

**INPOINT COMMERCIAL REAL ESTATE INCOME, INC.
SUPPLEMENT NO. 1 DATED NOVEMBER 15, 2022 TO THE
PROSPECTUS DATED NOVEMBER 2, 2022**

This prospectus supplement no. 1 (this “Supplement”) is part of and should be read in conjunction with the base prospectus of InPoint Commercial Real Estate Income, Inc. dated November 2, 2022 (collectively the “prospectus”). Unless otherwise defined herein, capitalized terms used in this Supplement shall have the same meanings as in the prospectus.

The purposes of this Supplement are as follows:

- to disclose the transaction price as of December 1, 2022, the first business day of the month, for each class of our common stock being offered and sold in this offering;
- to disclose our NAV per share as of October 31, 2022;
- to disclose the adoption of a policy with respect to the repurchase of Class I shares held by the Advisor and Sub-Advisor;
- to disclose our board of directors' resolution to require stockholder approval to effect a share exchange;
- to disclose an amendment to the Advisory Agreement;
- to update certain other disclosure in the prospectus;
- to update our form of subscription agreement; and
- to include our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022.

Transaction Prices

The transaction price for each share class of our common stock for subscriptions to be accepted as of December 1, 2022, the first business day of the month, and for distribution reinvestments is as follows:

	Transaction Price (per share)
Class A	\$ 19.5557
Class T	\$ 19.6018
Class S	\$ 19.5127
Class D	\$ 19.5455
Class I	\$ 19.5515

As of October 31, 2022, we had not sold any Class S shares. The December 1, 2022 transaction price for our Class S shares is based on our aggregate NAV for all share classes as of October 31, 2022. The purchase price of our common stock for each share class equals the transaction price of such class, plus applicable upfront selling commissions and dealer manager fees. A detailed calculation of the NAV per share is set forth below. No transactions or events have occurred since October 31, 2022 that would have a material impact on our NAV per share.

October 31, 2022 NAV per Share

We calculate NAV per share in accordance with the valuation guidelines that have been approved by our board of directors. Our NAV per share, which is updated as of the last calendar day of each month, is posted on our website at www.inland-investments.com/inpoint. Please refer to “Net Asset Value Calculation and Valuation Guidelines” in the prospectus, as supplemented, for how our NAV is determined. The Advisor is ultimately responsible for determining our NAV. The valuation of our commercial real estate loan portfolio is reviewed by our independent valuation advisor. We have included a breakdown of the components of total net asset value attributable to common stock and NAV per share for October 31, 2022.

Our total net asset value attributable to common stock presented in the following table includes the NAV of our Class A, Class T, Class S, Class D, and Class I common stock being sold in this offering, as well as our Class P common stock, which is not being sold in this offering. As of October 31, 2022, we had not sold any Class S shares. The following table provides a breakdown of the major components of our total net asset value attributable to common stock as of October 31, 2022 (\$ and shares in thousands, except per share data):

Components of NAV	October 31, 2022
Commercial mortgage loans	\$ 817,433
Real estate owned, net	17,100
Cash and cash equivalents and restricted cash	45,666
Other assets	9,059
Repurchase agreements - commercial mortgage loans	(489,771)
Loan participations sold	(98,053)
Reserve for negative impact of COVID on real estate owned ⁽¹⁾	(796)
Due to related parties	(2,158)
Distributions payable	(1,061)
Interest payable	(1,316)
Accrued stockholder servicing fees ⁽²⁾	(151)
Other liabilities	(9,759)
Preferred stock	(86,676)
Net asset value attributable to common stock	<u>\$ 199,517</u>
Number of outstanding shares	<u>10,225</u>
Aggregate NAV per share	<u>\$ 19.5127</u>

- (1) As of December 31, 2020, we established as a component of the NAV calculation a \$2,250 reserve for the estimated negative impact of COVID-19 during 2021 on real estate owned (“REO”). We increased this reserve by an additional \$1,000 as of December 31, 2021, for losses expected to be incurred during 2022. The estimated total loss for 2022 assumed that the REO would generate net income in certain months in 2022, and REO generated net income of \$282 in October 2022. Net income generated by the REO in October 2022 has not been added to the reserve balance because management believes the current reserve balance is sufficient to cover expected future losses on REO for the remainder of 2022.
- (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 accounting principles generally accepted in the United States of America (“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 October 31, 2022, we have accrued under GAAP \$645 of stockholder servicing fees payable to the Dealer Manager related to the Class T and Class D shares sold. As of October 31, 2022, 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 reallocated (paid) to, participating broker-dealers and servicing broker-dealers for ongoing stockholder services performed by such broker-dealers.

The following table provides a breakdown of our total net asset value attributable to common stock and NAV per share by share class as of October 31, 2022 (\$ and shares in thousands, except per share data):

NAV Per Share	Class P	Class A	Class T	Class S	Class D	Class I	Total
Net asset value attributable to common stock	\$ 170,729	\$ 13,916	\$ 5,822	\$ —	\$ 931	\$ 8,106	\$ 199,517
Number of outstanding shares	8,754	712	297	—	48	415	10,225
NAV per share as of October 31, 2022	<u>\$ 19.5030</u>	<u>\$ 19.5557</u>	<u>\$ 19.6018</u>	<u>\$ —</u>	<u>\$ 19.5455</u>	<u>\$ 19.5515</u>	<u>\$ 19.5127</u>

Policy with Respect to Repurchase of Advisor and Sub-Advisor Class I Shares

On November 10, 2022, our board of directors approved a policy with respect to the repurchase of Class I shares from the Advisor and the Sub-Advisor.

The following disclosure is added to (i) the second paragraph in the section of the prospectus entitled “Prospectus Summary—Q: What fees do you pay to the Advisor and its affiliates?—Management Fee—The Advisor”; (ii) the third paragraph in the section of the prospectus entitled “Prospectus Summary—Q: What fees do you pay to the Advisor and its affiliates?—Performance Fee—The Advisor”; (iii) the second paragraph in the section of the prospectus entitled “Management Compensation—Management Fee—The

Advisor and (iv) the third paragraph in the section of the prospectus entitled “Management Compensation—Performance Fee—The Advisor”:

Notwithstanding the foregoing, our independent directors oversee the repurchase activity of the Advisor and the Sub-Advisor, and the approval of our independent directors is required for any repurchase request of the Advisor and Sub-Advisor for Class I shares received as payment for advisory fees that, when combined with any stockholder repurchase requests submitted through our share purchase plan, would cause us to exceed the monthly and quarterly repurchase limitations of our share repurchase plan, and any such approval must find that the repurchase would not impair our capital or operations and be consistent with the fiduciary duties of our independent directors.

Stockholder Approval to Effect Share Exchange

On November 10, 2022, our board of directors approved a resolution requiring the approval of a majority of shares entitled to vote on the matter to effect a share exchange pursuant to Section 3-102(a)(7) of the MGCL, unless our charter is subsequently amended to delete the requirement that our board of directors may not, without the approval of a majority of shares entitled to vote on the matter, cause a merger or reorganization.

Amendment to the Advisory Agreement

On November 11, 2022, we, the Operating Partnership and the Advisor amended the Advisory Agreement to remove our board of directors’ right to decrease the NAV per share threshold in the calculation of the performance fee.

The following disclosure supersedes and replaces (i) the second paragraph in the section of the prospectus entitled “Prospectus Summary—Q: What fees do you pay to the Advisor and its affiliates?—Performance Fee—The Advisor” and (ii) the second paragraph in the section of the prospectus entitled “Management Compensation—Performance Fee—The Advisor”:

In the event our NAV per share for any class of shares of our common stock decreases below \$25.00, the performance fee will not be earned on any increase in NAV per share of such class up to \$25.00.

The following disclosure supersedes and replaces the fifth sentence in the third footnote to the table appearing in the section of the prospectus entitled “Selected Information Regarding Our Operations—Related Party Transactions”:

In addition, if the NAV per share decreases below \$25 for any class of shares during the measurement period, any subsequent increase in NAV per share to \$25 will not be included in the calculation of the performance component with respect to that class.

Prospectus Updates

The following suitability standard supersedes and replaces the Missouri suitability standard set forth in the section of the prospectus entitled “Suitability Standards”:

Missouri Investors. No more than ten percent (10%) of any one (1) Missouri investor’s liquid net worth shall be invested in the securities being registered in this offering.

Form of Subscription Agreement Update

The Form of Subscription Agreement attached as Appendix B to the prospectus is hereby deleted and replaced with the Form of Subscription Agreement attached as Exhibit A to this Supplement.

Quarterly Report for the Quarter Ended September 30, 2022

On November 14, 2022, we filed with the SEC our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, a copy of which is attached to this Supplement as Exhibit B (without exhibits). This Quarterly Report on Form 10-Q updates all applicable disclosures in the prospectus.

Exhibit A

SUBSCRIPTION AGREEMENT



A - INVESTMENT

- 1. INITIAL INVESTMENT / ADDITIONAL INVESTMENT (Minimum \$500)
2. METHOD OF INVESTMENT: CHECK ENCLOSED, FUNDS WIRE, FUNDS SENT SEPARATELY
3. TYPE OF PURCHASE (Please select one): CLASS A SHARES, CLASS T SHARES, CLASS S SHARES, CLASS D SHARES, CLASS I SHARES, VOLUME DISCOUNT, EMPLOYEE or AFFILIATE

B - TYPE OF OWNERSHIP

PLEASE COMPLETE EITHER SECTION 1 OR 2

- 1. NON-CUSTODIAL ACCOUNT TYPE: Individual Ownership, Joint Tenants with Rights of Survivorship, Tenants in Common, Community Property, Trust, Pension or PSP, UTMA / UGMA, Corporate Ownership, LLC Ownership, Other

- 2. CUSTODIAL ACCOUNT TYPE: Traditional IRA, Beneficiary IRA, Roth IRA, SEP IRA, Brokerage Account, Pension or PSP, Other
Custodian Information (To be completed by Custodian): Custodian Name, Address, Tax ID #, Account #, Telephone #

* All Parties Must Sign

C - INVESTOR INFORMATION

1. INVESTOR/BENEFICIAL OWNER

Investor/Trustee/Administrator/UTMA/UGMA Minor's Name

Date of Birth

First Middle Last MM/DD/YYYY

2. Social Security/Tax ID # _____

3. Citizenship Status (Required) U.S. Citizen Resident Alien Non-Resident Alien (attach an original completed Form W-8BEN)

4. CO-INVESTOR/BENEFICIAL OWNER

Co-Investor/Co-Trustee/Administrator/UTMA/UGMA Guardian's Name

Date of Birth

First Middle Last MM/DD/YYYY

5. Social Security/Tax ID # _____

6. Citizenship Status (Required) U.S. Citizen Resident Alien Non-Resident Alien (attach an original completed Form W-8BEN)

7. If Trust/Pension/PSP or Other Entity, Please Provide Complete Title - See Section B-1 for documentation requirements

Tax ID # _____ OR Social Security # _____ Date of Trust/Pension/PSP/Other _____

8. Residence Address - Required by Law - No P.O. Boxes _____

City _____ State _____ Zip _____

9. Alternate Mailing Address - P.O. Boxes are Acceptable _____

City _____ State _____ Zip _____

10. Telephone Number _____ Home Cell Work

11. Transfer on Death (Beneficiary information, if applicable) - Not available for residents of Louisiana. Individual or joint account with rights of survivorship only. Social security number optional, however **date of birth is required**. Designate whole percentages only. Must equal 100%. TOD designation shall be governed by the laws of the State of Missouri.

First name	(MI)	Last Name	SSN:	Date of Birth (MM/DD/YYYY)	<input type="checkbox"/> Primary _____%
					<input type="checkbox"/> Secondary _____%

First name	(MI)	Last Name	SSN:	Date of Birth (MM/DD/YYYY)	<input type="checkbox"/> Primary _____%
					<input type="checkbox"/> Secondary _____%

First name	(MI)	Last Name	SSN:	Date of Birth (MM/DD/YYYY)	<input type="checkbox"/> Primary _____%
					<input type="checkbox"/> Secondary _____%

First name	(MI)	Last Name	SSN:	Date of Birth (MM/DD/YYYY)	<input type="checkbox"/> Primary _____%
					<input type="checkbox"/> Secondary _____%

D - DISTRIBUTION OPTIONS (select only one)

Please read the following section carefully.

You **are** automatically enrolled in our Distribution Reinvestment Plan (DRP) **unless** you **are** a resident of ALABAMA, ARKANSAS, IDAHO, KANSAS, KENTUCKY, MAINE, MARYLAND, MASSACHUSETTS, NEBRASKA, NEW JERSEY, NORTH CAROLINA, OHIO, OREGON, VERMONT OR WASHINGTON. If you are a resident of ALABAMA, ARKANSAS, IDAHO, KANSAS, KENTUCKY, MAINE, MARYLAND, MASSACHUSETTS, NEBRASKA, NEW JERSEY, NORTH CAROLINA, OHIO, OREGON, VERMONT OR WASHINGTON, you **are not** automatically enrolled in the DRP and will receive cash distributions **unless** you elect to enroll in the DRP.

1. Cash Distribution Election

(A) If you **are** a resident of the states listed above, you **are not** automatically enrolled in the DRP. You will receive cash distributions **unless** you elect to enroll in the DRP. If you want to receive cash distributions, complete this Section 1. If you want to enroll in the DRP, continue to Section 2(A).

(B) If you **are not** a resident of the states listed above, you **are** automatically enrolled in the DRP. If you want to elect to receive cash distributions, complete this Section 1. If you want to **remain** enrolled in the DRP, continue to Section E - Electronic Delivery.

For Custodial held accounts, if you elect cash distributions the funds must be sent to the Custodian.

Mail to Residence Address

Mail Distributions to a Third Party *(Complete Section Below)*

Name of Bank, Brokerage Firm, or Individual _____

Mailing Address _____

City _____ State _____ Zip _____

Account # _____

Send Distributions via ACH

I authorize **InPoint Commercial Real Estate Income, Inc.** (the "Company") or its agent to deposit my distribution into my checking or savings account. This authorization will remain in force until I notify the Company in writing to cancel it. In the event the Company deposits funds erroneously into my account, they are authorized to debit my account for an amount not to exceed the amount of the erroneous deposit.

Financial Institution Name	Mailing Address	City	State

Your Bank's ABA Routing Number	Your Bank Account Number
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Checking *(Attach a pre-printed VOIDED check)*

Savings *(Attach a VOIDED deposit slip)*

2. Distribution Reinvestment Election

(A) If you are a resident of ALABAMA, ARKANSAS, IDAHO, KANSAS, KENTUCKY, MAINE, MARYLAND, MASSACHUSETTS, NEBRASKA, NEW JERSEY, NORTH CAROLINA, OHIO, OREGON, VERMONT OR WASHINGTON, initial below to enroll in the DRP and continue to Section E - ELECTRONIC DELIVERY.

Investor Initials Co-Investor Initials

(B) If you are not a resident of the states listed above, you are **automatically** enrolled in the DRP. If you want to remain enrolled in the DRP, continue to Section E - Electronic Delivery.

E - ELECTRONIC DELIVERY

Instead of receiving paper copies of the prospectus, prospectus supplements, annual reports, proxy statements, and other stockholder communications and reports, you may elect to receive electronic delivery of stockholder communications from InPoint Commercial Real Estate Income, Inc. If you would like to consent to electronic delivery, including pursuant to e-mail, please check the box below for this election.

We encourage you to reduce printing and mailing costs and to conserve natural resources by electing to receive electronic delivery of stockholder communications. By consenting below to electronically receive stockholder communications, including your account specific information (when available), you authorize us to either (i) e-mail stockholder communications to you directly or (ii) make them available on our website and notify you by e-mail when and where such documents are available.

Your consent to electronic delivery will be on an unlimited duration and you will not receive paper copies of these electronic materials unless (i) specifically requested, (ii) you inform us in writing that you revoke your consent, (iii) the delivery of electronic materials is prohibited or (iv) we, in our sole discretion elect to send paper copies of materials.

By consenting to electronic access, you will be responsible for your customary internet service provider charges and may be required to download software in connection with access to these materials.

Initials
Investor Co-Investor

I consent to electronic delivery *(Please provide only one email address)* E-mail Address _____

F - INVESTOR(S) ACKNOWLEDGEMENTS AND SIGNATURES

1. The undersigned further acknowledges and/or represents (or in the case of fiduciary accounts, the person authorized to sign on such investor's behalf) the following:

PLEASE NOTE: Items (A) through (E) below **MUST BE INITIALED** by the investor(s), and if applicable, the trustee or administrator, from ALL states and jurisdictions. Items (F) through (W) must be initialed if you reside in one of the applicable states listed below.

