$ (1,700)	$ 504,702	5.7%	2.2

(Dollar amounts in thousands, except per share amounts)

For the years ended December 31, 2020 and 2019, the activity in the Company's commercial mortgage loans, held-for-investment portfolio was as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Balance at Beginning of Year	$ 504,702	$ 249,573
Loan originations	69,135	329,155
Principal repayments	(99,727)	(74,478)
Amortization of loan origination and deferred exit fees	1,818	2,403
Sale of commercial loan	(10,000)	—
Origination fees received on commercial loans	—	(1,951)
Provision for loan losses	(4,726)	—
Deferred interest capitalized on commercial loan	386	—
Transfer on deed-in-lieu of foreclosure to real estate owned	(19,774)	—
Balance at End of Period	$441,814	$504,702

During May 2020, the Company sold one credit loan with an outstanding principal balance of $10,000 generating proceeds of $9,625. The Company had not previously planned to sell the loan and had classified it as held for investment. The Company recognized a loss of $375 recorded in realized loss on sale of commercial loan.

Allowance for Loan Losses

The following table presents the activity in the Company's allowance for loan losses:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Beginning of period	$ —	$ —
Provision for loan losses	(4,726)	—
Charge-offs	4,726	—
Ending allowance for loan losses	$ —	$ —

In accordance with the Company's allowance for loan loss policy, during the year ended December 31, 2020, the Company recorded impairment charges of $4,726 on one first mortgage loan secured by a hotel property in Illinois. The impairment charges were based on the estimated fair value of the underlying collateral, and the loan was terminated during August in connection with the Company's acquisition of the collateral via a deed-in-lieu of foreclosure. In addition, the Company previously recorded a provision for loan loss of $1,500 on a mezzanine loan secured by a hotel property in Miami, Florida that had been negatively impacted by the economic effects of the COVID-19 pandemic. During the year ended December 31, 2020, the Company determined that the loan had improved and that a loss was no longer probable. As such, the $1,500 allowance for loan loss previously recorded was reversed against the provision for loan losses. For the year ended December 31, 2020, interest income for the impaired loan was $465. For further information on the Company's allowance for loan losses policy, see "Note 2 – Summary of Significant Accounting Policies."

(Dollar amounts in thousands, except per share amounts)

Credit Characteristics

As part of the Company's process for monitoring the credit quality of its investments, it performs a quarterly asset review of the investment portfolio and assigns risk ratings to each of its loans and CMBS. Risk factors include payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographic location, as well as national and regional economic factors. To determine the likelihood of loss, the loans are rated on a 5-point scale as follows:

Investment Grade	Investment Grade Definition
1	Investment exceeding fundamental performance expectations and/or capital gain expected. Trends and risk factors since time of investment are favorable.
2	Performing consistent with expectations and a full return of principal and interest expected. Trends and risk factors are neutral to favorable.
3	Performing investment requiring closer monitoring. Trends and risk factors show some deterioration. Collection of principal and interest is still expected.
4	Underperforming investment with the potential of some interest loss but still expecting a positive return on investment. Trends and risk factors are negative.
5	Underperforming investment with expected loss of interest and some principal.

All investments are assigned an initial risk rating of 2 at origination.

As of December 31, 2020, 19 loans had a risk rating of 2, seven had a risk rating of 3 and three had a risk rating of 4. As of December 31, 2019, 30 loans had a risk rating of 2 and two had a risk rating of 3.

Note 4 – Real Estate Securities

The Company classified its real estate securities as available-for-sale. These investments are reported at fair value in the consolidated balance sheets with changes in fair value recorded in other income or loss in the consolidated statements of operations. The Company did not hold any real estate securities at December 31, 2020.

The table below show the Company's securities as of December 31, 2019:

Number of Positions	External Credit Rating	Collateral	Weighted Average Coupon	Weighted Average Years to Maturity	Par Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
3	AAA	Hospitality, Office	2.6%	0.5	$ 19,113	$ 19,081	$ —	$ (43)	$ 19,038
1	AA-	Hospitality	2.8%	0.4	2,000	1,999	—	(11)	1,988
9	BB-	Retail, Hospitality, Mixed Use, Office	4.4%	1.3	72,052	72,033	104	(81)	72,056
1	BBB-	Multifamily	3.4%	1.5	10,000	10,000	—	—	10,000
3	Unrated	Hospitality	7.0%	0.7	55,275	54,967	—	(180)	54,787
17			5.0%	1.0	$158,440	$158,080	$ 104	$ (315)	$157,869

During the year ended December 31, 2020, the Company sold all of its CMBS, generating proceeds of $121,189 and a realized loss of $35,020. At December 31, 2019, the Company held 17 CMBS with a total carrying value of $157,869 with a total net unrealized loss of $211. The Company had $43 and $0 of realized losses during the year ended December 31, 2019 and 2018, respectively.

As of December 31, 2019, each of the CMBS were assigned an internal risk rating of 2.

(Dollar amounts in thousands, except per share amounts)

Note 5 – Repurchase Agreements

Commercial Mortgage Loans

On February 15, 2018, a wholly-owned subsidiary of the Company entered into a master repurchase agreement (the "CF Repo Facility") with Column Financial, Inc. as administrative agent for certain of its affiliates. The CF Repo Facility had an initial advance amount of $100,000 subject to a maximum advance amount of $250,000. The Company increased the advance amount in August 2018 to $175,000, and in January 2019 to the maximum of $250,000. In March 2020, the Company temporarily increased the maximum advance amount to $300,000, and this increase expired on June 30, 2020 and the maximum advance amount reverted to $250,000. The initial term of the CF Repo Facility was 12 months and the Company extended the maturity date in March 2020 to February 2021. During December 2020, the maturity date was further extended to December 2021. Advances under the CF Repo Facility for current loans accrue interest at a per annum rate equal to the London Interbank Offered Rate ("LIBOR") plus 2.25% to 2.75% with a 0.25% to 0.75% floor. New loans will accrue interest at a per annum rate equal to LIBOR plus 2.25% to 2.75% with a 0.25% to 0.75% floor. The CF Repo Facility is subject to certain financial covenants. The Company was in compliance with all financial covenant requirements as of December 31, 2020 and 2019.

