THE FOUNDATION FOR SECURE MARKETS

#49937

Date: January 19, 2022

Subject: Lument Finance Trust, Inc. - Rights Distribution
Option Symbol: LFT
New Symbol: LFT1
Date: 01/14/2022
* * * Update * * *

Lument Finance Trust, Inc. (LFT) has declared a rights distribution to LFT Common Shareholders, as described below:

Rights:	Transferable Rights ("Rights") to purchase 1 new Common Share of Lument Finance Trust, Inc. per one 1 whole Right
Price:	92.5% of the volume-weighted average of the sales prices of shares of LFT common stock on the New York Stock Exchange (NYSE) for the five consecutive trading days ending on the expiration of the Rights Offer, as described in the LFT Prospectus Supplement dated January 7, 2022. The subscription price is currently estimated to be $3.58 per share.
Distribution Ratio:	1.5 Rights for every LFT Common Share held
Record Date:	January 18, 2022
Expiration:	5:00 p.m. New York City Time, on February 11, 2022, unless extended
Depositary:	Broadridge Corporate Issuer Solutions, Inc.
Guaranty Period:	2 business days

Lument Finance Trust, Inc. Rights began trading regular way on the NYSE on January 19, 2022, under the symbol "LFTRT".

<u>Contract Adjustment</u>

Effective Date:	January 14, 2022
Option Symbol:	LFT changes to LFT1
Strike Divisor:	1

Contract Multiplier:	1
New Multiplier:	100 (e.g., a premium of 1.50 yields $150)
New Deliverable Per Contract:	1) 100 Lument Finance Trust, Inc. (LFT) Common Shares 2) 150 Lument Finance Trust, Inc. Rights (LFTRT) **(no longer subject to delayed settlement)**
Settlement Allocation:	LFT: 95% LFTRT: 5%
CUSIPs:	LFT: 55025L108 LFTRT: 55025L116

THE ALLOCATION OF THE AGGREGATE STRIKE PRICE AMOUNT IS BEING PROVIDED SOLELY FOR THE PURPOSE OF THE INTERFACE BETWEEN OCC AND THE NATIONAL SECURITIES CLEARING CORPORATION (NSCC), AND IS NOT INTENDED TO BE USED FOR ANY OTHER PURPOSE, TRANSACTION OR CUSTOMER ACCOUNT STATEMENTS.

Settlement

The LFT component of the LFT1 exercise/assignment activity will continue to settle through National Securities Clearing Corporation (NSCC). The LFTRT component of LFT1 exercise/assignment activity, which was delayed from January 14, 2021 through January 19, 2021, is no longer delayed and will now settle through NSCC.

NOTE: It is anticipated that the Rights will cease trading on NYSE before the opening on February 11, 2022. The Rights are expected to expire on February 11, 2022 at 5:00 p.m. New York City time. The LFTRT component of adjusted option LFT1 will remain part of the LFT1 deliverable until the Rights have expired. Once the expiration of the Rights has been confirmed, the LFTRT component will be removed from the LFT1 deliverable. This change to the deliverables is expected to be effective on February 14, 2022.

Pricing

The underlying price of LFT1 will be determined as follows:

LFT1 = LFT + 1.5 (LFT RT)

Further Contract Adjustment

When the Rights expire, adjusted LFT1 options will be further adjusted to no longer call for the delivery of the Rights. **No adjustment will be made to the adjusted contracts to compensate for any in-the-money value the LFT Rights may have at the time of their expiration.**

Exercise Considerations

The Rights are to be suspended from trading before the open on February 11, 2022 and are expected to expire on February 11, 2022 at 5:00 p.m. New York City time. Shares for which there is no subscription during the primary subscription will be offered, by means of the over-subscription privilege, first to record date stockholders who fully exercise the rights issued to them pursuant to this offering. Once over-subscription privileges exercised by record date stockholders have been met, any non-record date rights holder who exercises rights is entitled to subscribe for remaining shares that are not otherwise subscribed for by record date stockholders. Call option holders who wish to exercise their adjusted options to obtain

the Rights for subsequent exercise, sale or other purposes bear sole responsibility for determining when to exercise their options as well as complying with all terms and conditions of the Rights offering applicable to Rights exercise or delivery.