Initials
Investor Co-Investor

- (A) I (we) have received, not less than five (5) business days prior to the signing of this Subscription Agreement, the final prospectus of the Company, as supplemented.
- (B) I (we) either: (i) have a net worth (excluding home, home furnishings and automobiles) of at least \$70,000 and (without regard to investment in the Company) I (we) have gross income due in the current year of at least \$70,000; or (ii) have a net worth (excluding home, home furnishings and automobiles) of at least \$250,000. In addition to the foregoing general suitability standards, I (we) meet, and have represented as such below, the higher suitability requirements imposed by my state of primary residence as set forth in the Prospectus under "Suitability Standards." In the case of sales to fiduciary accounts, the suitability standards must be met by the beneficiary, the fiduciary account or by the donor or grantor who directly or indirectly supplies the funds for the purchase of the shares.
- (C) I am (we are) purchasing the shares for my (our) own account; or if I am (we are) purchasing shares on behalf of a trust or other entity of which I am (we are) trustee(s) or authorized agent(s), I (we) have due authority to execute the Subscription Agreement and do hereby legally bind the trust or other entity of which I am (we are) trustee(s) or authorized agent(s).
- (D) I (we) acknowledge that the shares are not liquid, there is no current market for the shares and I (we) may not be able to sell the shares.
- (E) I understand that the transaction price per share at which my investment will be executed will be made available at www.inland-investments.com/inpoint and in a prospectus supplement filed with the SEC, available at www.sec.gov.

I understand that my subscription request will not be accepted before the later of (i) two business days before the first calendar day of the month and (ii) three business days after the transaction price is made available. I understand that I am not committed to purchase shares at the time my subscription order is submitted and I may cancel my subscription at any time before the time it has been accepted as described in the previous sentence. I understand that I may withdraw my purchase request by notifying Inland Investor Services, through my financial intermediary or directly on the Company's toll-free, telephone line, 800-826-8228.

Please initial the appropriate box if you reside in one of the states listed below. In each case, these special suitability standards are in addition to the general suitability requirements above and exclude from the calculation of net worth the value of the investor's home, home furnishings and automobiles.

Initials
Investor Co-Investor

- (F) For **Alabama** residents: Investors residing in Alabama may not invest more than 10% of their liquid net worth in us and our affiliates.
- (G) For **Idaho** residents: Investors residing in Idaho must have either (a) a net worth of \$85,000 and annual income of \$85,000 or (b) a liquid net worth of \$300,000. Additionally, the total investment in us shall not exceed 10% of their liquid net worth.
- (H) For **Iowa** residents: Investors residing in Iowa must have either (a) an annual gross income of at least \$100,000 and a net worth of at least \$100,000, or (b) a net worth of at least \$350,000. In addition, the aggregate investment in this offering and in the securities of other public, non-listed REITs may not exceed 10% of their liquid net worth. Investors who are accredited as defined in Regulation D under the Securities Act of 1933, as amended, are not subject to the foregoing concentration limit.
- (I) For **Kansas** residents: The Office of the Kansas Securities Commissioner recommends that an investor's aggregate investment in this offering and other similar direct participation investments not exceed 10% of the investor's liquid net worth.
- (J) For **Kentucky** residents: Investors residing in Kentucky may not invest more than 10% of their liquid net worth in our shares or in any shares of our affiliated public, non-listed REITs.
- (K) For **Maine** residents: The Maine Office of Securities recommends that an investor's aggregate investment in this offering and other similar direct participation investments not exceed 10% of the investor's liquid net worth.
- (L) For **Massachusetts** residents: Investors residing in Massachusetts must limit their aggregate investment in us and other illiquid direct participation programs to not more than 10% of their liquid net worth.
- (M) For **Missouri** residents: No more than ten percent (10%) of any one (1) Missouri investor's liquid net worth shall be invested in the securities being registered in this offering.
- (N) For **Nebraska** residents: Investors residing in Nebraska who do not meet the definition of "accredited investor" as defined in Regulation D under Securities Act of 1933, as amended, must limit their aggregate investment in this offering and in the securities of other public, non-listed direct participation programs to 10% of such investor's net worth.

Initials
Investor Co-Investor

- (O) For **New Jersey** residents: Investors residing in New Jersey are required to have (a) a minimum liquid net worth of at least \$100,000 and a minimum annual gross income of not less than \$85,000, or (b) a minimum liquid net worth of at least \$350,000. In addition, the total investment in us, our affiliates and other public, non-listed direct investment programs (including REITs, business development companies, oil and gas programs, equipment leasing programs and commodity pools, but excluding unregistered, federally and state exempt private offerings) may not exceed 10% of an investor's liquid net worth. For purposes of New Jersey's suitability standard, "liquid net worth" is defined as that portion of net worth (total assets exclusive of home, home furnishings, and automobiles minus total liabilities) that consist of cash, cash equivalents and readily marketable securities.
- (P) For **New Mexico** residents: Investors residing in New Mexico may not invest more than 10% of their liquid net worth in our shares, shares of our affiliates and other public, non-listed REITs.
- (Q) For **North Dakota** residents: Investors residing in North Dakota must have a net worth of at least ten times their investment in us.
- (R) For **Ohio** residents: Investors residing in Ohio may not invest more than 10% of their liquid net worth in us, our affiliates and other public, non-listed REITs. For purposes of Ohio's suitability standard, "liquid net worth" is defined as that portion of net worth (total assets exclusive of home, home furnishings, and automobiles minus total liabilities) that is comprised of cash, cash equivalents, and readily marketable securities.
- (S) For **Oregon** residents: Investors residing in Oregon may not invest more than 10% of their net worth in this offering.
- (T) For **Pennsylvania** residents: Investors residing in Pennsylvania may not invest more than 10% of their net worth in us. The offer and sale of our common stock to persons in the Commonwealth of Pennsylvania is governed by Pennsylvania law.
- (U) For **Puerto Rico** residents: Investors residing in Puerto Rico may not invest more than 10% of that investor's liquid net worth in us, our affiliates, and in other public, non-listed REITs.
- (V) For **Tennessee** residents: Investors residing in Tennessee who are not "accredited investors" as defined in 17 C.F.R. § 230.501 may not invest more than 10% of their net worth in us.
- (W) For **Vermont** residents: Investors residing in Vermont who are not "accredited investors" as defined in 17 C.F.R. § 230.501 may not purchase an amount of shares in this offering that exceeds 10% of the investors' liquid net worth.

As used above, "affiliates" means Inland Real Estate Income Trust, Inc. and Inland Residential Properties Trust, Inc. but does not include (i) InvenTrust Properties Corp., a REIT previously sponsored by Inland Real Estate Investment Corporation ("IREIC"), which internalized its management in March 2014, (ii) IRC Retail Centers LLC, an entity previously sponsored by IREIC, or (iii) Retail Properties of America, Inc., a REIT previously sponsored by IREIC, which is publicly traded on the New York Stock Exchange.

2. **THE UNDERSIGNED CERTIFIES**, under penalties of perjury, (i) that the taxpayer identification number shown on the Subscription Agreement is true, correct and complete, (ii) that I am (we are) not subject to backup withholding either because I (we) have not been notified that I am (we are) subject to backup withholding as a result of a failure to report all interest or distributions, or the Internal Revenue Service has notified me (us) that I am (we are) no longer subject to backup withholding, (iii) I am a U.S. citizen or other U.S. person and (iv) the FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct. See Form W-9 instructions at <http://www.irs.gov>

Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____

Signature - Investor/Trustee/Administrator/POA*

Print Name - Investor/Trustee/Administrator/POA

MM/DD/YYYY

Signature - Co-Investor/Co-Trustee (If Applicable)

Print Name - Co-Investor/Co-Trustee (If Applicable)

MM/DD/YYYY

Signature - Custodian (If Applicable)

Print Name - Custodian (If Applicable)

MM/DD/YYYY

***Must Include Supporting Document(s)**

- I am completing and signing this application pursuant to a **power-of-attorney** from the investor. I hereby certify that such power-of-attorney is legally valid and includes within its scope my completion and execution of this application on behalf of the investor. For Washington residents, except in the case of fiduciary accounts, the investor may not grant any person a power-of-attorney to make such representations on his or her behalf.

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

FORM 10-Q

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

For the quarterly period ended September 30, 2022

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 001-40833

**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)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
6.75% Series A Cumulative Redeemable Preferred Stock, par value \$0.001	ICR PR A	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 11, 2022, the Registrant had the following shares of common stock outstanding: 8,753,988 shares of Class P common stock, 299,565 shares of Class T common stock, 425,843 shares of Class I common stock, 747,559 shares of Class A common stock, 47,638 shares of Class D common stock and no shares of Class S common stock.

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INPOINT COMMERCIAL REAL ESTATE INCOME, INC.

CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands, except share data)

	September 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Cash and cash equivalents	\$ 47,067	\$ 57,268
Commercial mortgage loans at cost, net of allowance for loan loss of \$0	817,094	665,498
Real estate owned, net of depreciation	31,352	31,535
Finance lease right of use asset, net of amortization	5,400	5,454
Deferred debt finance costs	603	1,202
Accrued interest receivable	2,418	1,416
Prepaid expenses and other assets	3,381	2,055
Total assets	<u>\$ 907,315</u>	<u>\$ 764,428</u>
LIABILITIES AND EQUITY		
Liabilities:		
Repurchase agreements	\$ 489,757	\$ 307,083
Credit facility payable	—	14,350
Loan participations sold, net	96,950	109,772
Finance lease liability	17,365	17,105
Due to related parties	2,504	2,894
Interest payable	1,065	364
Distributions payable	1,081	1,137
Accrued expenses	8,022	4,578
Total liabilities	<u>616,744</u>	<u>457,283</u>
Stockholders' Equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized:		
6.75% Series A Cumulative Redeemable Preferred Stock, \$0.001 par value, 4,025,000 shares authorized and 3,595,370 and 3,600,000 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	4	4
Class P common stock, \$0.001 par value, 500,000,000 shares authorized, 8,856,631 and 9,492,939 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	9	9
Class A common stock, \$0.001 par value, 500,000,000 shares authorized, 703,282 and 659,270 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	1	1
Class T common stock, \$0.001 par value, 500,000,000 shares authorized, 408,369 and 388,099 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Class S common stock, \$0.001 par value, 500,000,000 shares authorized, 0 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Class D common stock, \$0.001 par value, 500,000,000 shares authorized, 47,513 and 47,298 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Class I common stock, \$0.001 par value, 500,000,000 shares authorized, 402,987 and 380,218 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Additional paid in capital (net of offering costs of \$30,400 and \$29,534 at September 30, 2022 and December 31, 2021, respectively)	347,670	359,406
Accumulated deficit	(57,113)	(52,275)
Total stockholders' equity	290,571	307,145
Total liabilities and stockholders' equity	<u>\$ 907,315</u>	<u>\$ 764,428</u>

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

INPOINT COMMERCIAL REAL ESTATE INCOME, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, dollar amounts in thousands, except share data)

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Income:				
Interest income	\$ 11,835	\$ 7,321	\$ 29,443	\$ 20,995
Less: Interest expense	(6,151)	(2,401)	(12,512)	(6,526)
Net interest income	5,684	4,920	16,931	14,469
Revenue from real estate owned	4,788	2,716	10,578	5,328
Total income	10,472	7,636	27,509	19,797
Operating expenses:				
Advisory fee	916	771	2,797	2,245
Debt finance costs	451	327	1,222	1,138
Directors compensation	21	19	62	53
Professional service fees	266	212	749	718
Real estate owned operating expenses	4,204	3,268	11,204	6,880
Depreciation and amortization	276	272	835	817
Other expenses	362	305	1,025	821
Net operating expenses	6,496	5,174	17,894	12,672
Net income	3,976	2,462	9,615	7,125
Series A Preferred Stock dividends	(1,518)	—	(4,556)	—
Gain on repurchase and retirement of preferred stock	24	—	24	—
Net income attributable to common stockholders	<u>\$ 2,482</u>	<u>\$ 2,462</u>	<u>\$ 5,083</u>	<u>\$ 7,125</u>
Net income attributable to common stockholders per share basic and diluted	\$ 0.24	\$ 0.22	\$ 0.47	\$ 0.62
Weighted average number of shares of common stock				
Basic	10,559,680	11,433,665	10,707,177	11,570,868
Diluted	10,560,589	11,434,305	10,708,778	11,571,131

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

INPOINT COMMERCIAL REAL ESTATE INCOME, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited, dollar amounts in thousands)

For the three months ended September 30, 2022	Par Value Preferred Stock	Par Value Common Stock						Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity
	Series A	Class P	Class A	Class T	Class S	Class D	Class I			
Balance as of June 30, 2022	\$ 4	\$ 9	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 350,833	\$ (56,333)	\$ 294,514
Proceeds from issuance of common stock	—	—	—	—	—	—	—	1,057	—	1,057
Repurchase and retirement of preferred stock	—	—	—	—	—	—	—	(116)	24	(92)
Offering costs	—	—	—	—	—	—	—	(162)	—	(162)
Net income	—	—	—	—	—	—	—	—	3,976	3,976
Common stock distributions declared	—	—	—	—	—	—	—	—	(3,262)	(3,262)
Preferred stock distributions declared	—	—	—	—	—	—	—	—	(1,518)	(1,518)
Distribution reinvestment	—	—	—	—	—	—	—	169	—	169
Redemptions	—	—	—	—	—	—	—	(4,119)	—	(4,119)
Equity-based compensation	—	—	—	—	—	—	—	8	—	8
Balance as of September 30, 2022	\$ 4	\$ 9	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 347,670	\$ (57,113)	\$ 290,571

For the three months ended September 30, 2021	Par Value Preferred Stock	Par Value Common Stock						Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity
	Series A	Class P	Class A	Class T	Class S	Class D	Class I			
Balance as of June 30, 2021	\$ —	\$ 10	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 287,150	\$ (48,860)	\$ 238,301
Proceeds from issuance of common stock	—	—	—	—	—	—	—	8	—	8
Proceeds from issuance of preferred stock	4	—	—	—	—	—	—	87,496	—	87,500
Offering costs	—	—	—	—	—	—	—	(3,736)	—	(3,736)
Net income	—	—	—	—	—	—	—	—	2,462	2,462
Common stock distributions declared	—	—	—	—	—	—	—	—	(3,529)	(3,529)
Distribution reinvestment	—	—	—	—	—	—	—	161	—	161
Redemptions	—	—	—	—	—	—	—	(8,132)	—	(8,132)
Equity-based compensation	—	—	—	—	—	—	—	7	—	7
Balance as of September 30, 2021	\$ 4	\$ 10	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 362,954	\$ (49,927)	\$ 313,042

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

INPOINT COMMERCIAL REAL ESTATE INCOME, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited, dollar amounts in thousands)

For the nine months ended September 30, 2022	Par Value Preferred Stock		Par Value Common Stock					Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity
	Series A	Class P	Class A	Class T	Class S	Class D	Class I			
Balance as of December 31, 2021	\$ 4	\$ 9	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 359,406	\$ (52,275)	\$ 307,145
Proceeds from issuance of common stock	—	—	—	—	—	—	—	2,419	—	2,419
Repurchase and retirement of preferred stock	—	—	—	—	—	—	—	(116)	24	(92)
Offering costs	—	—	—	—	—	—	—	(862)	—	(862)
Net income	—	—	—	—	—	—	—	—	9,615	9,615
Common stock distributions declared	—	—	—	—	—	—	—	—	(9,921)	(9,921)
Preferred stock distributions declared	—	—	—	—	—	—	—	—	(4,556)	(4,556)
Distribution reinvestment	—	—	—	—	—	—	—	487	—	487
Redemptions	—	—	—	—	—	—	—	(13,687)	—	(13,687)
Equity-based compensation	—	—	—	—	—	—	—	23	—	23
Balance as of September 30, 2022	\$ 4	\$ 9	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 347,670	\$ (57,113)	\$ 290,571

For the nine months ended September 30, 2021	Par Value Preferred Stock		Par Value Common Stock					Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity
	Series A	Class P	Class A	Class T	Class S	Class D	Class I			
Balance as of December 31, 2020	\$ —	\$ 10	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 287,498	\$ (47,253)	\$ 240,256
Proceeds from issuance of common stock	—	—	—	—	—	—	—	10	—	10
Proceeds from issuance of preferred stock	4	—	—	—	—	—	—	87,496	—	87,500
Offering costs	—	—	—	—	—	—	—	(4,182)	—	(4,182)
Net income	—	—	—	—	—	—	—	—	7,125	7,125
Common stock distributions declared	—	—	—	—	—	—	—	—	(9,799)	(9,799)
Distribution reinvestment	—	—	—	—	—	—	—	421	—	421
Redemptions	—	—	—	—	—	—	—	(8,313)	—	(8,313)
Equity-based compensation	—	—	—	—	—	—	—	24	—	24
Balance as of September 30, 2021	\$ 4	\$ 10	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 362,954	\$ (49,927)	\$ 313,042

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

INPOINT COMMERCIAL REAL ESTATE INCOME, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, dollar amounts in thousands)

	For the nine months ended September 30,	
	2022	2021
Cash flows from operating activities		
Net income	\$ 9,615	\$ 7,125
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization expense	835	817
Reduction in the carrying amount of the right-of-use asset	54	53
Amortization of equity-based compensation	23	24
Amortization of debt finance costs to operating expense	1,222	1,138
Amortization of debt finance costs to interest expense	92	54
Amortization of origination fees	(210)	(582)
Amortization of deferred exit fees	—	6
Amortization of loan extension fees	(182)	(266)
Changes in assets and liabilities:		
Accrued interest receivable	(1,002)	(53)
Accrued expenses	3,021	3,486
Loan fees payable	—	(350)
Accrued interest payable	961	261
Due to related parties	(390)	(168)
Prepaid expenses and other assets	(903)	(1,044)
Net cash provided by operating activities	13,136	10,501
Cash flows from investing activities:		
Origination of commercial loans	(269,107)	(149,068)
Loan extension fees received on commercial loans	330	231
Principal repayments of commercial loans	117,576	69,500
Real estate capital expenditures	(652)	(67)
Net cash used in investing activities	(151,853)	(79,404)
Cash flows from financing activities:		
Proceeds from issuance of common stock	2,419	10
Proceeds from issuance of preferred stock	—	87,500
Redemptions of common stock	(13,687)	(8,313)
Repurchase of preferred stock	(92)	—
Payment of offering costs	(864)	(4,231)
Proceeds from repurchase agreements	239,611	103,920
Principal repayments of repurchase agreements	(56,947)	(51,438)
Proceeds from credit facility	—	14,350
Principal repayments of credit facility	(14,350)	—
Proceeds from sale of loan participations	2,538	—
Principal repayments of loan participations	(15,360)	—
Debt finance costs	(706)	(1,086)
Distributions paid to common stockholders	(9,490)	(9,079)
Distributions paid to preferred stockholders	(4,556)	—
Net cash provided by financing activities	128,516	131,633
Net change in cash, cash equivalents and restricted cash	(10,201)	62,730
Cash, cash equivalents and restricted cash at beginning of period	57,268	72,107
Cash, cash equivalents and restricted cash at end of period	\$ 47,067	\$ 134,837
Supplemental disclosure of cash flow information:		
Amortization of deferred exit fees due to related party	\$ 3	\$ 349
Interest paid	\$ 11,719	\$ 6,498
Accrued stockholder servicing fee due to related party	\$ (2)	\$ (49)
Distribution reinvestment	\$ 487	\$ 421

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

InPoint Commercial Real Estate Income, Inc.
Notes to Consolidated Financial Statements
September 30, 2022
(Unaudited, dollar amounts in thousands, except share data)

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 floating-rate CRE debt, including first mortgage loans, subordinate mortgage and mezzanine loans, and participations in such loans. The Company may also invest in floating-rate CRE securities, such as commercial mortgage-backed securities (“CMBS”), senior unsecured debt of publicly traded real estate investment trusts (“REITs”), and 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 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 (“IREIC”), 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 a second amended and restated advisory agreement dated July 1, 2021 among the Company, the Operating Partnership and the Advisor (the “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 a second amended and restated sub-advisory agreement between the Advisor and the Sub-Advisor dated July 1, 2021. 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 that 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 meeting; and (iv) monitoring the Company’s ongoing compliance with the REIT qualification requirements.