On May 6, 2019, a wholly owned subsidiary of the Company entered into an uncommitted master repurchase agreement (the "JPM Repo Facility") with JPMorgan Chase Bank, National Association. The JPM Repo Facility provides up to $150,000 in advances. Advances under the JPM Repo Facility accrue interest at per annum rates equal to the sum of (i) the applicable LIBOR index rate plus (ii) a margin of between 1.75% to 2.50%, depending on the attributes of the purchased assets. The initial maturity date of the JPM Repo Facility is May 6, 2021, with two successive one-year extensions at the Company's option, which may be exercised upon the satisfaction of certain conditions. The JPM Repo Facility is subject to certain financial covenants. The Company was in compliance with all financial covenant requirements as of December 31, 2020 and 2019.

The JPM Repo Facility and CF Repo Facility (collectively, the "Repo Facilities") are used to finance eligible loans and each act in the manner of a revolving credit facility that can be repaid as the Company's assets are paid off and re-drawn as advances against new assets.

The details of the Company's Repo Facilities as of December 31, 2020 and 2019 are as follows:

December 31, 2020

	Committed Financing	Amount Outstanding (1)	Accrued Interest Payable	Collateral Pledged	Weighted Average Interest Rate	Weighted Average Days to Maturity
CF Repo Facility	$ 250,000	$ 159,948	$ 187	$ 228,359	3.00%	352
JPM Repo Facility	150,000	130,778	105	190,047	2.08%	126
	$ 400,000	$ 290,726	$ 292	$ 418,406	2.58%	250

December 31, 2019

	Committed Financing	Amount Outstanding (1)	Accrued Interest Payable	Collateral Pledged	Weighted Average Interest Rate	Weighted Average Days to Maturity
CF Repo Facility	$ 250,000	$ 224,590	$ 327	$ 304,708	3.74%	318
JPM Repo Facility	150,000	111,295	157	153,194	3.63%	492
	$ 400,000	$ 335,885	$ 484	$ 457,902	3.70%	376

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(1) Excluding $27 and $80 of unamortized debt issuance costs as of December 31, 2020 and 2019, respectively.

(Dollar amounts in thousands, except per share amounts)

Real Estate Securities

The Company entered into two master repurchase agreements for real estate securities with separate counterparties and had the following balances outstanding as described in the table below:

	Amount Outstanding	Accrued Interest Payable	Collateral Pledged	Weighted Average Interest Rate	Weighted Average Days to Maturity
As of December 31, 2020	$ —	$ —	$ —	—	—
As of December 31, 2019	$ 107,489	$ 168	$ 149,164	3.14%	11

During the year end December 31, 2020, the Company repaid all balances under the master repurchase agreements. The total amount outstanding as of December 31, 2019 was with JP Morgan Securities LLC. In addition, the master repurchase agreements are subject to certain financial covenants. The Company was in compliance with all financial covenant requirements as of December 31, 2019.

Note 6 – Stockholders' Equity

The following tables detail the change in the Company's outstanding shares of all class of common stock, including restricted common stock:

	Common Stock					
Year ended December 31, 2020	**Class P**	**Class A**	**Class T**	**Class S**	**Class D**	**Class I**
Beginning balance	10,182,305	272,006	121,718	—	41,538	100,743
Issuance of shares	—	379,250	274,570	—	8,066	276,618
Distribution reinvestment	—	4,579	1,945	—	789	3,201
Issuance of restricted shares	—	—	—	—	—	1,393
Redemptions	(30,518)	—	—	—	—	—
Ending balance	10,151,787	655,835	398,233	—	50,393	381,955

	Common Stock					
Year ended December 31, 2019	**Class P**	**Class A**	**Class T**	**Class S**	**Class D**	**Class I**
Beginning balance	5,940,744	—	—	—	—	—
Issuance of shares	4,315,524	271,382	121,385	—	41,298	99,244
Distribution reinvestment	—	624	333	—	240	302
Issuance of restricted shares	2,400	—	—	—	—	1,197
Redemptions	(76,363)	—	—	—	—	—
Ending balance	10,182,305	272,006	121,718	—	41,538	100,743

	Common Stock					
Year ended December 31, 2018	**Class P**	**Class A**	**Class T**	**Class S**	**Class D**	**Class I**
Beginning balance	1,733,392	—	—	—	—	—
Issuance of shares	4,209,178	—	—	—	—	—
Issuance of restricted shares	—	—	—	—	—	—
Redemptions	(1,826)	—	—	—	—	—
Ending balance	5,940,744	—	—	—	—	—

During the year ended December 31, 2020, the Company issued shares in the IPO at an average price per share of $25.83 with total net proceeds, including proceeds from the DRP, of $22,267 after offering costs of $2,246. In addition, the Company incurred $70 in reimbursable deferred offering costs that are payable to the Advisor and Sub-Advisor.

During the year ended December 31, 2019, the Company issued shares in the Private Offering and the IPO (collectively, the "Offerings") at an average price per share of $26.84 with total net proceeds of $119,208 after offering costs of $10,993. In addition, the Company incurred $390 in reimbursable deferred offering costs that were payable to the Advisor and Sub-Advisor.

During the year ended December 31, 2018, the Company issued shares in the Private Offering at an average price per share of $27.10 with total net proceeds of $105,264 after offering costs of $8,806. In addition, the Company incurred $562 in reimbursable deferred offering costs that were payable to the Advisor and Sub-Advisor from future stock issuances.