Delivery Settlement and Protect Provisions

Option contracts which are exercised, will require the settlement of all component securities included in the contract deliverable at the time of the option contract exercise, including rights, warrants, or similar instruments. Additional entitlements (such as due bills, eligibility to participate in tender offers, elections, etc.) may also automatically attach to securities deliverable upon option exercise. Conversely, exercised calls may be unable to realize the benefit of securities or entitlements **not** associated to the contract deliverable at the time of the option exercise or Option contract maturity.

Except in unusual cases, securities deliverable as a result of equity option exercises and or Option contract maturity are settled through National Securities Clearing Corporation (NSCC).

Rights and obligations of Members with respect to securities settling at NSCC as a result of an option exercise/assignment are governed by the rules of NSCC. NSCC has its own rules which enable purchasers of securities to protect themselves for value which may be lost if timely delivery is not made to them of securities subject to specific deadlines, such as the expiration of a tender offer, rights offering, election, or similar event. These rules are generally called protect or liability notice procedures, and are intended to protect purchasers by binding the delivering parties to liability if such value is lost because timely delivery is not effected. Purchasers of securities must observe the rules and procedures of NSCC to avail themselves of such protect provisions of NSCC. Questions regarding these provisions should be addressed to NSCC.

Special Risks

Call Holders/ Put Writers

As a result of the adjustment described above, the Rights will be part of the adjusted LFT1 options deliverable, but only until the Rights expire, after which time they will be dropped from the deliverable of the option contract. When the Rights expire and are dropped from the deliverable of the option contract, any value the Rights may have had will no longer be associated with the option contract. As a result, holders of in-the-money calls may be disadvantaged unless they exercise in sufficient time to obtain the Rights. After the Rights expire and are dropped from the deliverable of the option contract, holders of short put positions who are assigned will be required to purchase LFT stock *whose value may have been substantially diminished by the Rights distribution.*

Uncovered Short Obligations

Holders of assigned calls or exercised puts who do not possess the underlying security at the time of assignment or exercise are subject to special risk. Suspension of trading of the underlying security, inability to borrow the security, or similar events may preclude the possibility of effecting timely delivery, thereby exposing persons with an obligation to deliver to liability if timely delivery is not effected (See Delivery Settlement and Protect Provisions above).

Disclaimer

This Information Memo provides an unofficial summary of the terms of corporate events affecting listed options or futures prepared for the convenience of market participants. OCC accepts no responsibility for the accuracy or completeness of the summary, particularly for information which may be relevant to investment decisions. Option or futures investors should independently ascertain and evaluate all information concerning this corporate event(s).

The determination to adjust options and the nature of any adjustment is made by OCC pursuant to OCC By-Laws, Article VI, Sections 11 and 11A. The determination to adjust futures and the nature of any

adjustment is made by OCC pursuant to OCC By-Laws, Article XII, Sections 3, 4, or 4A, as applicable. For both options and futures, each adjustment decision is made on a case by case basis. Adjustment decisions are based on information available at the time and are subject to change as additional information becomes available or if there are material changes to the terms of the corporate event(s) occasioning the adjustment.

ALL CLEARING MEMBERS ARE REQUESTED TO IMMEDIATELY ADVISE ALL BRANCH OFFICES AND CORRESPONDENTS ON THE ABOVE.

For questions regarding this memo, call Investor Services at 1-888-678-4667 or email investorservices@theocc.com. Clearing Members may contact Member Services at 1-800-544-6091 or, within Canada, at 1-800-424-7320, or email memberservices@theocc.com.