On October 25, 2016, the Company commenced a private offering (the “Private Offering”) of up to \$500,000 of shares of Class P common stock (“Class P shares”). The Company issued 10,258,094 Class P shares in the Private Offering, resulting in gross proceeds of \$276,681 and terminated the Private Offering on June 28, 2019.

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

On May 3, 2019, the SEC declared effective the 2019 Registration Statement and the Company commenced the IPO. The purchase price per share for each class of common stock in the IPO (Class A, Class I, Class D, Class S and Class T) varies and generally equals the prior month’s NAV per share, as determined monthly, plus applicable upfront selling commissions and dealer manager fees. Inland Securities Corporation (the “Dealer Manager”), an affiliate of the Advisor, 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 program (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 take these actions, the Board considered various factors, including the impact of the 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 resumed calculating the NAV beginning as of June 30, 2020 following its determination that volatility in the market for the Company’s investments had declined and the U.S. economic outlook had improved. 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

InPoint Commercial Real Estate Income, Inc.
Notes to Consolidated Financial Statements
September 30, 2022
(Unaudited, dollar amounts in thousands, except share data)

2019 Registration Statement, thereby permitting the Company to resume offers and sales of shares of common stock in the IPO, including through the DRP.

On March 1, 2021, the SRP was reinstated for the Company's stockholders requesting repurchase of shares as a result of the death or qualified disability of the holder, and on July 1, 2021, the SRP was reinstated for all stockholders. In accordance with the terms of the SRP that allow the Company to repurchase fewer shares than the maximum amount permitted under the SRP, the Company repurchased fewer shares than the maximum amount permitted for the months of July, August and September 2021 as directed by the Board. Beginning on October 1, 2021, the total amount of aggregate repurchases of shares was 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 with NAV measured as of the last day of the previous calendar quarter). 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.

On September 22, 2021, the Company completed an underwritten public offering of 3,500,000 shares of its 6.75% Series A Cumulative Redeemable Preferred Stock, par value \$0.001 per share (the "Series A Preferred Stock"), with a liquidation preference of \$25.00 per share (the "Preferred Stock Offering"). In addition, on October 15, 2021, Raymond James & Associates, Inc., as a representative of the underwriters, partially exercised their over-allotment option to purchase an additional 100,000 shares of Series A Preferred Stock. The Series A Preferred Stock were issued and sold pursuant to a registration statement on Form S-11 (File No. 333-258802) filed with the SEC. The Company received net proceeds in the Preferred Stock Offering of \$86,310, after underwriter's discount and issuance costs, and contributed the net proceeds to the Operating Partnership in exchange for an equivalent number of Series A units in the Operating Partnership (with economic terms that mirror those of the Series A Preferred Stock). For more information on the Preferred Stock Offering, see "Note 6 – Stockholders' Equity."

On April 28, 2022, the Company filed a registration statement on Form S-11 (File No. 333-264540) (the "2022 Registration Statement") with the SEC to register up to \$2,200,000 in shares of common stock, which was declared effective by the SEC on November 2, 2022.

Please refer to "Note 15 – Subsequent Events" for updates to the Company's business after September 30, 2022.

Note 2 – Summary of Significant Accounting Policies

Disclosures discussing all significant accounting policies are set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on March 11, 2022 (the "Annual Report"), under the heading "Note 2 – Summary of Significant Accounting Policies." There have been no changes to the Company's significant accounting policies for the nine months ended September 30, 2022.

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.

In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation.

Credit Facility Payable

The Company has a credit facility to finance the acquisition or origination of commercial mortgage loans. This credit facility, when drawn upon, is accounted for as debt. The fees paid for this credit facility are recorded in deferred debt finance costs on the consolidated balance sheet and are amortized straight line over the period of the agreement to debt finance costs on the consolidated statement of operations. For further information on the credit facility, see "Note 4 – Repurchase Agreements and Credit Facilities."

InPoint Commercial Real Estate Income, Inc.
Notes to Consolidated Financial Statements
September 30, 2022
(Unaudited, dollar amounts in thousands, except share data)

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 additional collateral on real estate securities repurchase agreements. As of September 30, 2022 and December 31, 2021, no restricted cash was held by the Company.

Accounting Pronouncements Recently Issued but Not Yet Effective

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”), which changed how entities measure credit losses for financial assets carried at amortized cost. ASU 2016-13 eliminated the requirement that a credit loss must be probable before it can be recognized and instead required an entity to recognize the current estimate of all expected credit losses. ASU 2016-13 became effective for SEC filers for reporting periods beginning after December 15, 2019.

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. As a smaller reporting company, the Company will adopt ASU 2016-13 through a cumulative-effect adjustment to accumulated deficit as of January 1, 2023.

The Current Expected Credit Loss (“CECL”) reserve required under ASU 2016-13 is a valuation account that is deducted from the amortized cost basis of the related loans on the consolidated balance sheet, which will reduce the stockholders’ equity. The initial CECL reserve recorded on January 1, 2023 will be reflected as a direct charge against retained earnings; however, future net changes to the CECL reserve will be recognized in net income on the consolidated statement of operations. ASU 2016-13 does not require use of a particular method for determining the CECL reserve, but it does specify the allowance should be based on relevant information about past events, including historical loss experience, composition of the current loan portfolio, current conditions, and reasonable and supportable forecasts for the expected term of each loan. Additionally, but for a few narrow exceptions, ASU 2016-13 does not have a minimum threshold for recognition of impairment losses and requires that all financial instruments, including those for which there is a low risk of loss, incur some amount of valuation reserve to reflect the inherent risk of loss regardless of credit quality, amount of subordinate capital, or other risk mitigants.

The Company elected to utilize a widely-used analytical model, at the individual loan level, incorporating a probability of default and loss-given-default methodology and loan performance data for commercial real estate loans through prior economic cycles. The loans may include commitments to fund incremental proceeds to the borrowers over the life of the loan, which are also subject to the CECL model. The CECL reserve related to future funding commitments will be recorded as a component of other liabilities on the consolidated balance sheet and be estimated using the same process as for the outstanding loan balances.

Though the Company is still in the process of finalizing the effect of ASU 2016-13, the Company currently expects to record an initial allowance for credit losses of less than 1% of the outstanding loan balance, which includes the amount attributable to future funding commitments, as of January 1, 2023 through a cumulative-effect adjustment to accumulated deficit.

InPoint Commercial Real Estate Income, Inc.
Notes to Consolidated Financial Statements
September 30, 2022
(Unaudited, dollar amounts in thousands, except share data)

Note 3 – Commercial Mortgage Loans Held for Investment

The tables below show the Company’s commercial mortgage loans held for investment as of September 30, 2022 and December 31, 2021:

September 30, 2022

Loan Type ⁽¹⁾	Number of Loans	Principal Balance	Unamortized (fees)/costs, net	Carrying Value	Weighted Average Interest Rate ⁽²⁾	Weighted Average Years to Maturity
First mortgage loans	40	\$ 802,202	\$ 1,392	\$ 803,594	6.2%	1.6
Credit loans	2	13,500	—	13,500	9.6%	3.7
Total and average	42	\$ 815,702	\$ 1,392	\$ 817,094	6.3%	1.6

December 31, 2021

Loan Type ⁽¹⁾	Number of Loans	Principal Balance	Unamortized (fees)/costs, net	Carrying Value	Weighted Average Interest Rate ⁽²⁾	Weighted Average Years to Maturity
First mortgage loans	36	\$ 650,670	\$ 1,328	\$ 651,998	4.5%	1.6
Credit loans	2	13,500	—	13,500	9.6%	4.4
Total and average	38	\$ 664,170	\$ 1,328	\$ 665,498	4.6%	1.7

- (1) First mortgage loans are first position mortgage loans and credit loans are mezzanine and subordinated loans.
- (2) Weighted average interest rate is based on the loan spreads plus the applicable indices as of the last interest reset date, which is typically the 15th of each month. On September 15, 2022, the LIBOR and SOFR rates reset to 2.818% and 2.845%, respectively. On December 15, 2021, the LIBOR and SOFR rates reset to 0.110% and 0.050%, respectively.

For the nine months ended September 30, 2022 and the year ended December 31, 2021, the activity in the Company’s commercial mortgage loans, held-for-investment portfolio was as follows:

	Nine Months Ended September 30, 2022	Year Ended December 31, 2021
Balance at Beginning of Year	\$ 665,498	\$ 441,814
Loan originations	269,107	337,033
Principal repayments	(117,576)	(114,558)
Amortization of loan origination, loan extension and deferred exit fees	395	1,440
Extension fees received on commercial loans	(330)	(231)
Balance at End of Period	\$ 817,094	\$ 665,498

Allowance for Loan Losses

During the nine-month periods ended September 30, 2022 and 2021, the Company determined that no loan losses were probable and, therefore, did not record an allowance for loan losses. For further information on the Company’s allowance for loan losses policy, see “Note 2 – Summary of Significant Accounting Policies” in its Annual Report.

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 certain securities it may own, such as CMBS. Risk factors include payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and

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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 or acquisition.

As of September 30, 2022, 37 loans had a risk rating of 2 and five had a risk rating of 3. As of December 31, 2021, 33 loans had a risk rating of 2 and five had a risk rating of 3.

Note 4 – Repurchase Agreements and Credit Facilities

Commercial Mortgage Loans

On February 15, 2018, the Company, through a 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. As the Company’s business has grown, it has increased the borrowing limit and extended the maturity. The most recent extension was in June 2022 for a twelve-month term and the maximum advance amount was increased to \$450,000. Advances under the CF Repo Facility accrue interest at a per annum annual rate equal to the one-month term USD Secured Overnight Financing Rate (“SOFR”) plus 1.75% to 2.50% with a 0.15% 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 September 30, 2022 and December 31, 2021.

On May 6, 2019, the Company, through a wholly owned subsidiary, entered into an uncommitted master repurchase agreement (the “JPM Repo Facility”) with JPMorgan Chase Bank, National Association (“JPM”). The JPM Repo Facility provides up to \$150,000 in advances that the Company expects to use to finance the acquisition or origination of eligible loans and participation interests therein. Advances made prior to December 2021 under the JPM Repo Facility accrue interest at per annum rates equal to the sum of (i) the applicable one-month USD London Interbank Offered Rate (“LIBOR”) index rate plus (ii) a margin of between 1.75% to 2.50% with no floor, depending on the attributes of the purchased assets. Advances made subsequent to December 2021 under the JPM Repo Facility accrue interest at per annum rates equal to the sum of SOFR plus an agreed upon margin. As of September 30, 2022, 39% of the advances made under the JPM Repo Facility were indexed to SOFR and have margins between 1.85% and 2.50% with a 0.10% floor. In May 2022, the maturity date of the JPM Repo Facility was extended to May 6, 2023. The JPM Repo Facility is subject to certain financial covenants. One of the covenants requires that the ratio of earnings before interest, taxes, depreciation, and amortization (“EBITDA”) to Fixed Charges, defined as preferred dividends plus interest expense per the JPM Repo Facility agreement, should not fall below 150% on a trailing four quarter basis. As of September 30, 2022, the EBITDA to Fixed Charges ratio for the trailing four quarters was 144%. JPM agreed to waive this covenant as of September 30, 2022. As a result, the company was in compliance with all financial covenant requirements as of September 30, 2022 and December 31, 2021.

On March 10, 2021, the Company, through a wholly owned subsidiary, entered into a loan and security agreement and a promissory note (collectively, the “WA Credit Facility”) with Western Alliance Bank (“Western Alliance”). The WA Credit Facility provides for loan advances up to the lesser of \$75,000 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. Advances under the WA Credit 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 WA Credit Facility is March 10, 2023. The Company has an option to convert the loan made pursuant to the WA Credit 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

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0.25% of the outstanding amount at the time of conversion. The WA Credit Facility requires maintenance of an average unrestricted aggregate deposit account balance with Western Alliance of not less than \$3,750. Failure to meet the minimum deposit balance will result in, among other things, the interest rate of the WA Credit Facility increasing by 0.25% per annum for each quarter in which the compensating balances are not maintained. The Company was in compliance with all financial covenant requirements as of September 30, 2022 and December 31, 2021.

The JPM Repo Facility, CF Repo Facility and WA Credit Facility (collectively, the “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 tables below show the Facilities as of September 30, 2022 and December 31, 2021:

	Committed Financing	Amount Outstanding ⁽¹⁾	Accrued Interest Payable	Collateral Pledged	Weighted Average	
					Interest Rate	Days to Maturity
CF Repo Facility	\$ 450,000	\$ 372,658	\$ 590	\$ 519,185	4.98%	41
JPM Repo Facility	150,000	117,130	194	161,829	4.96%	218
Total Repurchase Facilities - commercial mortgage loans	600,000	489,788	784	681,014	4.97%	83
WA Credit Facility	75,000	—	—	—	—	161
	<u>\$ 675,000</u>	<u>\$ 489,788</u>	<u>\$ 784</u>	<u>\$ 681,014</u>	<u>4.97%</u>	<u>83</u>

	Committed Financing	Amount Outstanding ⁽¹⁾	Accrued Interest Payable	Collateral Pledged	Weighted Average	
					Interest Rate	Days to Maturity
CF Repo Facility	\$ 350,000	\$ 189,654	\$ 159	\$ 260,691	2.16%	314
JPM Repo Facility	150,000	117,470	92	167,704	2.02%	126
Total Repurchase Facilities - commercial mortgage loans	500,000	307,124	251	428,395	2.11%	242
WA Credit Facility	75,000	14,350	22	20,500	4.00%	434
	<u>\$ 575,000</u>	<u>\$ 321,474</u>	<u>\$ 273</u>	<u>\$ 448,895</u>	<u>2.19%</u>	<u>251</u>

(1) Excludes \$31 and \$41 of unamortized debt issuance costs at September 30, 2022 and December 31, 2021, respectively.

Note 5 – Loan Participations Sold, Net

On November 15, 2021, the Company sold a non-recourse senior participation interest in nine first mortgage loans to a third party. Under the loan participation agreement, in the event of default by the underlying mortgagor, any amounts paid are first allocated to the third party before any amounts are allocated to the Company’s subordinate interest. The Company, as the directing participant in the loan participation agreement, is entitled to exercise, without the consent of the third party, each of the consent approval and control rights under the applicable underlying mortgage loan documents with a few exceptions. The Company requires the third party’s approval for any modification or amendment to the loan, a bankruptcy plan for an underlying mortgagor where the third party would incur an out-of-pocket loss, or any transfer of the underlying mortgaged property if the Company’s approval is required by the underlying mortgage documents. The Company remains the directing participant unless certain conditions are met related to losses on the property or if the mortgagor is an affiliate of the Company. In the former case, the Company may post cash or short-term U.S. government securities as collateral to retain the rights of the directing participant.