Distributions

For the years ended December 31, 2018, 2017 and from January 1, 2019 to July 31, 2019, the Company paid distributions on Class P Shares based on daily record dates, payable in arrears the following month, equal to a daily amount of 1/365th of $1.92 per share. Distributions declared on or after August 1, 2019 through February 29, 2020 on Class P Shares are based on monthly record dates, payable in arrears the following month equal to a monthly amount of $1/12^{th}$ of $1.92 per share. Distributions on Class A, Class T, Class D and Class I shares are based on monthly record dates, payable in arrears the following month equal to a monthly amount of $1/12^{th}$ of $1.62 per share from August 1, 2019 through February 29, 2020.

On March 24, 2020, as a result of the COVID-19 pandemic, the Board suspended, among other things, the payment of distributions to the Company's stockholders and the operation of the DRP, effective as of April 6, 2020. In making these decisions, the Board considered the difficulty of confidently determining an NAV as a result of the uncertainty surrounding the extent of the economic effects of the pandemic, as well as the financing challenges related to additional collateral required by the banks that regularly finance the Company's assets. The Board believed that the responsible course of action in the face of the economic slowdown and uncertainty was to conserve liquidity and prioritize the payment of operating and other essential expenses until the extent of the economic effects of the pandemic could be better understood and analyzed.

After considering, among other things, the reduced volatility in the market for the Company's investments and some improvement in the U.S. economic outlook, on July 30, 2020, the Board authorized a distribution on the Company's common stock that was paid to stockholders of record as of July 31, 2020. The gross distribution was $1/12^{th}$ of $0.8576 per share for all classes of shares, and the net distribution was reduced for certain share classes for applicable class-specific expenses. The Company declared a distribution to stockholders of record as of August 31, 2020 in the gross amount of $1/12^{th}$ of $0.88 per share for all classes of shares. For stockholders of record as of September 30, 2020, October 31, 2020, November 30, 2020 and December 31, 2020, the Company declared a distribution in the gross amount of $1/12^{th}$ of $0.90 per share for all classes of shares. The amount of distributions the Company may pay in the future is not certain.

Total distributions declared for Class P, Class A, Class T, Class D and Class I shares for the year ended December 31, 2020 were $7,768, $419, $213, $33 and $229, respectively. Total distributions declared for Class P, Class A, Class T, Class D and Class I shares for the year ended December 31, 2019 were $16,967, $82, $40, $12 and $27, respectively. For the year ended December 31, 2018, total distributions declared for Class P Shares was $7,008. Other than Class P Shares, no other classes of shares were outstanding during the year ended December 31, 2018.

(Dollar amounts in thousands, except per share amounts)

The table below presents the aggregate distributions declared per share for each applicable class of common stock during the years ended December 31, 2020, 2019 and 2018. The tables exclude from dividend declaration any month when there were no outstanding shares for a class of stock or during which distributions were suspended.

Year ended December 31, 2020

	Common Stock					
	Class P	Class A	Class T	Class S	Class D	Class I
Aggregate gross distributions declared per share	$ 0.7648	$ 0.7148	$ 0.7148	$ —	$ 0.7148	$ 0.7148
Stockholder servicing fee per share	N/A	N/A	0.1270	—	0.0373	N/A
Net distributions declared per share	$ 0.7648	$ 0.7148	$ 0.5878	$ —	$ 0.6775	$ 0.7148

Year ended December 31, 2019

	Common Stock					
	Class P	Class A	Class T	Class S	Class D	Class I
Aggregate gross distributions declared per share	$ 1.9200	$ 0.5400	$ 0.6750	$ —	$ 0.5400	$ 0.6750
Stockholder servicing fee per share	N/A	N/A	0.0890	—	0.0209	N/A
Net distributions declared per share	$ 1.9200	$ 0.5400	$ 0.5860	$ —	$ 0.5191	$ 0.6750

Year ended December 31, 2018

	Common Stock					
	Class P	Class A	Class T	Class S	Class D	Class I
Aggregate gross distributions declared per share	$ 1.9200	$ —	$ —	$ —	$ —	$ —
Stockholder servicing fee per share	N/A	—	—	—	—	—
Net distributions declared per share	$ 1.9200	$ —	$ —	$ —	$ —	$ —

As of December 31, 2020 and 2019, distributions declared but not yet paid amounted to $867 and $1,699, respectively.

Distribution Reinvestment Plan

The Company adopted a DRP, effective May 3, 2019, whereby Class A, Class T, Class S, Class D and Class I stockholders have the option to have their cash distributions reinvested in additional shares of common stock. Any cash distributions attributable to the class or classes of shares owned by participants in the DRP will be immediately reinvested in shares on behalf of the participants on the business day such distribution would have been paid to such stockholder.

The per share purchase price for shares purchased pursuant to the DRP will be equal to the most recently published transaction price at the time the distribution is payable. Stockholders will not pay upfront selling commissions when purchasing shares pursuant to the DRP. The stockholder servicing fees with respect to Class T shares, Class S shares and Class D shares are calculated based on the NAV for those shares and may reduce the NAV or, alternatively, the distributions payable with respect to shares of each such class, including shares issued in respect of distributions on such shares under the DRP. Shares acquired under the DRP will entitle the participant to the same rights and be treated in the same manner as shares of that class purchased in the IPO.

The Company reserves the right to amend any aspect of its DRP without the consent of its stockholders, provided that notice of any material amendment is sent to participants at least ten business days prior to the effective date of that amendment. In addition, the Company may suspend or terminate the DRP for any reason at any time upon ten business days' prior written notice to participants. A stockholder's participation in the plan will be terminated to the extent that a reinvestment of such stockholder's distributions in the Company's shares would cause the percentage ownership or other limitations contained in the Company's charter to be violated. Participants may terminate their participation in the DRP with five business days' prior written notice to the Company.

On March 24, 2020, the Board suspended the IPO, effective immediately, and the DRP, effective April 6, 2020.

In determining to suspend the IPO and the DRP, the Board considered various factors, including the impact of the global COVID-19 pandemic on the economy, the inability to accurately calculate the Company's NAV per share due to uncertainty, volatility and lack of liquidity in the market, the Company's need for liquidity due to financing challenges related to additional collateral required by the banks that regularly finance the Company's assets and these uncertain and rapidly changing economic conditions. After determining that there had been reduced volatility in the market for the Company's investments and some improvement in the U.S. economic outlook, the Company's Advisor resumed calculation of the NAV beginning as of June 30, 2020 , and on October 1, 2020, the SEC declared effective the post-effective amendment to the Company's registration statement on Form S-11 thereby permitting the Company to resume offers and sales of shares of common stock in the IPO, including through the DRP.

During the year ended December 31, 2020, the Company received proceeds from the DRP totaling $245 at an average price per share of $23.24. During the year ended December 31, 2019, the Company received proceeds from the DRP totaling $37 at an average price per share of $25.06.

Share Repurchase Plan

The Company has adopted an SRP, effective May 3, 2019, whereby on a monthly basis, stockholders who have held their shares of common stock for at least one year may request that the Company repurchase all or any portion of their shares.

The Company may repurchase fewer shares than have been requested in any particular month to be repurchased under its SRP, or none at all, in its discretion at any time. In addition, the total amount of aggregate repurchases of shares will be limited to no more than 2% of the aggregate NAV per month and no more than 5% of the aggregate NAV per calendar quarter.

The Board may modify, suspend or terminate the SRP if it deems such action to be in the Company's best interest and the best interest of its stockholders.

On March 24, 2020 the Board suspended the SRP.

During the year ended December 31, 2020, prior to the suspension of the SRP, the Company repurchased $763 of common stock at an average price per share of $25.00. During the year ended December 31, 2019, the Company repurchased $1,911 of common stock at an average price per share of $25.02. During the year ended December 31, 2018, the Company repurchased $46 of common stock at an average price per share of $25.00 due to death or disability.

Note 7 – Net Income Per Share

Basic earnings per share ("EPS") are computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the common shares plus common share equivalents. The Company's common share equivalents are unvested restricted shares. For the year ended December 31, 2020, there were 583 antidilutive restricted shares and no additional shares related to common share equivalents were included in the computation of diluted earnings per share due to the net loss for the year. For the years ended December 31, 2019 and 2018, 351 and 167 additional shares related to restricted shares were included in the computations of diluted earnings per share, respectively, because the effect of those common share equivalents was dilutive. The Company excludes antidilutive restricted shares from the calculation of weighted-average shares for diluted earnings per share. There were no antidilutive restricted shares for the years ended December 31, 2019 and 2018. For further information about the Company's restricted shares, see Note 11 – "Equity Based Compensation."

(Dollar amounts in thousands, except per share amounts)

The following table is a summary of the basic and diluted net (loss) income per share computation for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Net (loss) income	$ (28,784)	$ 13,705	$ 2,069
Weighted average shares outstanding, basic	11,561,828	8,958,684	3,638,407
Weighted average shares outstanding, diluted	11,561,828	8,959,035	3,638,574
Net (loss) income per share, basic and diluted	$ (2.49)	$ 1.53	$ 0.57

Note 8 – Commitments and Contingencies

In the ordinary course of business, the Company may become subject to litigation, claims and regulatory matters. The Company has no knowledge of material legal or regulatory proceedings pending or known to be contemplated against the Company at this time.

The Company has made a commitment to advance additional funds under certain of its real estate loans if the borrower meets certain conditions. As of December 31, 2020 and 2019, the Company had 20 and 22 commercial mortgage loans, respectively, with a total remaining future funding commitment of $50,940 and $54,620, respectively. The Company could advance future funds at its discretion if requested by the borrower and the borrower meets certain requirements as specified in individual loan agreements.

Note 9 – Segment Reporting

The Company has one reportable segment as defined by GAAP for the years ended December 31, 2020, 2019 and 2018.

Note 10 – Transactions with Related Parties

As of December 31, 2020 and 2019, the Advisor had invested $1,000 in the Company through the purchase of 40,040 Class P Shares. The purchase price per Class P Share for the Advisor’s investment was the Transaction Price, with no payment of selling commissions, dealer manager fees or organization and offering expenses. The Advisor has agreed pursuant to its subscription agreement that, for so long as it or its affiliate is serving as the Advisor, (i) it will not sell or transfer at least 8,000 of the Class P Shares that it has purchased, accounting for $200 of its investment, to an unaffiliated third party; (ii) it will not be eligible to submit a request for these 40,040 Class P Shares pursuant to the Company’s SRP prior to the fifth anniversary of the date on which such shares were purchased (November 2021); and (iii) repurchase requests made for these Class P Shares will only be accepted (a) on the last business day of a calendar quarter, (b) after all repurchase requests from all other stockholders for such quarter have been accepted and (c) to the extent that such repurchases do not cause total repurchases in the quarter in which they are being repurchased to exceed that quarter’s repurchase cap.

As of December 31, 2020 and 2019, Sound Point Capital Management, LP (“Sound Point”), an affiliate of the Sub-Advisor, had invested $3,000 in the Company through the purchase of 120,000 Class P Shares. The purchase price per Class P Share for this investment was the Transaction Price, with no payment of selling commissions, dealer manager fees or organization and offering expenses. Sound Point has agreed pursuant to its subscription agreement that, for so long as the Sub-Advisor or its affiliate is serving as the Sub-Advisor, (i) it will not be eligible to submit a request for the repurchase of these 120,000 shares pursuant to the Company’s SRP prior to the fifth anniversary of the date on which such shares were purchased (November 2021); and (ii) repurchase requests made for these shares will only be accepted (a) on the last business day of a calendar quarter, (b) after all repurchase requests from all other stockholders for such quarter have been accepted and (c) to the extent that such repurchases do not cause total repurchases in the quarter in which they are being repurchased to exceed that quarter’s repurchase cap.