The third party, as the senior participation interest holder, receives interest and principal payments from the borrower until they receive the amounts to which they are entitled. All expenses or losses on the underlying mortgages are allocated first to the Company and then to the third party. If the underlying mortgage is in default, the Company will have the option to purchase the third party’s participation interest and remove it from the loan participation agreement.

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The financing or transfer of a portion of a loan by the non-recourse sale of a senior interest in the loan through a participation agreement generally does not qualify as a sale under GAAP. Therefore, in this instance, the Company presents the whole loan as an asset and the loan participation sold as a liability on the consolidated balance sheet until the loan is repaid. The obligation to pay principal and interest on these liabilities is generally based on the performance of the related loan obligation. The gross presentation of loan participations sold does not impact stockholders' equity or net income.

The following table details the Company's loan participations sold as of September 30, 2022 and December 31, 2021:

September 30, 2022						
Loan Participations Sold	Count	Principal Balance	Book Value	Weighted Average Yield/Cost ⁽¹⁾	Weighted Average Maximum Maturity	
Total Loans	7	\$ 121,188	\$ 121,950	L+3.7%	1.44	
Senior participations ⁽²⁾⁽³⁾	7	\$ 96,950	\$ 96,950	L+2.0%	1.44	

December 31, 2021						
Loan Participations Sold	Count	Principal Balance	Book Value	Weighted Average Yield/Cost ⁽¹⁾	Weighted Average Maximum Maturity	
Total Loans	9	\$ 137,215	\$ 137,931	L+3.6%	2.22	
Senior participations ⁽²⁾⁽³⁾	9	\$ 109,772	\$ 109,772	L+2.0%	2.22	

- (1) The yield/cost is the present value of all future principal and interest payments on the loan or participation interest and does not include any origination fees or deferred commitment fees.
- (2) As of September 30, 2022 and December 31, 2021, the loan participations sold were non-recourse to the Company.
- (3) During the nine months ended September 30, 2022, the Company recorded \$2,526 of interest expense related to the loan participations sold.

Note 6 – Stockholders' Equity

Preferred Stock Offering

On September 22, 2021, the Company issued and sold 3,500,000 shares of the Series A Preferred Stock at a public offering price of \$25.00 per share. In addition, on October 15, 2021, Raymond James & Associates, Inc., as representative of the underwriters, partially exercised their over-allotment option and purchased an additional 100,000 shares of Series A Preferred Stock. The Series A Preferred Stock were issued and sold pursuant to a registration statement on Form S-11 (File No. 333-258802) filed with the SEC. The Company received net proceeds of \$86,310, after underwriter's discount and issuance costs, and contributed the net proceeds to the Operating Partnership in exchange for an equivalent number of Series A units in the Operating Partnership.

Dividends on the Series A Preferred Stock are cumulative and payable quarterly in arrears at a rate per annum equal to 6.75% per annum of the \$25.00 liquidation preference (the "Initial Rate"). Subject to certain exceptions, upon a Change of Control that occurs on or prior to September 22, 2022 or upon a Downgrade Event (as such terms are defined in the Articles Supplementary designating the Series A Preferred Stock (the "Articles Supplementary")) or where any shares of the Series A Preferred Stock remain outstanding after September 22, 2026, the Series A Preferred Stock will thereafter accrue cumulative cash dividends at a rate higher than the Initial Rate.

Subject to certain exceptions, beginning on September 22, 2022, upon the occurrence of a Change of Control, each holder of shares of Series A Preferred Stock will have the right to convert some or all of the Series A Preferred Stock held by such holder into a number of the Company's shares of Class I common stock as provided for in the Articles Supplementary.

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The Company may not redeem the Series A Preferred Stock prior to September 22, 2026, except in limited circumstances relating to maintaining the Company’s qualification as a REIT and in connection with a Change of Control. On and after September 22, 2026, the Company may, at its option, redeem the Series A Preferred Stock, in whole or from time-to-time in part, at a price of \$25.00 per share of Series A Preferred Stock plus an amount equal to accrued and unpaid dividends (whether or not declared), if any. The Series A Preferred Stock has no maturity date and will remain outstanding indefinitely unless redeemed by the Company or converted by the holder pursuant to its terms (as set forth in the Articles Supplementary).

The Series A Preferred Stock is listed on the New York Stock Exchange under the symbol ICR PR A.

Series A Preferred Stock Repurchase Program

On August 11, 2022, the Board authorized and approved a share repurchase program (the “Series A Preferred Repurchase Program”) pursuant to which the Company may repurchase up to the lesser of 1,000,000 shares or \$15,000 of the outstanding shares of the Company’s Series A Preferred Stock through December 31, 2022. Under the Series A Preferred Repurchase Program, repurchases of shares of the Company’s Series A Preferred Stock may be made at management’s discretion from time to time through open market purchases, privately-negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws. The Company cannot predict when or if it will repurchase any shares of Series A Preferred Stock. The Series A Preferred Repurchase Program may be suspended, extended or terminated by the Company at any time without prior notice. During the three and nine months ended September 30, 2022, the Company repurchased and retired 4,630 shares of Series A Preferred Stock resulting in a gain of \$24 from these repurchases. As of September 30, 2022, the Company had authority to purchase 995,370 additional shares or \$14,912 of Series A Preferred Stock under the Series A Preferred Repurchase Program. Refer to Note 15 - “Subsequent Events” for details on repurchases subsequent to September 30, 2022.

Share Activity for Common Stock and Preferred Stock

The following tables detail the change in the Company’s outstanding shares of all classes of common and preferred stock, including restricted common stock:

	Preferred Stock		Common Stock				
	Series A	Class P	Class A	Class T	Class S	Class D	Class I
Nine months ended September 30, 2022							
Beginning balance	3,600,000	9,492,939	659,270	388,099	—	47,298	380,218
Issuance of shares	—	—	62,808	31,842	—	—	22,455
Distribution reinvestment	—	—	9,169	4,700	—	1,173	9,505
Issuance of restricted shares	—	—	—	—	—	—	—
Redemptions	—	(636,308)	(27,965)	(16,272)	—	(958)	(9,191)
Repurchase and retirement of preferred stock	(4,630)	—	—	—	—	—	—
Ending balance	<u>3,595,370</u>	<u>8,856,631</u>	<u>703,282</u>	<u>408,369</u>	<u>—</u>	<u>47,513</u>	<u>402,987</u>

	Preferred Stock		Common Stock				
	Series A	Class P	Class A	Class T	Class S	Class D	Class I
Nine months ended September 30, 2021							
Beginning balance	—	10,151,787	655,835	398,233	—	50,393	381,955
Issuance of shares	3,500,000	—	—	—	—	—	480
Distribution reinvestment	—	—	8,016	4,125	—	1,263	7,404
Issuance of restricted shares	—	—	—	—	—	—	—
Redemptions	—	(387,377)	(9,373)	(2,862)	—	(4,843)	(6,379)
Ending balance	<u>3,500,000</u>	<u>9,764,410</u>	<u>654,478</u>	<u>399,496</u>	<u>—</u>	<u>46,813</u>	<u>383,460</u>

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Distributions – Common Stock

The table below presents the aggregate annualized and monthly distributions declared on common stock by record date for all classes of shares.

Record date	Aggregate annualized gross distribution declared per share	Aggregate monthly gross distribution declared per share
January 31, 2021	\$ 0.9500	\$ 0.0792
February 28, 2021	\$ 1.0000	\$ 0.0833
March 31, 2021	\$ 1.0500	\$ 0.0875
April 30, 2021	\$ 1.1000	\$ 0.0917
May 31, 2021	\$ 1.1500	\$ 0.0958
June 30, 2021	\$ 1.2500	\$ 0.1042
July 31, 2021	\$ 1.2500	\$ 0.1042
August 31, 2021	\$ 1.2500	\$ 0.1042
September 30, 2021	\$ 1.2500	\$ 0.1042
October 31, 2021	\$ 1.2500	\$ 0.1042
November 30, 2021	\$ 1.2500	\$ 0.1042
December 31, 2021	\$ 1.2500	\$ 0.1042
January 31, 2022	\$ 1.2500	\$ 0.1042
February 28, 2022	\$ 1.2500	\$ 0.1042
March 31, 2022	\$ 1.2500	\$ 0.1042
April 30, 2022	\$ 1.2500	\$ 0.1042
May 31, 2022	\$ 1.2500	\$ 0.1042
June 30, 2022	\$ 1.2500	\$ 0.1042
July 31, 2022	\$ 1.2500	\$ 0.1042
August 31, 2022	\$ 1.2500	\$ 0.1042
September 30, 2022	\$ 1.2500	\$ 0.1042

The gross distribution was reduced each month for Class D and Class T of the Company’s common stock for applicable class-specific stockholder servicing fees to arrive at a lower net distribution amount paid to those classes. For a description of the stockholder servicing fees applicable to Class D, Class S and Class T shares of the Company’s common stock, please see “Note 10 – Transactions with Related Parties” below. Since the IPO and through September 30, 2022, the Company has not issued any shares of Class S common stock.

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The following table shows the monthly net distribution per share for shares of Class D and Class T common stock.

Record date	Monthly net distribution declared per share of Class D common stock		Monthly net distribution declared per share of Class T common stock	
January 31, 2021	\$	0.0749	\$	0.0646
February 28, 2021	\$	0.0794	\$	0.0701
March 31, 2021	\$	0.0832	\$	0.0729
April 30, 2021	\$	0.0876	\$	0.0776
May 31, 2021	\$	0.0915	\$	0.0813
June 30, 2021	\$	0.1000	\$	0.0900
July 31, 2021	\$	0.0999	\$	0.0896
August 31, 2021	\$	0.0999	\$	0.0895
September 30, 2021	\$	0.1000	\$	0.0900
October 31, 2021	\$	0.0999	\$	0.0895
November 30, 2021	\$	0.1000	\$	0.0901
December 31, 2021	\$	0.0999	\$	0.0897
January 31, 2022	\$	0.0999	\$	0.0896
February 28, 2022	\$	0.1003	\$	0.0910
March 31, 2022	\$	0.0999	\$	0.0898
April 30, 2022	\$	0.1001	\$	0.0903
May 31, 2022	\$	0.1000	\$	0.0899
June 30, 2022	\$	0.1001	\$	0.0904
July 31, 2022	\$	0.1000	\$	0.0899
August 31, 2022	\$	0.1000	\$	0.0900
September 30, 2022	\$	0.1001	\$	0.0905

The table below presents the aggregate and net distributions declared for each applicable class of common stock during the nine months ended September 30, 2022 and 2021. The table excludes distributions declared for any month for a class of shares of stock when there were no shares of that class outstanding on the applicable record date.

Nine months ended September 30, 2022	Common Stock					
	Class P	Class A	Class T	Class S	Class D	Class I
Aggregate gross distributions declared per share	\$ 0.9378	\$ 0.9378	\$ 0.9378	\$ —	\$ 0.9378	\$ 0.9378
Stockholder servicing fee per share	N/A	N/A	0.1264	—	0.0374	N/A
Net distributions declared per share	<u>\$ 0.9378</u>	<u>\$ 0.9378</u>	<u>\$ 0.8114</u>	<u>\$ —</u>	<u>\$ 0.9004</u>	<u>\$ 0.9378</u>

Nine months ended September 30, 2021	Common Stock					
	Class P	Class A	Class T	Class S	Class D	Class I
Aggregate gross distributions declared per share	\$ 0.8543	\$ 0.8543	\$ 0.8543	\$ —	\$ 0.8543	\$ 0.8543
Stockholder servicing fee per share	N/A	N/A	0.1287	—	0.0379	N/A
Net distributions declared per share	<u>\$ 0.8543</u>	<u>\$ 0.8543</u>	<u>\$ 0.7256</u>	<u>\$ —</u>	<u>\$ 0.8164</u>	<u>\$ 0.8543</u>

As of September 30, 2022, and December 31, 2021, distributions declared but not yet paid amounted to \$1,081 and \$1,137, respectively.

Dividends – Series A Preferred Stock

Series A Preferred Stock dividends are paid quarterly in arrears based on an annualized distribution rate of 6.75% of the \$25.00 per share liquidation preference, or \$1.6875 per share per annum. During March 2022, the Board declared a quarterly dividend on the Series A Preferred Stock in the amount of \$0.421875 per share, which was paid on March 30, 2022 to holders of record on March 15, 2022. During June 2022, the Board declared a quarterly dividend on the Series A Preferred Stock in the amount of \$0.421875 per share, which was paid on June 30, 2022 to holders of record on June 15, 2022. During August 2022, the Board declared a quarterly dividend on the Series A Preferred Stock in the amount of \$0.421875 per share, which was paid on September 30, 2022 to holders of record on September 15, 2022.

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Note 7 – Net Income Per Share Attributable to Common Stockholders

Basic earnings per share attributable to common stockholders (“EPS”) is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income attributable to common stockholders by the common shares plus common share equivalents. The Company’s common share equivalents are unvested restricted shares. The Company excludes antidilutive restricted shares from the calculation of weighted-average shares for diluted earnings per share. There were zero antidilutive restricted shares for the three and nine months ended September 30, 2022. There were zero and 41 antidilutive restricted shares for the three and nine months ended September 30, 2021. For further information about the Company’s restricted shares, see “Note 11 – Equity-Based Compensation.”

The following table is a summary of the basic and diluted net income per share computation for the three and nine months ended September 30, 2022 and 2021:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net income attributable to common stockholders	\$ 2,482	\$ 2,462	\$ 5,083	\$ 7,125
Weighted average shares outstanding, basic	10,559,680	11,433,665	10,707,177	11,570,868
Dilutive effect of restricted stock	909	640	1,601	263
Weighted average shares outstanding, diluted	10,560,589	11,434,305	10,708,778	11,571,131
Net income attributable to common stockholders per share, basic and diluted	\$ 0.24	\$ 0.22	\$ 0.47	\$ 0.62

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 CRE loans if the borrower meets certain conditions. As of September 30, 2022, the Company had 32 such loans with a total remaining future funding commitment of \$70,106. As of December 31, 2021, the Company had 32 such loans with a total remaining future funding commitment of \$74,518. The Company advances future funds if the borrower meets certain requirements as specified in the individual loan agreements.

Note 9 – Segment Reporting

The Company has one reportable segment as defined by GAAP for the nine months ended September 30, 2022 and 2021.

Note 10 – Transactions with Related Parties

As of September 30, 2022, 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 equal to \$25.00. The Advisor has agreed that, for so long as it or its affiliate is serving as the Company’s 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 and (ii) 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 September 30, 2022, 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 the Sub-Advisor’s investment was \$25.00. Sound Point has agreed that, for so long as the Sub-Advisor or its affiliate is serving as the Company’s sub-advisor, 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.

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The following table summarizes the Company's related party transactions for the three and nine months ended September 30, 2022 and 2021 and the amount due to related parties at September 30, 2022 and December 31, 2021:

	Three months ended September 30,		Nine months ended September 30,		Payable as of September 30,	Payable as of December 31,
	2022	2021	2022	2021	2022	2021
Organization and offering expense reimbursement ⁽¹⁾	\$ (7)	\$ 22	\$ —	\$ 22	\$ —	\$ —
Selling commissions and dealer manager fee ⁽²⁾	42	—	96	—	—	—
Advisory fee ⁽³⁾	916	771	2,797	2,245	303	321
Loan fees ⁽⁴⁾	412	270	3,360	2,469	1,613	1,983
Accrued stockholder servicing fee ⁽⁵⁾	3	—	35	—	588	590
Operating expense reimbursement to advisor ⁽⁶⁾	—	63	—	78	—	—
Total	<u>\$ 1,366</u>	<u>\$ 1,126</u>	<u>\$ 6,288</u>	<u>\$ 4,814</u>	<u>\$ 2,504</u>	<u>\$ 2,894</u>

- (1) The Company 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.
- (2) 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 DRP. All upfront selling commissions and dealer manager fees will be reallocated (paid) by the Dealer Manager to participating broker-dealers.
- (3) The Advisor is entitled to receive an advisory fee comprised of two separate components: (1) a fixed component payable monthly and (2) a performance component payable annually. Prior to July 1, 2021, the fixed component of the advisory fee was paid in an amount equal to 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 could not exceed 1/12th of 2.5% of the Company's NAV. Effective July 1, 2021, the fixed component of the advisory fee is paid in an amount equal to 1/12th of 1.25% of the Company's average NAV for each month, paid monthly in arrears. 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. In addition, if the NAV per share decreases below \$25 for any class of shares during the measurement period, any subsequent increase in NAV per share to \$25 (or such other adjusted number) will not be included in the calculation of the performance component with respect to that class. For the nine months ended September 30, 2022, the Advisor did not waive any of the fixed component of the advisory fees. For the nine months ended September 30, 2021, the Advisor waived \$1,475 of the fixed component of the advisory fees. The Advisor pays fees to the Sub-Advisor for the services it delegates to the Sub-Advisor or may direct the Company to pay a portion of the fees otherwise payable to the Advisor directly to the Sub-Advisor.
- (4) 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. Pursuant to the Sub-Advisory Agreement, the Advisor generally will reallocate a portion of loan fees and all administrative fees to the Sub-Advisor.

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- (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 reallocated (paid) to, participating broker-dealers and servicing broker-dealers for ongoing stockholder services performed by such broker-dealers.
- (6) Prior to July 1, 2021, the Company reimbursed 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 did not reimburse overhead costs, including rent and utilities or personnel costs (including salaries, bonuses, benefits and severance payments) and the Company only reimbursed the Advisor for fees payable to its affiliates if they are incurred for legal or marketing services rendered on the Company's behalf. Effective July 1, 2021, the Company is obligated to reimburse for all of the expenses attributable to the Company or its subsidiaries, including the Operating Partnership, and paid or incurred and submitted to the Company for reimbursement by the Advisor, the Sub-Advisor or their respective affiliates in providing services to the Company under the Advisory Agreement, including personnel and related employment costs. During the three and nine months ended September 30, 2022, no such expenses were submitted to the Company for reimbursement.

Expense Limitation Agreement

Pursuant to an expense limitation agreement (the "Expense Limitation Agreement") dated July 1, 2021, the Advisor and Sub-Advisor agree to waive reimbursement of or pay, on a quarterly basis, certain of the Company's ordinary operating expenses for each class of shares to the extent necessary to ensure that the ordinary operating expenses do not exceed 1.5% of the average monthly net assets on an annualized basis (the "1.5% Expense Limit"). Amounts waived or paid by the Advisor or Sub-Advisor pursuant to the Expense Limitation Agreement are subject to conditional repayment on a quarterly basis by the Company during the three years following the quarter in which the expenses were incurred, but only to the extent such repayment does not cause the Company to exceed its then-current expenses limitation, if any, for such quarter. Any waiver or reimbursement by the Advisor or Sub-Advisor not repaid by the Company within the three-year period will be deemed permanently waived and not subject to repayment under the Expense Limitation Agreement. During the nine months ended September 30, 2022, the amounts of ordinary operating expenses either submitted for reimbursement by the Advisor and Sub-Advisor or incurred by the Company directly that were subject to the Expense Limitation Agreement did not exceed the 1.5% Expense Limit.

Separately from the limitation on ordinary operating expenses under the Expense Limitation Agreement, the Advisor and Sub-Advisor voluntarily chose not to seek reimbursement for certain expenses that they incurred or paid on behalf of the Company during the nine months ended September 30, 2022, and for which they may have been entitled to be reimbursed. The Advisory Agreement and Sub-Advisory Agreement provide that expenses will be submitted monthly to the Company for reimbursement, and the amount of expenses submitted for reimbursement in any particular month is not necessarily indicative of the total amount of expenses actually incurred by the Advisor and the Sub-Advisor in providing services to the Company and for which reimbursement could have been received by the Advisor or Sub-Advisor.

Revolving Credit Liquidity Letter Agreements

IREIC, the Company's sponsor, and Sound Point have agreed under separate letter agreements dated July 20, 2021, and July 15, 2021, respectively, to make revolving credit loans to the Company in an aggregate principal amount outstanding at any one time not to exceed \$5,000 and \$15,000, respectively (the "IREIC-Sound Point Commitments") from time to time until the Termination Date (defined below) of the letter agreements. These letter agreements are identical to each other in all material respects other than the commitment amounts. Use of the IREIC-Sound Point Commitments is limited to satisfying requirements to maintain cash or cash equivalents under the Company's repurchase and other borrowing arrangements. The "Termination Date" is the earliest of (i) the Maturity Date (defined below) (ii) the first date on which the Company's balance sheet equity is equal to or greater than \$500,000, (iii) the date IREIC or one of its affiliates is no longer the Company's advisor or Sound Point or one of its affiliates is no longer the Company's sub-advisor and (iv) such earlier date on which the commitment will terminate as provided in the letter agreements, for example, because of an event of default. The "Maturity Date" is one year from the date of the agreement, and the Maturity Date will be automatically extended every year for an additional year, unless (a) the lender delivers notice of termination 60 days prior to an anniversary of the letter agreements or (b) an Event of Default (defined below) has occurred and is continuing. Each revolving loan will bear interest at 6.00% per annum.

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Interest is payable in arrears when principal is paid or repaid and on the Termination Date. Each of the following constitutes an “Event of Default” under the letter agreements: (y) the Company fails to perform or observe any covenant or condition to be performed or observed under the letter agreement (including the obligation to repay a loan in full on the Termination Date) and such failure is not remedied within three business days of its receipt of notice thereof; or (z) the Company becomes insolvent or the subject of any bankruptcy proceeding.

Note 11 – Equity-Based Compensation

With each stock grant, the Company awards each of its three independent directors an equal number of restricted shares. The table below summarizes total stock grants made at each grant date as of September 30, 2022.

Grant Date	Class of common stock granted	Total number of shares granted	Grant Date Fair Value Per Share	Total Fair Value of Grant	Proportion of total shares that vest annually	Vesting Date Year 1	Vesting Date Year 2	Vesting Date Year 3
March 1, 2018	Class P	1,200	\$ 25.00	\$ 30	1/3	3/1/2019	3/1/2020	3/1/2021
January 7, 2019	Class P	1,200	\$ 25.00	\$ 30	1/3	1/7/2020	1/7/2021	1/7/2022
December 2, 2019	Class I	1,197	\$ 25.07	\$ 30	1/3	12/2/2020	12/2/2021	12/2/2022
December 1, 2020	Class I	1,393	\$ 21.54	\$ 30	1/3	12/1/2021	12/1/2022	12/1/2023
October 14, 2021	Class I	1,477	\$ 20.31	\$ 30	1/3	10/14/2022	10/14/2023	10/14/2024

Under the Company’s Independent Director Restricted Share Plan, 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 grant date. 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 \$8 and \$23, in the aggregate, for the three and nine months ended September 30, 2022. Compensation expense associated with the restricted shares issued to the independent directors was \$7 and \$24, in the aggregate, for the three and nine months ended September 30, 2021. As of September 30, 2022, the Company had \$33 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 0.79 years. The total fair value at the vesting date for restricted shares that vested during the nine months ended September 30, 2022 and 2021 was \$8 and \$16, respectively. There were no restricted shares that vested during the three months ended September 30, 2022 and 2021.

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

	Restricted Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding at December 31, 2021	3,205	\$ 21.85
Granted	—	—
Vested	(400)	25.00
Converted	—	—
Forfeited	—	—
Outstanding at September 30, 2022	2,805	\$ 21.40

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Note 12 – Fair Value of Financial Instruments

GAAP requires the disclosure of fair value information about financial instruments, whether or not they are recognized at fair value in the consolidated balance sheets, for which it is practicable to estimate that value. The following table details the carrying amount and estimated fair value of the Company’s financial instruments at the dates below:

	September 30, 2022		December 31, 2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Cash and cash equivalents	\$ 47,067	\$ 47,067	\$ 57,268	\$ 57,268
Commercial mortgage loans, net	817,094	817,094	665,498	667,405
Total	\$ 864,161	\$ 864,161	\$ 722,766	\$ 724,673
Financial liabilities				
Repurchase agreements - commercial mortgage loans	\$ 489,757	\$ 489,757	\$ 307,083	\$ 307,083
Credit facility payable	—	—	14,350	14,350
Loan participations - sold	96,950	96,950	109,772	109,772
Total	\$ 586,707	\$ 586,707	\$ 431,205	\$ 431,205

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. During the second quarter of 2022, the Company changed the method for calculating the fair value of the commercial mortgage loan portfolio. Since the loans have a short duration to maturity (1.6 years), are not delinquent or impaired and are expected to return par, the Advisor determined the amortized cost is the best estimate of fair value.
- The estimated fair values of the repurchase agreements – commercial mortgage loans, credit facility payable and loan participations sold are Level 3 fair value measurements based on expected present value techniques. 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, credit facilities and loan participations sold with similar characteristics and credit quality.

Note 13 – Real Estate Owned

The following table summarizes the Company’s real estate owned assets as of September 30, 2022:

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	\$ 6,995	\$ (2,326)	\$ 31,352

- (1) Refer to “Note 2 – Summary of Significant Accounting Policies” in the Annual Report for useful life of the above assets.
- (2) Represents assets acquired by the Company by completing a deed-in-lieu of foreclosure transaction.

During February 2021, the Company received a loan under the Paycheck Protection Program (“PPP”) related to the operations of the Company’s 362-room hotel located in Chicago, Illinois known as the Renaissance Chicago O’Hare Suites Hotel (the “Renaissance O’Hare”). This five-year loan was for \$1,093 with a fixed interest rate of 1.00% that does not compound. The PPP was created as part of the Coronavirus Aid, Relief, and Economic Security Act and ended on May 31, 2021. To be eligible to receive a loan, companies had to make a number of certifications related to its operations, employees and size of the business on an application. Companies could subsequently apply for loan forgiveness under the program provided that it meets requirements limiting any reduction in workforce or in pay.

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The Company was granted loan forgiveness by the U.S. Small Business Administration in December 2021. The Company accounted for this PPP loan using a government grant accounting approach. The grant proceeds were initially recorded in accrued expenses on the consolidated balance sheet. Each month, those proceeds were applied as a reduction to payroll-related costs within real estate owned operating expenses on the consolidated statement of operations until the proceeds have been fully absorbed by the payroll-related expenses. As of September 30, 2022, no balance remains recorded in accrued expenses for the PPP loan to be absorbed by payroll-related expenses.

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 the Renaissance O'Hare 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 right-of-use 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 reasonable and within the range of the Company's incremental borrowing rate. For the three and nine months ended September 30, 2022 and 2021, total finance lease cost recorded to real estate owned operating expenses on the Company's consolidated statements of operations was comprised as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Amortization of right-of-use assets	\$ 18	\$ 18	\$ 54	\$ 53
Interest on lease liabilities	492	482	1,468	1,440
Total finance lease cost	<u>\$ 510</u>	<u>\$ 500</u>	<u>\$ 1,522</u>	<u>\$ 1,493</u>

The table below shows the Company's finance lease right of use asset, net of amortization as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Finance lease right of use asset, gross	\$ 5,549	\$ 5,549
Accumulated amortization	(149)	(95)
Finance lease right of use asset, net of amortization	<u>\$ 5,400</u>	<u>\$ 5,454</u>

Remaining lease payments for the ground lease as of September 30, 2022 for each of the five succeeding years and thereafter is as follows:

	Lease Payments
2022 (remaining)	\$ 403
2023	1,611
2024	1,745
2025	1,772
2026	1,772
Thereafter	269,685
Total undiscounted lease payments	<u>\$ 276,988</u>
Less: Amount representing interest	(259,623)
Present value of lease liability	<u>\$ 17,365</u>

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Note 15 – Subsequent Events

The Company has evaluated subsequent events through November 14, 2022, the date the financial statements were issued. The following are updates on the Company’s operations since September 30, 2022.

Director Stock Awards

On October 3, 2022, the Company granted each of its three independent directors 511.46 restricted Class I Shares for a total of 1,534 Class I Shares with a total value of \$30. The Class I Shares will vest in equal one-third increments on October 3, 2023, 2024 and 2025.

Common Stock Distributions

On October 28, 2022, the Company announced that the Board authorized distributions to stockholders of record as of October 31, 2022, payable on or about November 17, 2022 for each class of its common stock in the amount per share set forth below:

	Common Stock					
	Class P	Class A	Class T	Class S	Class D	Class I
Aggregate gross distributions declared per share	\$ 0.1042	\$ 0.1042	\$ 0.1042	\$ —	\$ 0.1042	\$ 0.1042
Stockholder servicing fee per share	N/A	N/A	0.0142	—	0.0042	N/A
Net distributions declared per share	<u>\$ 0.1042</u>	<u>\$ 0.1042</u>	<u>\$ 0.0900</u>	<u>\$ —</u>	<u>\$ 0.1000</u>	<u>\$ 0.1042</u>

CF Repo Facility

On November 9, 2022, the CF Repo Facility was extended to November 9, 2023, the maximum advance amount was reduced to \$375,000 and the floating-rate spreads were increased by 0.75% on all existing loans under the CF Repo Facility.

Series A Preferred Repurchase Program

On November 10, 2022, the Board authorized and approved an extension of the Series A Preferred Repurchase Program, which was set to expire on December 31, 2022. As extended, the Series A Preferred Repurchase Program now expires on December 31, 2023. The Series A Preferred Repurchase Program may be suspended, extended or terminated by the Company at any time without prior notice.

Between October 1, 2022 and November 14, 2022, the Company repurchased 37,251 shares of Series A Preferred Stock for \$662. The Company will record a gain on the repurchase and retirement of these shares during the three months ending December 31, 2022. As of November 14, 2022, the Company had authority to repurchase 958,119 additional shares or \$14,250 of outstanding Series A Preferred Stock under the Series A Preferred Repurchase Program.

Amendment to the Advisory Agreement

On November 11, 2022, the Company entered into Amendment No. 1 to the Advisory Agreement (the “Amendment”). The Amendment removes the Board’s discretion to decrease certain NAV per share thresholds, below which any subsequent increases would be included in the performance component of the advisory fee paid to the Advisor.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (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 the management of InPoint Commercial Real Estate Income, Inc. (which we refer to herein as the “Company,” “we,” “our” or “us”) 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 listed and described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on March 11, 2022 (the “Annual Report”) and subsequent quarterly reports on Form 10-Q, and 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, particularly the operating results of the Renaissance O’Hare, and may continue to do so, and these effects may become more severe, e.g., if COVID-19 cases increase nationally or in markets that affect the value of our investments;
- We have paid past distributions from sources other than cash flows from operating activities, including from offering proceeds, which reduces the amount of cash we ultimately have to invest in assets, and some of our distributions have not been covered by net income; if we cannot generate sufficient cash flow from operations to fully fund distributions, some or all of our distributions may again be paid from these other sources, and if our net income does not cover our distributions, those distributions will dilute our stockholders’ equity;
- 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 previously 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 our Sub-Advisor may face conflicts of interest in allocating personnel and resources between 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; and
- If we fail to continue to qualify as a REIT, our operations and distributions to stockholders will be adversely affected.

Forward-looking statements in this Quarterly Report on Form 10-Q reflect our management’s view only as of the date of this Quarterly Report on Form 10-Q 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 and analysis relate to the three and nine months ended September 30, 2022 and 2021 and as of September 30, 2022 and December 31, 2021. You should read the following discussion and analysis along with our unaudited consolidated financial statements and the related notes included in this Quarterly Report on Form 10-Q.

Unless otherwise stated, 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 floating-rate CRE debt, including first mortgage loans, subordinate mortgage and mezzanine loans, and participations in such loans. We may also invest in floating-rate CRE securities such as CMBS and senior unsecured debt of publicly traded REITs, and 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 IREIC. 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, the IPO and the Preferred Stock Offering, please see “Note 1 – Organization and Business Operations” in the notes to our consolidated financial statements above.

Recent Developments

Until recently, interest rates have remained at relatively low levels. However, in response to inflationary pressures, earlier in 2022 the Federal Reserve has begun raising its federal funds rate target range and indicated that, due to the persistent high rate of inflation, it anticipates further increases in interest rates throughout 2022 and into 2023. Additionally, driven by the shift in Federal Reserve interest rate policy, the general level of interest rates in the market has increased. While such increases in interest rates have resulted in increases in the variable rates we charge on our investments and, hence an increase in our interest income, the interest rates we pay on our repurchase agreements and our interest expense has also increased. We cannot guarantee that the increase in our interest income will not be fully offset by the corresponding increase in our interest expense. Higher interest rates may also slow the pace of loan repayments and increase the number of our borrowers who seek extension of term on their loans. The potential ultimate impact of higher market interest rates on the economy, real estate fundamentals in general and our business is uncertain and difficult to predict.

Q3 2022 Highlights

Operating Results:

- Net income attributable to common stockholders was \$2.5 million, or \$0.24 per share during the three months ended September 30, 2022.
- During the third quarter of 2022, we paid an annual gross distribution rate of \$1.25 per common share, which represents an annualized rate of 6% on our aggregate NAV of \$19.4976 as of September 30, 2022. Holders of Class D and Class T shares of common stock received less than the gross distribution amount after the deduction of class-specific fees.

Loan Portfolio:

- We originated 1 floating-rate loan with a total loan amount of \$28.1 million and initial funding of \$27.0 million during the three months ended September 30, 2022.
- We had \$35.1 million in advances on previously originated loans and loan repayments of \$21.2 million resulting in a 2% increase in our loan portfolio to \$817.1 million during the three months ended September 30, 2022.
- All 42 of our loans were current on their contractual interest payments with no interest deferrals during the three months ended September 30, 2022.

Capital Markets and Financing Activity:

- We had net draws of \$15.2 million on our repurchase agreements during the three months ended September 30, 2022.

Significant Accounting Policies and Use of Estimates

Disclosures discussing all significant accounting policies are set forth in our Annual Report under the heading “Note 2 – Summary of Significant Accounting Policies.” There have been no additions to our significant accounting policies for the three months ended September 30, 2022.