(Dollar amounts in thousands, except per share amounts)

The following table summarizes the Company's related party transactions for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Payable as of December 31, 2020	Payable as of December 31, 2019
Organization and offering expense reimbursement (1)	$ 70	$ 390	$ 562	$ —	$ 17
Selling commissions and dealer manager fee (2)	758	7,299	7,259	—	—
Advisory fee (3)	5,528	5,632	2,540	507	—
Loan fees(4)	1,508	2,089	—	912	408
Accrued stockholder servicing fee(5)	446	277	—	674	273
Operating expense reimbursement to advisor (6)	1	5	14	—	—
Expense reimbursement received from advisor (7)	—	(359)	—	—	—
Total	$ 8,311	$ 15,333	$ 10,375	$ 2,093	$ 698

(1) The Company reimbursed the Advisor, the Sub-Advisor and their respective affiliates for costs and other expenses related to the Private Offering, provided that aggregate reimbursements of such costs and expenses did not exceed the organization and offering expenses paid by investors in connection with the sale of Class P Shares in the Private Offering. The Company also reimburses the Advisor, the Sub-Advisor and their respective affiliates for costs and other expenses related to the IPO, provided the Advisor has agreed to reimburse the Company to the extent that the organization and offering expenses that the Company incurs exceeds 15% of its gross proceeds from the IPO. For the Private Offering, offering costs were offset against stockholders' equity when paid. Unpaid amounts were recorded as deferred offering costs and included in due to related parties in these consolidated balance sheets. For the IPO, offering costs are offset against stockholders' equity when incurred.

(2) The Dealer Manager received selling commissions up to 5%, and a dealer manager fee up to 3%, of the transaction price for each Class P Share sold in the Private Offering, the majority of which is paid to third-party broker-dealers. For the IPO, the Dealer Manager is entitled to receive (a) upfront selling commissions of up to 6.0%, and upfront dealer manager fees of up to 1.25%, of the transaction price of each Class A share sold in the primary offering, however such amounts may vary at certain participating broker-dealers provided that the sum will not exceed 7.25% of the transaction price; (b) upfront selling commissions of up to 3.0%, and upfront dealer manager fees of 0.5%, of the transaction price of each Class T share sold in the primary offering, however such amounts may vary at certain participating broker-dealers provided that the sum will not exceed 3.5% of the transaction price; and (c) upfront selling commissions of up to 3.5% of the transaction price of each Class S share sold in the primary offering. No upfront selling commissions or dealer manager fees are paid with respect to purchases of Class D shares, Class I shares or shares of any class sold pursuant to the Company's DRP.

(3) Under the Prior Advisory Agreement, the Company paid the Advisor an advisory fee comprised of (1) a fixed component and (2) a performance component. The fixed component of the advisory fee was paid quarterly in arrears in an amount equal to 1/4th of 1.5% of the average aggregate value of the Company's assets over such quarter, where the value of each asset shall be the value determined in accordance with the Company's valuation policies or, if such value has not yet been determined, the book value of the asset. The performance component of the advisory fee was calculated and paid annually with respect to the Class P Shares, such that for any year in which the Company's total return per Class P Share exceeds 7% per annum, the Advisor will receive 20% of the excess total return allocable to the Class P Shares; provided that in no event will the performance component of the advisory fee exceed 15% of the aggregate total return allocable to Class P Shares for such year. On April 29, 2019, the Company, the Advisor and the Operating Partnership entered into the Advisory Agreement, which supersedes and replaces the Prior Advisory Agreement. Pursuant to the Advisory Agreement, (1) the fixed component of the advisory fee is paid in an amount equal to (i) prior to the NAV Pricing Date, 1/4th of 1.5% per annum of the gross value of the Company's assets, paid quarterly in arrears, and (ii) following the NAV Pricing Date, 1/12th of 1.25% per annum of the gross value of the Company's assets, paid monthly in arrears, provided that any such monthly payment shall not exceed 1/12th of 2.5% of the Company's NAV; and (2) the performance component of the advisory fee is calculated and paid annually, such that for any year in which the Company's total return per share exceeds 7% per annum, the Advisor will receive 20% of the excess total return allocable to shares of the Company's common stock; provided that in no event will the performance fee exceed 15% of the aggregate total return allocable to shares of the Company's common stock for such year. The Advisor waived the fixed component of the advisory fee for all periods prior to April 1, 2018 and for the months of November and December 2019. The fixed component of the advisory fee waived totaled $874, $1,109 and $258 for the years ended December 31, 2020, 2019 and 2018, respectively. In addition, the Advisor waived the performance component of the advisory fee of $319 for the year ended December 31, 2019. For the years ended December 31, 2020 and 2018, the Advisor did not earn the performance component of the advisory fee.

(4) Effective July 17, 2019, the Company pays the Advisor all new loan origination and administrative fees related to CRE loans held for investment, to the extent that such fees are paid by the borrower.

(5) Subject to the Financial Industry Regulatory Authority, Inc. limitations on underwriting compensation, the Company pays the Dealer Manager selling commissions over time as stockholder servicing fees for ongoing services rendered to stockholders by participating broker-dealers or broker-dealers servicing stockholders' accounts as follows: (a) for Class T shares only, 0.85% per annum of the NAV of the Class T shares; (b) for Class S shares only, 0.85% per annum of the aggregate NAV for the Class S shares; and (c) for Class D shares only, 0.25% per annum of the aggregate NAV for the Class D shares. The Company will cease paying the stockholder servicing fee with respect to any Class T share, Class S share or Class D share held in a stockholder's account upon the occurrence of certain events. The Company accrues the full cost of the stockholder servicing fee as an offering cost at the time the Company sells Class T, Class S, and Class D shares. The Dealer Manager does not retain any of these fees, all of which are retained by, or reallowed (paid) to, participating broker-dealers and servicing broker-dealers for ongoing stockholder services performed by such broker-dealers.