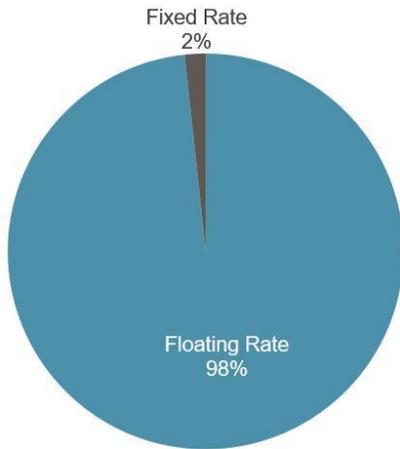
Portfolio

Our strategy is to originate, acquire and manage an investment portfolio of CRE debt that is primarily floating rate and diversified based on the type and location of collateral securing the underlying CRE debt.

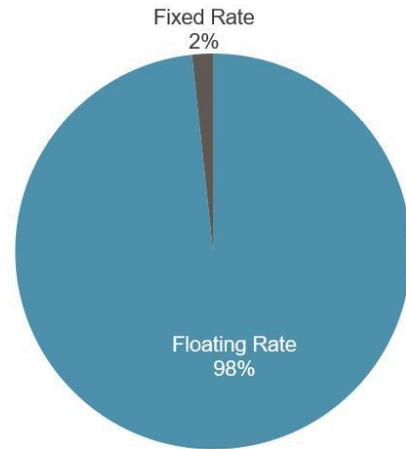
The charts below summarize our debt investments portfolio as a percentage of par value by type of rate, our total investment portfolio by investment type, including real estate owned (“REO”), and our loan portfolio by collateral type and geographical region as of September 30, 2022 and December 31, 2021:

Floating vs. Fixed Rate Debt Investments:

September 30, 2022

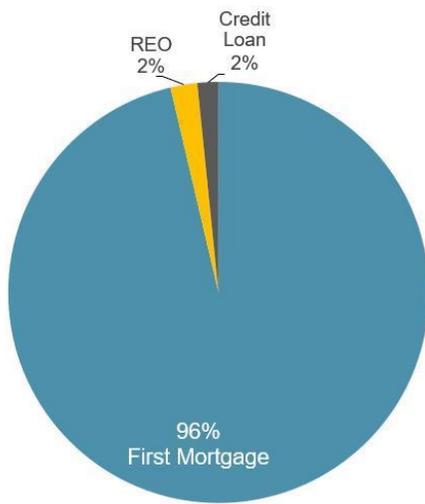


December 31, 2021

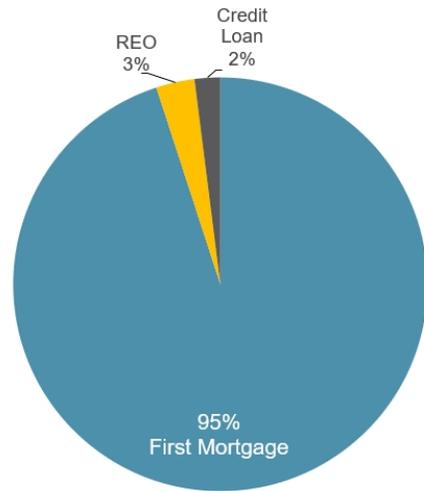


All Investments by Type:

September 30, 2022

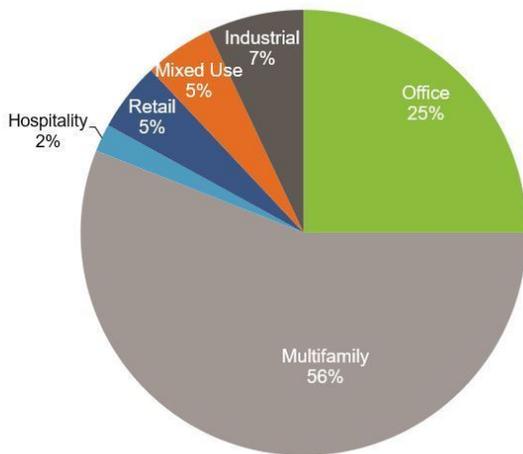


December 31, 2021

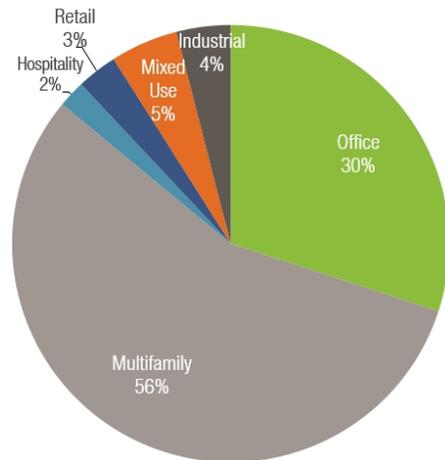


Loans by Property Type:

September 30, 2022

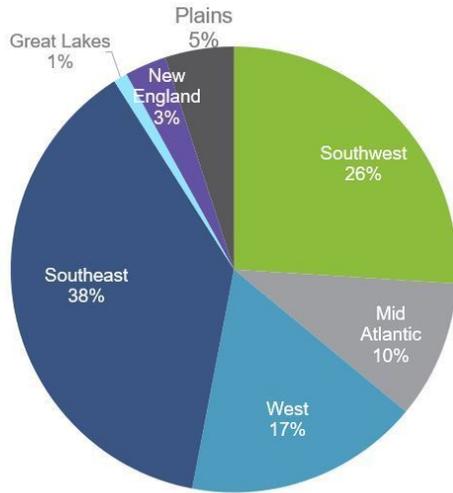


December 31, 2021

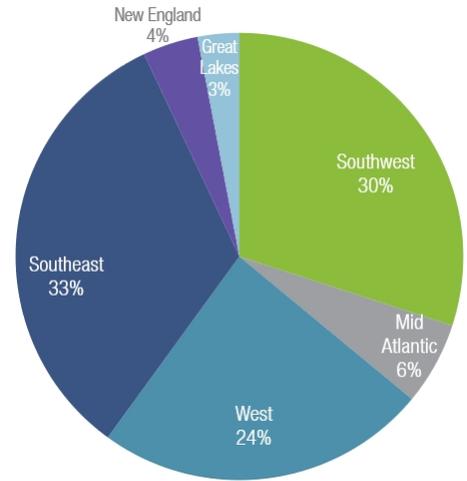


Loans by Region:

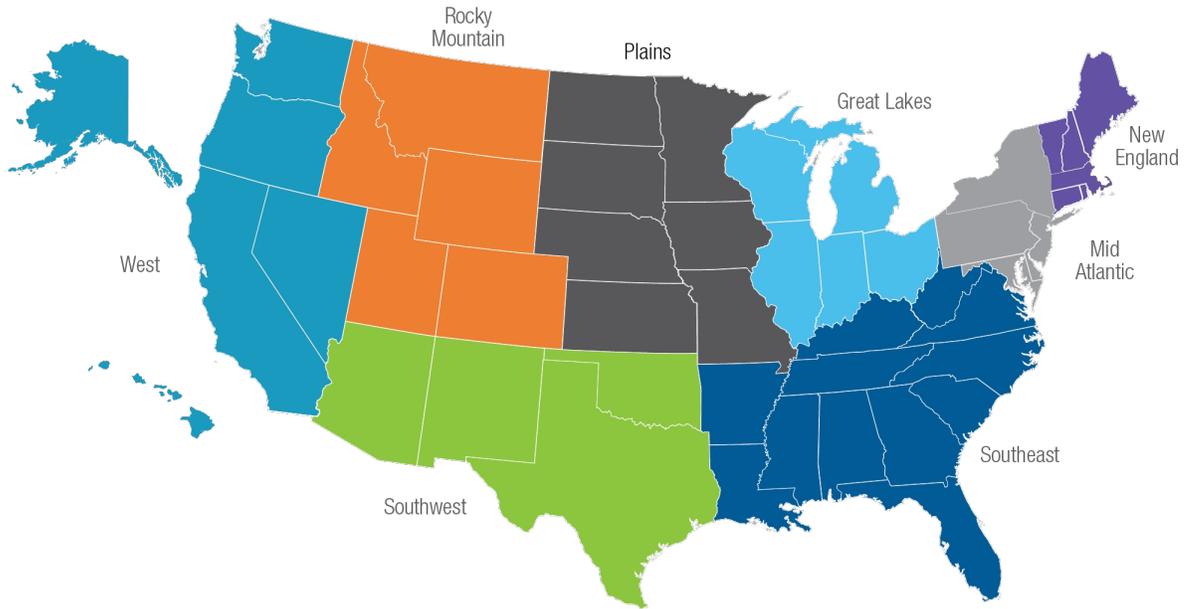
September 30, 2022



December 31, 2021



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



The changes in our loan portfolio by property type and by region as of September 30, 2022 compared to December 31, 2021 were primarily due to new loan originations as we deployed the capital from our Preferred Stock Offering in September 2021 on a levered basis. This was offset by loans that were repaid by borrowers in ordinary course. The all-in yield has primarily increased due to the rising index (SOFR and LIBOR) that has occurred as the Federal Reserve has increased interest rates during 2022.

Commercial Mortgage Loans Held for Investment

	<u>As of</u> <u>September 30, 2022</u>	<u>As of</u> <u>December 31, 2021</u>
Principal balance of first mortgage loans	\$ 802,202	\$ 650,670
Number of first mortgage loans	40	36
Principal balance of credit loans	\$ 13,500	\$ 13,500
Number of credit loans	2	2
Total balance of loans	\$ 815,702	\$ 664,170
Total number of loans	42	38
All-in yield ⁽¹⁾	6.6%	4.6%
Weighted average years to maximum maturity	3.4	3.6

(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. All-in yield is calculated using the spread plus the values of the indices as of September 30, 2022.

The increase in the size of our portfolio is primarily due to loan originations during the nine months ended September 30, 2022. The change in the all-in yield was primarily driven by increases in the LIBOR and SOFR rates.

The table below presents information for each of our commercial mortgage loans as of September 30, 2022:

	Origination Date	Loan Type ⁽¹⁾	Principal Balance ⁽²⁾	Cash Coupon ⁽²⁾⁽³⁾	All-in Yield ⁽²⁾⁽³⁾	Maximum Maturity ⁽⁴⁾	State	Property Type	LTV ⁽⁵⁾	Risk Rating ⁽⁶⁾
1	12/12/17	First mortgage	\$ 14,650	L+4.70%	7.8%	1/9/23	HI	Office	67%	3
2	12/13/17	First mortgage	16,915	L+4.50%	7.6%	7/9/23	VA	Office	55%	3
3	9/7/18	First mortgage	24,411	L+3.75%	6.9%	9/9/23	TX	Office	73%	2
4	12/20/18	First mortgage	16,150	L+4.20%	7.3%	1/9/24	AL	Hospitality	64%	2
5	5/31/19	First mortgage	13,368	L+3.25%	6.4%	6/9/24	CA	Multifamily	70%	3
6	6/18/19	First mortgage	47,746	L+2.75%	5.9%	7/9/24	TX	Office	72%	2
7	6/18/19	First mortgage	6,631	L+3.60%	6.7%	7/9/24	CA	Mixed Use	54%	2
8	8/15/19	First mortgage	8,927	L+4.20%	7.3%	9/9/24	TN	Office	45%	3
9	9/27/19	First mortgage	15,654	L+3.10%	6.2%	10/9/24	CA	Office	75%	2
10	10/4/19	First mortgage	21,997	L+2.90%	6.0%	10/9/24	NC	Office	61%	3
11	2/6/20	First mortgage	23,216	L+3.30%	6.4%	2/9/25	NJ	Office	69%	2
12	2/20/20	First mortgage	11,016	L+3.85%	7.0%	3/9/25	CA	Retail	57%	2
13	2/28/20	First mortgage	9,704	L+3.50%	6.6%	3/9/25	FL	Retail	78%	2
14	3/5/21	First mortgage	13,569	L+5.00%	8.1%	3/9/26	VA	Office	57%	2
15	3/12/21	First mortgage	20,135	L+4.00%	7.1%	3/9/26	MS	Industrial	64%	2
16	4/6/21	First mortgage	13,528	L+3.50%	6.6%	4/9/26	AL	Multifamily	69%	2
17	4/6/21	First mortgage	10,930	L+3.50%	6.6%	4/9/26	AL	Multifamily	78%	2
18	4/15/21	First mortgage	9,090	L+4.00%	7.1%	5/9/26	NJ	Industrial	69%	2
19	5/12/21	First mortgage	28,009	L+3.15%	6.3%	5/9/26	CT	Multifamily	77%	2
20	5/25/21	First mortgage	11,200	L+3.20%	6.3%	6/9/26	TN	Multifamily	80%	2
21	5/26/21	First mortgage	15,441	L+3.10%	6.2%	6/9/26	NV	Multifamily	80%	2
22	7/1/21	First mortgage	6,430	L+4.50%	7.6%	7/9/26	OH	Mixed Use	79%	2
23	10/8/21	First mortgage	29,550	L+3.20%	6.3%	10/9/26	OR	Multifamily	72%	2
24	10/15/21	First mortgage	22,587	L+2.95%	6.1%	11/9/26	VA	Multifamily	77%	2
25	11/12/21	First mortgage	25,055	L+2.90%	6.0%	11/9/26	TX	Multifamily	73%	2
26	11/16/21	First mortgage	23,165	L+3.05%	6.2%	12/9/26	TX	Multifamily	74%	2
27	11/17/21	First mortgage	23,057	L+2.85%	6.0%	12/9/26	SC	Multifamily	71%	2
28	12/9/21	First mortgage	39,350	L+3.05%	6.2%	12/9/26	GA	Multifamily	72%	2
29	12/15/21	First mortgage	25,210	L+3.20%	6.3%	1/9/27	OR	Multifamily	70%	2
30	1/14/22	First mortgage	37,225	SOFR+3.40%	6.4%	1/9/27	MO	Multifamily	80%	2
31	1/20/22	First mortgage	16,153	SOFR+3.65%	6.7%	2/9/27	NC	Retail	63%	2
32	1/26/22	First mortgage	14,112	SOFR+3.55%	6.6%	2/9/27	NJ	Industrial	63%	2
33	1/28/22	First mortgage	13,543	SOFR+3.30%	6.3%	2/9/27	NC	Multifamily	70%	2
34	2/25/22	First mortgage	30,000	SOFR+3.04%	6.1%	3/9/27	NY	Mixed Use	67%	2
35	3/1/22	First mortgage	26,516	SOFR+3.40%	6.4%	3/9/27	TX	Multifamily	78%	2
36	3/25/22	First mortgage	16,668	SOFR+3.30%	6.3%	4/9/27	FL	Industrial	70%	2
37	4/7/22	First mortgage	12,700	SOFR+3.25%	6.3%	4/9/27	SC	Multifamily	69%	2
38	4/19/22	First mortgage	18,230	SOFR+3.40%	6.4%	5/9/26	TX	Multifamily	76%	2
39	6/13/22	First mortgage	43,364	SOFR+3.45%	6.5%	6/9/27	TX	Multifamily	73%	2
40	9/1/22	First mortgage	27,000	SOFR+3.90%	6.9%	9/9/27	NC	Multifamily	63%	2
41	9/29/17	Credit	7,500	9.20%	9.2%	10/11/27	NJ	Office	80%	2
42	10/4/19	Credit	6,000	10.00%	10.0%	10/6/24	NV	Office	75%	2
			<u>\$ 815,702</u>		<u>6.6%</u>				<u>71%</u>	

- (1) First mortgage loans are first position mortgage loans and credit loans are mezzanine and subordinated loans.
- (2) An 80% undivided senior interest in each of loan numbers 1, 2, 3, 5, 7, 10 and 11, which includes the right to receive priority interest payments at a rate of L+2.00%, was sold by our Operating Partnership pursuant to a Loan Participation Agreement dated November 15, 2021. Our Operating Partnership has retained a 20% undivided subordinate interest in each of these loans.
- (3) 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 all-in yield calculated using the spread plus the values of the indices as of September 30, 2022. LIBOR was 3.143% and SOFR was 3.042% as of September 30, 2022. Our first mortgage loans are all floating rate and each contains a minimum LIBOR or SOFR floor. As of September 30, 2022, the weighted average LIBOR floor was 0.83% and the weighted average SOFR floor was 0.41%.
- (4) Maximum maturity assumes all extension options are exercised by the borrower, however loans may be repaid prior to such date.

- (5) 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.
- (6) Risk rating is the internal risk rating assigned by the Sub-Advisor. See “Note 3 – Commercial Mortgage Loans Held for Investment,” which is included in our notes to consolidated financial statements included in this Quarterly Report on Form 10-Q.

We entered into master repurchase agreements to fund our loan portfolio. As of September 30, 2022 and December 31, 2021, we had total borrowings of \$489,757 (which is net of \$31 of unamortized debt issuance costs) and \$307,083 (which is net of \$41 of unamortized debt issuance costs), respectively. During the nine months ended September 30, 2022 and the year ended December 31, 2021, we had weighted average borrowings of \$537,639 and \$348,639 and weighted average borrowing costs of 3.1% and 2.5%, respectively. The increase in borrowings was due to the investment of capital from our Preferred Stock Offering in September 2021 on a levered basis.

Real Property

We own the Renaissance O’Hare, a 362-room hotel located in Chicago, Illinois. More specifically, we own a ground lease interest in the Renaissance O’Hare and currently pay annual rent of \$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 has been, and continues to be, negatively impacted by the COVID-19 pandemic. We recognized a net operating loss before depreciation and amortization from the hotel of \$0.6 million in the nine months ended September 30, 2022. Although travel is increasing, there are numerous risks and uncertainties still surrounding the continuing and possible future effects of the pandemic, including whether and when a resumption of pre-pandemic levels of travel and in-person meetings and events might happen. Reduced demand for corporate and government travel and in-person meetings, reduced travel from individuals, and uncertainties surrounding the duration and effects of the pandemic persist.