(6) The Company reimburses the Advisor for expenses that it (or the Sub-Advisor acting on the Advisor's behalf) incurs in connection with providing services to the Company, provided that the Company does not reimburse overhead costs, including rent and utilities or personnel costs (including salaries, bonuses, benefits and severance payments) and the Company will only reimburse the Advisor for fees payable to its affiliates if they are incurred for legal or marketing services rendered on the Company's behalf.

(7) The Advisor has agreed to reimburse the Company from time to time for certain costs incurred by the Company. For the year ended December 31, 2019, the Advisor reimbursed the Company $359. There were no expense reimbursements during the years ended December 31, 2020 and 2018. These reimbursements represent one-time cash payments to the Company in order to provide additional operating support to the Company and ensure a certain return for the Company. These cash payments are not subject to Board approval.

Note 11 – Equity-Based Compensation

On December 1, 2020, the Company granted each of its three independent directors 464 restricted Class I shares for a total of 1,393 Class I Shares with a grant date fair value of $21.54 per share and a total value of $30. The restricted Class I shares will vest in equal one-third increments on December 1, 2021, 2022 and 2023. On December 2, 2019, the Company granted each of its three independent directors 399 restricted Class I shares for a total of 1,197 Class I shares with a grant date fair value of $25.07 per share and a total value of $30. The restricted Class I shares will vest in equal one-third increments on December 2, 2020, 2021 and 2022. On January 7, 2019, the Company granted each of its three independent directors 400 restricted Class P Shares for a total of 1,200 Class P Shares with a grant date fair value of $25.00 per share and a total value of $30. The restricted Class P Shares will vest in equal one-third increments on January 7, 2020, 2021 and 2022. On March 1, 2018, the Company granted 400 restricted Class P Shares to each of its three independent directors for a total of 1,200 Class P Shares at a grant date fair value of $25.00 per share for a total value of $30. These restricted Class P Shares vest in equal one-third increments on March 1, 2019, 2020 and 2021.

Under the RSP, restricted shares generally vest over a three-year vesting period from the date of the grant, subject to the specific terms of the grant. Restricted shares are included in common stock outstanding on the date of vesting. The grant-date value of the restricted shares is amortized over the vesting period representing the requisite service period. Compensation expense associated with the restricted shares issued to the independent directors was $31, $20 and $8 for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, the Company had $60 of unrecognized compensation expense related to the unvested restricted shares, in the aggregate. The weighted average remaining period that compensation expense related to unvested restricted shares will be recognized is 1.26 years. The total fair value at the vesting date for restricted shares that vested during the year ended December 31, 2020 was $29.

(Dollar amounts in thousands, except per share amounts)

A summary table of the status of the restricted shares granted under the RSP is presented below:

	Restricted Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding at December 31, 2019	3,197	$ 25.02
Granted	1,393	21.54
Vested	(1,199)	25.02
Converted	—	—
Forfeited	—	—
Outstanding at December 31, 2020	3,391	$ 23.59

Note 12 – Fair Value of Financial Instruments

The following table presents the Company's financial instruments carried at fair value in the consolidated balance sheets by its level in the fair value hierarchy (see Note 2 – "Summary of Significant Accounting Policies"):

	December 31, 2020				December 31, 2019			
	Total	Level I	Level II	Level III	Total	Level I	Level II	Level III
Real estate securities	$ —	—	$ —	—	$ 157,869	—	$ 157,869	—

The Company did not transfer any assets within fair value levels during the years ended December 31, 2020 and 2019.

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

	December 31, 2020		December 31, 2019	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Cash and cash equivalents	$ 72,107	$ 72,107	$ 37,210	$ 37,210
Restricted cash	—	—	429	429
Commercial mortgage loans, net	441,814	441,267	504,702	511,734
Total	$ 513,921	$ 513,374	$ 542,341	$ 549,373
Financial liabilities				
Repurchase agreements - real estate securities	$ —	$ —	$ 107,489	$ 107,489
Repurchase agreements - commercial mortgage loans	290,699	290,699	335,805	335,805
Total	$ 290,699	$ 290,699	$ 443,294	$ 443,294

The following describes the Company's methods for estimating the fair value for financial instruments:

- The estimated fair values of restricted cash, cash and cash equivalents were based on the bank balance and was a Level 1 fair value measurement.
- The estimated fair value of commercial mortgage loans, net is a Level 3 fair value measurement. The Sub-Advisor estimates the fair values of commercial loans based on a discounted cash flow methodology that analyzes various factors including capitalization rates, occupancy rates, sponsorship, geographic concentration, collateral type, market conditions and actions of other lenders.
- The estimated fair value of repurchase agreements is a Level 3 fair value measurement based on an expected present value technique. This method discounts future estimated cash flows using rates the Company determined best reflect current market interest rates that would be offered for repurchase agreements with similar characteristics and credit quality.

(Dollar amounts in thousands, except per share amounts)

Note 13 – Real Estate Owned

The following table summarizes the Company's REO assets as of December 31, 2020:

Acquisition Date	Property Type	Primary Location(s)	Building and Improvements	Furniture, Fixtures and Equipment	Accumulated Depreciation	Real Estate Owned, Net
August 2020 (1)(2)	Hotel	Chicago, IL	$ 26,683	$ 6,196	$ (405)	$ 32,474

(1) Refer to Note 2 – "Summary of Significant Accounting Policies" for useful life of the above assets.

(2) Represents hotel ground lease interest acquired by the Company by completing a deed-in-lieu of foreclosure transaction.

Note 14 – Leases

The Company is the lessee under one ground lease. The ground lease, which commenced on April 1, 1999, was assumed as part of a property acquired through a deed-in-lieu of foreclosure transaction on August 20, 2020 and extends through March 31, 2098. The lease is classified as a finance lease. Under the ground lease, the Company is prohibited from mortgaging the land but is not prohibited from making a leasehold mortgage for property constructed on the land. The Company may terminate the lease as of March 31, 2049, March 31, 2065 and March 31, 2081 provided that twelve months' notice is provided to the lessor prior to those respective dates.

Upon assumption of the lease, the Company recorded a lease liability of $16,827 and a ROU asset of $5,549 on its consolidated balance sheet. The lease liability was based on the present value of the ground lease's future payments using an interest rate of 11.37%, which the Company considers a reasonable estimate of the Company's incremental borrowing rate. For the years ended December 31, 2020, 2019 and 2018, total finance lease cost was comprised as follows:

	Years ended December 31,		
	2020	2019	2018
Amortization of right-of-use assets	$ 24	$ —	$ —
Interest on lease liabilities	634	—	—
Total finance lease cost	$ 658	$ —	$ —

The table below shows the Company's finance lease right of use asset, net of amortization as of December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Finance lease right of use asset, gross	$ 5,549	$ —
Accumulated amortization	(24)	—
Finance lease right of use asset, net of amortization	$ 5,525	$ —

Lease payments for the ground lease as of December 31, 2020 for each of the five succeeding years and thereafter is as follows:

	Lease Payments
2021	$ 1,611
2022	1,611
2023	1,611
2024	1,744
2025	1,771
Thereafter	271,459
Total undiscounted lease payments	$ 279,807
Less: Amount representing interest	(263,017)
Present value of lease liability	$ 16,790

Note 15 – Subsequent Events

The Company has evaluated subsequent events through March 19, 2021, the date the consolidated financial statements were issued, and determined that there have not been any events that have occurred that would require adjustments to disclosures in the consolidated financial statements except for the following transactions:

Fee Waiver

In order to support the performance of the Company, the Advisor has agreed to waive 50% of its management fee for the month of January 2021 and for future months until it notifies the Board that the waiver is terminated.

Share Repurchase Plan Reinstatement

The Board has approved the reinstatement of the SRP as described below.

- On March 1, 2021, the SRP will be reinstated for the Company's stockholders requesting repurchase of shares as a result of the death or qualified disability of the holder. Permitted repurchase requests must be submitted on or after March 1, 2021. The first settlement of permitted repurchase requests will be on March 31, 2021, the last business day of the month.
- On July 1, 2021, the SRP will be reinstated for all stockholders. Repurchase requests must be submitted on or after July 1, 2021. The first settlement of permitted repurchase requests will be on July 30, 2021, the last business day of the month. In accordance with the terms of the SRP that allow the Company to repurchase fewer shares than the maximum amount permitted under the SRP, for the months of July, August and September 2021, the total amount of aggregate repurchases of shares (including Class P Shares) will be limited to no more than 1% of the Company's aggregate NAV per month as of the last day of the previous calendar month and no more than 2.5% of the Company's aggregate NAV per calendar quarter as of the last day of the previous calendar month. Beginning on October 1, 2021, the total amount of aggregate repurchases of shares will be limited as set forth in the SRP (no more than 2% of the Company's aggregate NAV per month as of the last day of the previous calendar month and no more than 5% of the Company's aggregate NAV per calendar quarter as of the last day of the previous calendar month). Notwithstanding the foregoing, the Company may repurchase fewer shares than these limits in any month, or none. Further, the Board may modify, suspend or terminate the SRP if it deems such action to be in the Company's best interest and the best interest of its stockholders.

Loan and Security Agreement and Promissory Note with Western Alliance Bank

On March 10, 2021, the operating partnership subsidiary, the Operating Partnership entered into a Loan and Security Agreement and a Promissory Note (the "Western Alliance Facility") with Western Alliance Bank, an Arizona corporation. The Western Alliance Facility provides for loan advances up to $75,000. The Company expects to use advances under the Western Alliance Facility to finance the acquisition or origination of commercial mortgage loans. The Western Alliance Facility acts in the manner of a revolving credit facility that can be repaid as the Company's mortgage loan assets are paid off and re-drawn as advances against new assets. Advances under the Western Alliance Facility accrue interest at an annual rate equal to one-month LIBOR plus 3.25% with a floor of 4.0%. The initial maturity date of the Western Alliance Facility is March 10, 2023.

In connection with the Western Alliance Facility, the Company entered into a Guaranty dated March 10, 2021 (the "Guaranty"), under which the Company agreed to guarantee all obligations, indebtedness and liabilities of the Operating Partnership under the Western Alliance Facility up to 30% of the amount owed under the Western Alliance Facility at the determination date plus certain additional amounts specified in the Guaranty, including all advances after the determination date. The Western Alliance Facility and the Guaranty contain representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of this type.