We continue to balance 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. 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 leisure and 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 Renaissance O’Hare, 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. Until the market improves, a third-party management company has been engaged and will continue to manage it.

The following table shows the Renaissance’s O’Hare’s performance trend over the past seven quarters.

<u>Period</u>	<u>Average Occupancy Per Night</u>	<u>Average Revenue Per Available Room ⁽¹⁾</u>	<u>Average Daily Rate ⁽¹⁾</u>
First Quarter 2021	28%	\$ 23	\$ 80
Second Quarter 2021	48%	\$ 43	\$ 89
Third Quarter 2021	57%	\$ 65	\$ 114
Fourth Quarter 2021	47%	\$ 54	\$ 113
First Quarter 2022	48%	\$ 48	\$ 100
Second Quarter 2022	59%	\$ 87	\$ 146
Third Quarter 2022	59%	\$ 93	\$ 158

(1) Amounts expressed in whole dollars.

The hotel’s performance improved during the third quarter of 2022 relative to the same time period in 2021 primarily due to a return to more normal seasonal activity with travel and group events increasing as the COVID-19 pandemic restrictions have been lifted. Although performance has not returned to pre-pandemic levels, the third quarter 2022 results show significant improvement in operating metrics.

Results of Operations

Comparison of the Three Months Ended September 30, 2022 to the Three Months Ended September 30, 2021

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.

	Three Months Ended September 30,					
	2022			2021		
	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:						
Commercial mortgage loans	\$ 805,589	\$ 11,802	5.7%	\$ 531,631	\$ 7,321	5.4%
Total/Weighted Average	<u>\$ 805,589</u>	<u>\$ 11,802</u>	<u>5.7%</u>	<u>\$ 531,631</u>	<u>\$ 7,321</u>	<u>5.4%</u>
Interest-bearing liabilities:						
Repurchase agreements—commercial mortgage loans	\$ 473,132	\$ 5,026	4.2%	\$ 351,947	\$ 2,257	2.5%
Credit facility—loans	—	—	—	14,350	144	3.9%
Loan participations sold, net	102,394	1,125	4.3%	—	—	—
Total/Weighted Average	<u>\$ 575,526</u>	<u>\$ 6,151</u>	<u>4.2%</u>	<u>\$ 366,297</u>	<u>\$ 2,401</u>	<u>2.6%</u>
Net interest income/spread		\$ 5,651	1.6%		\$ 4,920	2.8%
Average leverage % ⁽⁵⁾	250.2%			221.5%		
Weighted average levered yield ⁽⁶⁾			9.7%			11.6%

- (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 \$33 and \$0 for the three months ended September 30, 2022 and 2021, respectively, related to bank deposits not included in the investment portfolio.
- (4) Calculated as annualized 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 change in our average interest-earning assets and interest-bearing liabilities was due to the change in the composition of our investment portfolio as we invested proceeds from the IPO, the Preferred Stock Offering, and the sale of loan participations. The change in the weighted average levered yield was primarily due to the Federal Reserve increasing interest rates and how those increases impacted our loan portfolio and our borrowings. Our loan portfolio has interest rate index floors that are higher than the index floors on our borrowings. As a result, our average borrowing costs increased more than our weighted average yield causing the net interest income spread to decrease. As of September 30, 2022, all our loans and borrowings were above their interest rate index floors and we believe the changes in weighted average yield and our borrowing costs will be more correlated in future periods.

Revenue from Real Estate Owned

During the three months ended September 30, 2022 and 2021, the Renaissance O'Hare generated \$4,788 and \$2,716, respectively, in revenue. We believe the increase in revenue was most likely primarily due to increased travel because of the easing of pandemic related travel restrictions and increased willingness and desire to travel.

Net Operating Expenses

Net operating expenses for the three months ended September 30, 2022 and 2021 consisted of the following:

	Three Months Ended September 30,	
	2022	2021
Advisory fee	\$ 916	\$ 771
Debt finance costs	451	327
Directors compensation	21	19
Professional service fees	266	212
Real estate owned operating expenses	4,204	3,268
Depreciation and amortization	276	272
Other expenses	362	305
Net operating expenses	<u>\$ 6,496</u>	<u>\$ 5,174</u>

Net operating expenses for the three months ended September 30, 2022 and 2021 were \$6,496 and \$5,174, respectively. The primary driver of the increase in net operating expenses was related to the real estate operating expenses. As hotel operations improved during the quarter due to the easement of travel restrictions, the variable operating costs increased as well. Additionally, advisory fees increased with the increase in equity as a result of our Preferred Stock Offering in September 2021.

Net Income

For the three months ended September 30, 2022 and 2021, our net income was \$3,976 and \$2,462, respectively. The increase in net income was due to an increase in operating margin at the Renaissance O'Hare combined with an increase in net interest income. This was partially offset by increases in advisory fees and debt financing costs.

Comparison of the Nine Months Ended September 30, 2022 to the Nine Months Ended September 30, 2021

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.

	Nine Months Ended September 30,					
	2022			2021		
	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:						
Commercial mortgage loans	768,530	29,410	5.1%	499,822	20,995	5.5%
Total/Weighted Average	<u>\$ 768,530</u>	<u>\$ 29,410</u>	<u>5.1%</u>	<u>\$ 499,822</u>	<u>\$ 20,995</u>	<u>5.5%</u>
Interest-bearing liabilities:						
Repurchase agreements—commercial mortgage loans	\$ 425,573	\$ 9,844	3.1%	\$ 329,846	\$ 6,362	2.5%
Credit facility - loans	4,521	142	4.1%	5,572	164	3.9%
Loan participations sold, net	107,545	2,526	3.1%	—	—	—
Total/Weighted Average	<u>\$ 537,639</u>	<u>\$ 12,512</u>	<u>3.1%</u>	<u>\$ 335,418</u>	<u>\$ 6,526</u>	<u>2.6%</u>
Net interest income/spread		\$ 16,898	2.0%		\$ 14,469	3.0%
Average leverage % ⁽⁵⁾	232.9%			204.0%		
Weighted average levered yield ⁽⁶⁾			9.7%			11.6%

(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 \$33 and \$0 for the nine months ended September 30, 2022 and 2021, respectively, related to bank deposits not included in the investment portfolio.

(4) Calculated as annualized 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 change in our average interest-earning assets and interest-bearing liabilities was due to the change in the composition of our investment portfolio as we invested proceeds from the IPO, the Preferred Stock Offering, and the sale of loan participations. The change in the weighted average levered yield was primarily due to the Federal Reserve increasing interest rates and how those increases impacted our loan portfolio and our borrowings. Our loan portfolio has interest rate index floors that are higher than the index floors on our borrowings. As a result, our average borrowing costs increased more than our weighted average yield causing the net interest income spread to decrease. As of September 30, 2022, all our loans and borrowings were above their interest rate index floors and we believe the changes in weighted average yield and our borrowing costs will be more correlated in future periods.

Revenue from Real Estate Owned

During the nine months ended September 30, 2022 and 2021, the Renaissance O’Hare generated \$10,578 and \$5,328, respectively, in revenue. We believe the increase in revenue was most likely primarily due to increased travel because of the easing of pandemic related travel restrictions and increased willingness and desire to travel.

Net Operating Expenses

Net operating expenses for the nine months ended September 30, 2022 and 2021 consisted of the following:

	<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Advisory fee	\$ 2,797	\$ 2,245
Debt finance costs	1,222	1,138
Directors compensation	62	53
Professional service fees	749	718
Real estate owned operating expenses	11,204	6,880
Depreciation and amortization	835	817
Other expenses	1,025	821
Net operating expenses	<u>\$ 17,894</u>	<u>\$ 12,672</u>

Net operating expenses for the nine months ended September 30, 2022 and 2021 were \$17,894 and \$12,672, respectively. The primary driver of the increase in net operating expenses was related to the real estate operating expenses as hotel operations improved during the first nine months of the year due to the easement of travel restrictions. In addition, advisory fees increased as a result of the Preferred Stock Offering in September 2021.

Net Income

For the nine months ended September 30, 2022 and 2021, our net income was \$9,615 and \$7,125, or \$0.47 and \$0.62 per share (basic and diluted), respectively. The increase in net income was primarily due to a \$2,429 increase in net interest income that resulted from the growth in the loan portfolio. This was offset by an increase in our advisory fee related to the additional equity from our Preferred Stock Offering.

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 (loss) attributable to common stockholders 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. We also adjust FFO for gains or losses on preferred stock repurchases because we do not consider these gains or losses to be a measure of our operating performance. 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 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:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
GAAP net income attributable to common stockholders	\$ 2,482	\$ 2,462	\$ 5,083	\$ 7,125
Depreciation and amortization	276	272	835	817
Funds from operations attributable to common stockholders	<u>\$ 2,758</u>	<u>\$ 2,734</u>	<u>\$ 5,918</u>	<u>\$ 7,942</u>
Amortization of debt financing costs	451	327	1,222	1,138
Non-cash adjustment for ground lease	107	98	314	286
Adjustment for gain on repurchase and retirement of preferred stock	(24)	—	(24)	—
Modified funds from operations attributable to common stockholders	<u>\$ 3,292</u>	<u>\$ 3,159</u>	<u>\$ 7,430</u>	<u>\$ 9,366</u>

Net Asset Value

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. The Advisor is responsible for reviewing and confirming our NAV, as well as overseeing the process around the calculation of our NAV, in each case, as calculated by the independent valuation advisor. See “Valuation Guidelines” below for further information regarding our valuation policies used to determine our NAV.

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 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 2019 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.

On July 1, 2021, our SRP was reinstated for all stockholders. In accordance with the terms of the SRP that allow us to repurchase fewer shares than the maximum amount permitted under the SRP, we repurchased fewer shares than the maximum amount permitted for the months of July, August and September 2021. Beginning on October 1, 2021, the total amount of aggregate repurchases of shares is 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 with NAV measured as of the last day of the previous calendar quarter). 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.

The following table provides a breakdown of the major components of our net asset value attributable to common stock:

Components of NAV	As of September 30, 2022
Commercial mortgage loans	\$ 817,094
Real estate owned, net	17,100
Cash and cash equivalents and restricted cash	47,067
Other assets	8,496
Repurchase agreements - commercial mortgage loans	(489,757)
Loan participations sold	(96,950)
Reserve for negative impact of COVID on real estate owned ⁽¹⁾	(796)
Due to related parties	(2,504)
Distributions payable	(1,081)
Accrued interest payable	(1,065)
Accrued stockholder servicing fees ⁽²⁾	(147)
Other liabilities	(7,295)
Preferred stock	(87,017)
Net asset value attributable to common stock	<u>\$ 203,145</u>
Number of outstanding shares	10,419

- (1) As of December 31, 2020, we established as a component of the NAV calculation a \$2,250 reserve for the estimated negative impact of the COVID-19 pandemic during 2021 on REO. We increased this reserve by an additional \$1,000 as of December 31, 2021, for expected losses to be incurred during 2022. The estimated total loss for 2022 assumed that the REO would generate net income in certain months in 2022. The REO generated net income of \$691 during the three months ended September 30, 2022, of which \$397 was added to the current reserve balance. Management believes the reserve balance is sufficient to cover expected future losses on REO for the remainder of 2022. Because we had already established a reserve for losses, the loss on REO for the nine months ended September 30, 2022 set forth below reduces the reserve but has no negative effect on the NAV. Below is a reconciliation of the reserve:

Beginning reserve balance as of December 31, 2021	\$ (1,402)
Less: Net loss on real estate owned for the nine months ended September 30, 2022:	
Revenue from real estate owned	10,578
Real estate owned operating expense	(11,204)
Non-cash adjustment for ground lease	314
Net loss from real estate owned	(312)
Less: Net income excluded from reserve adjustment	(294)
Reserve balance as of September 30, 2022	<u>\$ (796)</u>

- (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 September 30, 2022, we have accrued under GAAP \$735 of stockholder servicing fees payable to the Dealer Manager related to the Class T and Class D shares sold. As of September 30, 2022, 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 reallocated (paid) to, participating broker-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 September 30, 2022:

NAV Per Share	Common Stock							Total
	Class P	Class A	Class T	Class S	Class D	Class I		
Monthly NAV	\$ 172,593	\$ 13,742	\$ 7,998	\$ —	\$ 928	\$ 7,872	\$ 203,145	
Number of outstanding shares	8,857	703	408	—	48	403	10,419	
NAV per share as of September 30, 2022	\$ 19.4874	\$ 19.5396	\$ 19.5845	\$ —	\$ 19.5295	\$ 19.5351	\$ 19.4976	

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

Reconciliation of Stockholders' Equity to NAV	As of September 30, 2022
Stockholders' equity per GAAP	\$ 290,571
Adjustments:	
Unamortized stockholder servicing fee	579
Unamortized offering costs	1,694
Real estate owned non-cash adjustments	3,014
Capitalized Renaissance improvements	400
Fair value real estate owned adjustment	(6,096)
Net asset value	<u>\$ 290,162</u>
Preferred Stock Adjustments:	
Preferred stock liquidation value	(89,884)
Unamortized preferred stock offering costs	2,867
Net asset value attributable to common stock	<u>\$ 203,145</u>

Valuation Guidelines

Our Board, including a majority of our independent directors, has adopted valuation guidelines that contain a comprehensive set of methodologies to be used by the Advisor, with the assistance of the Sub-Advisor, and our independent valuation advisor in connection with estimating the values of our assets and liabilities for purposes of our NAV calculation. From time to time, our Board, including a majority of our independent directors, may adopt changes to the valuation guidelines if it (1) determines that such changes are likely to result in a more accurate reflection of NAV or a more efficient or less costly procedure for the determination of NAV without having a material adverse effect on the accuracy of such determination or (2) otherwise reasonably believes a change is appropriate for the determination of NAV. In connection with carrying out its responsibility to determine our NAV, the Advisor may delegate certain tasks to the Sub-Advisor. The Advisor, however, is ultimately responsible for the NAV determination process.

The calculation of our NAV is intended to be a calculation of the value of our assets less our outstanding liabilities for the purpose of establishing a purchase and repurchase price for our shares of common stock and may differ from our financial statements. NAV is not a measure used under GAAP and the valuations of and certain adjustments made to our assets and liabilities used in the determination of NAV will differ from GAAP.

The Advisor calculates the fair value of our assets in accordance with our valuation guidelines with the support of the independent valuation advisor. Because these fair value calculations involve significant professional judgment in the application of both observable and unobservable attributes, the calculated fair value of our assets may differ from their actual realizable value or future fair value. Furthermore, no rule or regulation requires that we calculate NAV in a certain way. While we believe our NAV calculation methodologies are consistent with standard industry principles, there is no established practice among public REITs, whether listed or not, for calculating NAV in order to establish a purchase and repurchase price. As a result, other public REITs may use different methodologies or assumptions to determine NAV.

Our Independent Valuation Advisor

With the approval of our Board, including a majority of our independent directors, we have engaged BDO USA, LLP to serve as our independent valuation advisor. The Advisor, with the approval of our Board, including a majority of our independent directors, may engage additional independent valuation advisors in the future as our portfolio grows. At the end of each month, the independent valuation advisor calculates our monthly NAV. While the independent valuation advisor performs an important role with respect to the valuation of our assets, the independent valuation advisor is not responsible for our NAV, and performs its services based solely on information received from us, the Advisor and the Sub-Advisor. The Advisor, and not the independent valuation advisor, is ultimately responsible for the determination of our NAV.

Our independent valuation advisor may be replaced at any time, in accordance with agreed-upon notice requirements, by a majority vote of our Board, including a majority of our independent directors. We will promptly disclose any changes to the identity or role of the independent valuation advisor in reports we publicly file with the SEC. Our independent valuation advisor discharges its responsibilities in accordance with our valuation guidelines. Our Board is not involved in the monthly valuation of our assets and liabilities, but periodically receives and reviews such information about the valuation of our assets and liabilities as it deems necessary to exercise its oversight responsibility.

We have agreed to pay fees to our independent valuation advisor upon its delivery to us of its review reports. We have also agreed to indemnify our independent valuation advisor against certain liabilities arising out of this engagement. The compensation we pay to our independent valuation advisor is not based on the estimated values of our loans or our NAV.

Our independent valuation advisor may from time to time in the future perform other commercial real estate and financial advisory services for the Advisor or Sub-Advisor and their affiliates, so long as such other services do not adversely affect the independence of the independent valuation advisor.

Valuation of Investments

The majority of our investments consist of CRE debt intended to be held to maturity. We may also invest in real estate and other real estate-related assets and liquid non-real estate-related assets. Real estate-related assets include CRE securities, such as CMBS and CRE CLOs, and unsecured debt of publicly traded REITs. Our liquid non-real estate-related assets may include credit rated government and corporate debt securities, publicly traded equity securities and cash and cash equivalents.