(Dollar amounts in thousands, except per share amounts)

Distributions

On January 28, 2021, the Company declared distributions for each class of its common stock to stockholders of record as of January 31, 2021, payable on or about February 17, 2021 in the amounts per share set forth below:

	Common Stock				
	Class P	**Class A**	**Class T**	**Class D**	**Class I**
Aggregate gross distributions declared per share	$ 0.0792	$ 0.0792	$ 0.0792	$ 0.0792	$ 0.0792
Stockholder servicing fee per share	N/A	N/A	0.0146	0.0043	N/A
Net distributions declared per share	$ 0.0792	$ 0.0792	$ 0.0646	$ 0.0749	$ 0.0792

On January 28, 2021, the Company declared distributions for each class of its common stock to stockholders of record as of February 28, 2021, payable on or about March 17, 2021 in the amounts per share set forth below:

	Common Stock				
	Class P	**Class A**	**Class T**	**Class D**	**Class I**
Aggregate gross distributions declared per share	$ 0.0833	$ 0.0833	$ 0.0833	$ 0.0833	$ 0.0833
Stockholder servicing fee per share	N/A	N/A	0.0132	0.0039	N/A
Net distributions declared per share	$ 0.0833	$ 0.0833	$ 0.0701	$ 0.0794	$ 0.0833

On January 28, 2021, the Company announced distributions for each class of its common stock to stockholders of record as of March 31, 2021, payable on or about April 19, 2021 in the amounts per share set forth below:

	Common Stock				
	Class P	**Class A**	**Class T**	**Class D**	**Class I**
Aggregate gross distributions declared per share	$ 0.0875	$ 0.0875	$ 0.0875	$ 0.0875	$ 0.0875
Stockholder servicing fee per share	N/A	N/A	0.0146	0.0043	N/A
Net distributions declared per share	$ 0.0875	$ 0.0875	$ 0.0729	$ 0.0832	$ 0.0875

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InPoint Commercial Real Estate Income, Inc.
Schedule IV – Mortgage Loans on Real Estate
December 31, 2020
(Dollar amounts in thousands)

Type of Loan [(1)]	Principal Balance	Carrying Amount	Property Type	Cash Coupon [(2)]	Periodic Payment Terms [(3)]	Maximum Maturity [(4)]
First Mortgage Loan 1	$ 14,650	$ 14,721	Office	L+4.70%	I/O	1/9/23
First Mortgage Loan 2	16,860	16,973	Office	L+4.50%	I/O	6/9/21
First Mortgage Loan 3	12,059	12,069	Retail	L+3.75%	I/O	4/9/23
First Mortgage Loan 4	31,000	30,970	Industrial	L+4.00%	I/O	5/9/23
First Mortgage Loan 5	6,962	6,983	Multifamily	L+4.50%	I/O	6/9/23
First Mortgage Loan 6	24,411	24,443	Office	L+3.75%	I/O	9/9/23
First Mortgage Loan 7	8,531	8,521	Multifamily	L+3.70%	I/O	10/9/23
First Mortgage Loan 8	6,860	6,861	Multifamily	L+3.85%	I/O	11/9/23
First Mortgage Loan 9	5,200	5,198	Multifamily	L+3.90%	I/O	12/9/23
First Mortgage Loan 10	16,537	16,518	Hospitality	L+4.20%	I/O	6/9/25
First Mortgage Loan 11	11,575	11,563	Multifamily	L+3.45%	I/O	2/9/24
First Mortgage Loan 12	15,761	15,732	Industrial	L+3.30%	I/O	4/9/24
First Mortgage Loan 13	24,000	23,929	Multifamily	L+3.25%	I/O	6/9/24
First Mortgage Loan 14	12,828	12,810	Multifamily	L+3.25%	I/O	6/9/24
First Mortgage Loan 15	47,507	47,357	Office	L+2.75%	I/O	7/9/24
First Mortgage Loan 16	6,350	6,325	Mixed Use	L+3.60%	I/O	7/9/24
First Mortgage Loan 17	7,567	7,592	Office	L+4.20%	I/O	9/9/24
First Mortgage Loan 18	15,260	15,274	Office	L+3.10%	I/O	10/9/24
First Mortgage Loan 19	30,000	30,035	Multifamily	L+3.30%	I/O	10/9/24
First Mortgage Loan 20	20,958	21,012	Office	L+2.90%	I/O	10/9/24
First Mortgage Loan 21	13,743	13,757	Multifamily	L+3.00%	I/O	11/9/24
First Mortgage Loan 22	32,632	32,656	Multifamily	L+3.00%	I/O	12/9/24
First Mortgage Loan 23	19,835	19,880	Office	L+3.30%	I/O	2/9/25
First Mortgage Loan 24	8,000	8,017	Retail	L+3.85%	I/O	3/9/25
First Mortgage Loan 25	9,320	9,327	Retail	L+3.50%	I/O	3/9/25
First Mortgage Loan 26	6,790	6,791	Multifamily	L+4.00%	I/O	10/9/25
Credit Loan 1	7,500	7,500	Office	9.20%	I/O	10/11/27
Credit Loan 2	3,000	3,000	Hospitality	9.35%	I/O	4/1/23
Credit Loan 3	6,000	6,000	Office	10.00%	I/O	10/6/24
	$ 441,696	$ 441,814				

(1) First mortgage loans are first position mortgage loans and credit loans are mezzanine and subordinated loans.

(2) Cash coupon is the stated rate on the loan.

(3) I/O = interest only, P/I = principal and interest.

(4) Maximum maturity assumes all extension options are exercised.

InPoint Commercial Real Estate Income, Inc.
Schedule IV – Mortgage Loans on Real Estate
December 31, 2020
(Dollar amounts in thousands)

Reconciliation of Commercial Mortgage Loans, At Cost:

The following table reconciles commercial mortgage loans, at cost for the years ended:

	2020	2019	2018
Balance at January 1,	$ 504,702	$ 249,573	$ 32,094
Additions during period:			
Loan fundings	69,135	329,155	219,274
Deferred interest capitalized on commercial loan	386	—	—
Amortization of deferred fees and expenses	1,818	2,403	524
Deductions during period:			
Collections of principal	(99,727)	(74,478)	—
Sale of commercial loan	(10,000)	—	—
Provision for loan losses	(4,726)	—	—
Transfer on deed-in-lieu of foreclosure to real estate owned	(19,774)	—	—
Net fees capitalized into carrying value of loans	—	(1,951)	(2,319)
Balance at December 31,	441,814	$ 504,702	$ 249,573

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