The Advisor seeks to determine the fair value of investments as of the last day of each month. Fair value determinations are based upon all available inputs that the Advisor deems relevant, including, but not limited to, indicative dealer quotes, values of like securities, discounted cash flow analysis, and valuations prepared by third-party valuation services. However, determination of fair value involves subjective judgments and estimates. The independent valuation advisor will review these evaluations at each quarter end.

- Mortgage Loans, Participations in Mortgage Loans and Mezzanine Loans. The Advisor estimates the fair value of our loan portfolio in accordance with the methodologies contained in our valuation guidelines approved by our Board. In general, the loan portfolio will be valued at amortized cost, subject to impairment testing. Beginning December 31, 2022, we will be required under GAAP to record a Current Expected Credit Loss (CECL) reserve on the CRE debt portfolio that will be adjusted at least quarterly. The CECL reserve is not considered an impairment and, therefore, the value of the loans will exclude the CECL reserve amount. We believe this methodology is consistent with institutional valuation practices and provides an appropriate valuation for purposes of establishing a purchase and repurchase price for our shares of common stock as it relates to assets that are intended to be held to maturity.
- Real Estate-Related Securities and Derivatives. Our real estate-related securities investments will generally focus on non-distressed public and private real estate debt, including, but not limited to, CMBS and other forms of debt. Additionally, we may make open market purchases of common stock in public equity REITs. We may also invest in derivatives. Our principal investments in derivative instruments may include investments in interest rate swaps, interest rate cap or floor contracts, futures or forward contracts, options or repurchase agreements. Our real estate-related securities and derivative investments are recorded at fair market value in our financial statements, in accordance with ASC Topic 820. The valuation of these assets is obtained from market quotations obtained from third-party pricing service providers or broker-dealers. Pursuant to the valuation guidelines adopted by our Board, if market quotations are not readily available (or are otherwise not reliable for a particular investment), the fair value is determined in good faith by the Advisor. Due to the inherent uncertainty of these estimates, estimates of fair value may differ from the values that would have been used had a ready market for these investments existed and the differences could be material. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, or broker-dealer quotations). Our Board has delegated to the Advisor the responsibility for monitoring significant events that may materially affect the values of our real estate-related securities and derivative investments and for determining whether the value of the applicable investments should be reevaluated in light of such significant events.
- Valuation of Liquid Non-Real Estate-Related Assets. Our liquid non-real estate-related assets are recorded at fair market value in our financial statements, in accordance with ASC Topic 820. The valuation of these assets is based on market prices obtained from third-party pricing services or as published in nationally recognized sources such as Bloomberg.

Valuation of Properties

- Wholly Owned Properties. For real properties we own, the Advisor has developed a valuation plan with the objective of having each of our wholly owned properties valued at least annually by an appraisal, except for newly acquired properties as described below, with appraisals scheduled over the course of a year. We rely on property-level information provided by the Advisor, including but not limited to (1) historical and projected operating revenues and expenses of the property, (2) lease agreements with respect to the property and (3) information regarding recent or planned capital expenditures. Appraisals will be performed in accordance with the Internal Revenue Code of Ethics and the Uniform Standards of Professional Appraisal Practices, the real estate appraisal industry standards created by The Appraisal Foundation. Each appraisal must be reviewed, approved and signed by an individual with the professional designation of MAI (Member of the Appraisal Institute). Newly acquired wholly owned properties will initially be valued at cost and thereafter will join the annual appraisal cycle during the year following the first full calendar year in which we own the property. Development assets, if any, will be valued at cost plus capital expenditures and will join the annual appraisal cycle upon stabilization. Acquisition costs and expenses incurred in connection with the acquisition of multiple wholly owned properties that are not directly related to any single wholly owned property generally will be allocated among the applicable wholly owned properties pro rata based on relative values. Properties purchased as a portfolio or held in a joint venture that acquires properties over time may be valued as a single asset. Each individual appraisal report for our assets will be addressed solely to our company to assist in providing our monthly portfolio valuation.

Our valuation reports will not be addressed to the public and may not be relied upon by any other person to establish an estimated value of our common stock and will not constitute a recommendation to any person to purchase or sell any shares of our common stock. In preparing our NAV calculation, the Advisor will not solicit third-party indications of interest for our common stock in connection with possible purchases thereof or the acquisition of all or any part of our company. Real estate appraisals are reported on a free and clear basis (for example no mortgage), irrespective of any property-level financing that may be in place. The primary methodology used to value properties is the income approach, whereby value is derived by determining the present value of an asset's stream of future cash flows (for example, discounted cash flow analysis). Consistent with industry practices, the income approach incorporates subjective judgments regarding comparable rental and operating expense data, the capitalization or discount rate, and projections of future rent and expenses based on appropriate evidence. Other methodologies that may also be used to value properties include sales comparisons and replacement cost approaches. Because the appraisals involve subjective judgments, the fair value of our assets, which is included in our NAV, may not reflect the liquidation value or net realizable value of our properties.

- Properties Held Through Joint Ventures. Properties held through joint ventures will be valued in a manner that is consistent with the guidelines described above for wholly owned properties. Once the value of a property held by the joint venture is determined by an independent appraisal, the value of our interest in the joint venture is then determined by applying the distribution provisions of the applicable joint venture agreements to the value of the underlying property held by the joint venture.

Liabilities

We include the fair value of our liabilities as part of our NAV calculation. Our liabilities generally include portfolio-level credit facilities, the fees payable to the Advisor and the Dealer Manager, accounts payable, accrued operating expenses, property-level mortgages, reserves for future liabilities and other liabilities. All liabilities are valued using widely accepted methodologies specific to each type of liability. Our debt is typically valued at fair value in accordance with GAAP. Our aggregate monthly NAV will be reduced to reflect the accrual of the liability to pay any declared (and unpaid) distributions for all classes of common stock. Liabilities allocable to a specific class of shares will only be included in the NAV calculation for that class.

NAV and NAV Per Share Calculation

Each class of our common stock, including Class P common stock that we are not offering to the public, have an undivided interest in our assets and liabilities, other than class-specific liabilities. Our NAV is calculated by the independent valuation advisor for each of these classes. The Advisor is responsible for reviewing and confirming our NAV, and overseeing the process around the calculation of our NAV, in each case, as calculated by the independent valuation advisor. Because stockholder servicing fees allocable to a specific class of shares will only be included in the NAV calculation for that class, the NAV per share for our share classes may differ.

At the end of each month, before taking into consideration class-specific expense accruals for that month, any change in our aggregate NAV (whether an increase or decrease) is allocated among each class of shares based on each class's relative percentage of the previous aggregate NAV plus issuances of shares that were effective on the first business day of such month and issuances of shares under our DRP and less repurchases under our SRP during such month. The NAV calculation is generally available within 15 calendar days after the end of the applicable month. Changes in our monthly NAV include, without limitation, accruals of our net portfolio income, interest

expense, the management fee, any accrued performance fee, distributions, unrealized/realized gains and losses on assets, any applicable organization and offering costs and any expense reimbursements. Changes in our monthly NAV also include material non-recurring events, such as capital expenditures and material property acquisitions and dispositions occurring during the month. On an ongoing basis, the Advisor will adjust the accruals to reflect actual operating results and the outstanding receivable, payable and other account balances resulting from the accumulation of monthly accruals for which financial information is available.

For the purpose of calculating our NAV, offering costs are expenses we incur as we raise proceeds in our public and private offerings. For GAAP purposes, these costs are deducted from equity when incurred. For the NAV calculation, all of the offering costs from our public and private offerings incurred through July 17, 2019 (the “NAV Pricing Date”) were added back to equity and amortized into equity monthly over the 60 months beginning with the first full month that follows the NAV Pricing Date. Following the NAV Pricing Date, offering costs are included in the NAV calculation as and when incurred.

Following the aggregation of the NAV of our investments, the addition of any other assets (such as cash on hand) and the deduction of any other liabilities, the independent valuation advisor will incorporate any class-specific adjustments to our NAV, including additional issuances and repurchases of our common stock and accruals of class-specific stockholder servicing fees. For each applicable class of shares, the stockholder servicing fees will be calculated as a percentage of the aggregate NAV for such class of shares. NAV per share for each class is calculated by dividing such class’s NAV at the end of each month by the number of shares outstanding for that class at the end of such month.

The combination of the Class A NAV, Class T NAV, Class S NAV, Class D NAV, Class I NAV and Class P NAV equals the value of our assets less our liabilities, which include certain class-specific liabilities. The Advisor calculates the value of our investments as directed by our valuation guidelines based upon values received from various sources, including independent valuation services. The Advisor, with assistance from the Sub-Advisor, is responsible for information received from third parties that is used in calculating our NAV.

Limits on the Calculation of Our Per Share NAV

The overarching principle of our valuation guidelines is to produce reasonable estimated values for each of our investments (and other assets and liabilities). However, the majority of our assets will consist of real estate loans and, as with any real estate valuation protocol and as described above, the valuation of our loans (and other assets and liabilities) will be based on a number of judgments, assumptions and opinions about future events that may or may not prove to be correct. The use of different judgments, assumptions or opinions would likely result in a different estimate of the value of our real estate loans (and other assets and liabilities). Any resulting potential disparity in our NAV per share may be in favor of stockholders whose shares are repurchased, existing stockholders or new purchasers of our common stock, as the case may be, depending on the circumstances at the time (for cases in which our transaction price is based on NAV).

Additionally, while the methodologies contained in our valuation guidelines are designed to operate reliably within a wide variety of circumstances, it is possible that in certain unanticipated situations or after the occurrence of certain extraordinary events (such as a significant disruption in relevant markets, a terrorist attack or an act of nature), our ability to calculate NAV may be impaired or delayed, including, without limitation, circumstances where there is a delay in accessing or receiving information from vendors or other reporting agents upon which we may rely upon in determining the monthly value of our NAV. In these circumstances, a more accurate valuation of our NAV could be obtained by using different assumptions or methodologies. Accordingly, in special situations when, in the Advisor’s reasonable judgment, the administration of the valuation guidelines would result in a valuation that does not represent a fair and accurate estimate of the value of our investment, alternative methodologies may be applied, provided that the Advisor must notify our Board at the next scheduled board meeting of any alternative methodologies utilized and their impact on the overall valuation of our investment. Notwithstanding the foregoing, our Board may suspend the IPO and/or our SRP if it determines that the calculation of NAV is materially incorrect or unreliable or there is a condition that restricts the valuation of a material portion of our assets. We include no discounts to our NAV for the illiquid nature of our shares, including the limitations under our SRP and our ability to suspend or terminate our SRP at any time. Our NAV generally does not consider exit costs that would likely be incurred if our assets and liabilities were liquidated or sold. While we may use market pricing concepts to value individual components of our NAV, our per share NAV is not derived from the market pricing information of open-end real estate funds listed on stock exchanges. Our NAV does not represent the fair value of our assets less liabilities under GAAP.

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 our IPO, Preferred Stock Offering and any follow-on public offerings of common stock, net cash provided by operating activities, proceeds from repurchase agreements and other financing arrangements and future issuances of equity and/or debt securities.

Our primary sources of liquidity include \$47.1 million in cash, \$185.2 million in available capacity on our borrowing facilities, and \$20.0 million in available borrowing capacity from our revolving credit letter agreements with IREIC and Sound Point. We may seek additional sources of liquidity from syndicated financing in the form of collateralized loan obligations, sale of loan participations, other borrowings, including additional repurchase agreement facilities and borrowings not related to a specific investment and future offerings of equity and debt securities.

Our primary liquidity needs include originating new loans and acquiring assets in accordance with our investment objectives, our commitments to repay the principal and interest on our borrowings and pay other financing costs, financing our assets, making advances on our future funding obligations, making distributions to our stockholders, funding redemptions under our SRP, funding our operations which includes paying fees and expenses to our Advisor and Sub-Advisor, payment of offering costs in connection with public offerings of common stock, and other general business needs.

Cash Flow Analysis

	Nine months ended September 30,	
	2022	2021
Net cash provided by operating activities	\$ 13,136	\$ 10,501
Net cash used in investing activities	(151,853)	(79,404)
Net cash provided by financing activities	128,516	131,633
Net (decrease) increase in cash and cash equivalents	<u>\$ (10,201)</u>	<u>\$ 62,730</u>

We experienced a net decrease in cash and cash equivalents of \$10,201 for the nine months ended September 30, 2022 compared to a net increase of \$62,730 for the nine months ended September 30, 2021. During the nine months ended September 30, 2022, we funded \$269,107 in mortgage loans and we received \$117,576 in principal payments from our loans and \$182,664 in net advances on our borrowing facilities.

Repurchase Agreements and Credit Facilities

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. As our business has grown, we have increased the borrowing limit and extended the maturity. The most recent extension was in June 2022 for a twelve-month term and the maximum advance amount was increased to \$450,000. Advances under the CF Repo Facility for current loans accrue interest at a per annum rate equal to SOFR plus 1.75% to 2.50% with a 0.15% 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 September 30, 2022 and December 31, 2021.

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 (“JPM”). 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 made prior to December 2021 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% with no floor, depending on the attributes of the purchased assets. Advances made subsequent to December 2021 under the JPM Repo Facility accrue interest at per annum rates equal to the sum of SOFR plus an agreed upon margin. As of September 30, 2022, 39% of the advances made under the JPM Repo Facility were indexed to SOFR and have margins between 1.85% and 2.50% with a 0.10% floor. In May 2022, the maturity date of the JPM Repo Facility was extended to May 6, 2023. The JPM Repo Facility is subject to certain financial covenants. The JPM Repo Facility is subject to certain financial covenants. One of the covenants requires that the ratio of earnings before interest, taxes, depreciation, and amortization (“EBITDA”) to Fixed Charges, defined as preferred dividends plus interest expense per the JPM Repo Facility agreement, should not fall below 150% on a trailing four quarter basis. As of September 30, 2022, the EBITDA to Fixed Charges ratio for the trailing four quarters was 144%. JPM agreed to waive this covenant as of September 30, 2022. As a result, we were in compliance with all financial covenant requirements as of September 30, 2022 and December 31, 2021.

On March 10, 2021, we, through our wholly owned subsidiary, entered into a credit facility with Western Alliance Bank (the “WA Credit Facility,” together with the CF Repo Facility and the JPM Repo Facility, the “Facilities”). The WA Credit Facility provides for

loan advances up to the lesser of \$75,000 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. Advances under the WA Credit 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 WA Credit Facility is March 10, 2023. We have an option to convert the loan made pursuant to the WA Credit 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. The WA Credit Facility requires maintenance of an average unrestricted aggregate deposit account balance with Western Alliance of not less than \$3,750. Failure to meet the minimum deposit balance will result in, among other things, the interest rate of the WA Credit Facility increasing by 0.25% per annum for each quarter in which the compensating balances are not maintained. We were in compliance with all financial covenant requirements as of September 30, 2022 and December 31, 2021.

The 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 tables below show our Facilities as of September 30, 2022 and December 31, 2021:

	Committed Financing	Amount Outstanding ⁽¹⁾	Accrued Interest Payable	Collateral Pledged	Weighted Average	
					Interest Rate	Days to Maturity
CF Repo Facility	\$ 450,000	\$ 372,658	\$ 590	\$ 519,185	4.98%	41
JPM Repo Facility	150,000	117,130	194	161,829	4.96%	218
Total Repurchase Facilities - commercial mortgage loans	600,000	489,788	784	681,014	4.97%	83
WA Credit Facility	75,000	—	—	—	—	161
	<u>\$ 675,000</u>	<u>\$ 489,788</u>	<u>\$ 784</u>	<u>\$ 681,014</u>	<u>4.97%</u>	<u>83</u>

	Committed Financing	Amount Outstanding ⁽¹⁾	Accrued Interest Payable	Collateral Pledged	Weighted Average	
					Interest Rate	Days to Maturity
CF Repo Facility	\$ 350,000	\$ 189,654	\$ 159	\$ 260,691	2.16%	314
JPM Repo Facility	150,000	117,470	92	167,704	2.02%	126
Total Repurchase Facilities - commercial mortgage loans	500,000	307,124	251	428,395	2.11%	242
WA Credit Facility	75,000	14,350	22	20,500	4.00%	434
	<u>\$ 575,000</u>	<u>\$ 321,474</u>	<u>\$ 273</u>	<u>\$ 448,895</u>	<u>2.19%</u>	<u>251</u>

(1) Excludes \$31 and \$41 of unamortized debt issuance costs at September 30, 2022 and December 31, 2021, respectively.

Loan Participations Sold

On November 15, 2021, we sold a non-recourse senior participation interest in nine first mortgage loans to a third party. Under the loan participation agreement, in the event of default by the underlying mortgagor, any amounts paid are first allocated to the third party before any amounts are allocated to our subordinate interest. As the directing participant in the loan participation agreement, we are entitled to exercise, without the consent of the third party, each of the consent approval and control rights under the applicable underlying mortgage loan documents with a few exceptions. We require the third party's approval for any modification or amendment to the loan, a bankruptcy plan for an underlying mortgagor where the third party would incur an out-of-pocket loss, or any transfer of the underlying mortgaged property if our approval is required by the underlying mortgage documents. We remain the directing participant unless certain conditions are met related to losses on the property or if the mortgagor is one of our affiliates. In the former case, we may post cash or short-term U.S. government securities as collateral to retain the rights of the directing participant.

The third party, as the senior participation interest holder, receives interest and principal payments from the borrower until they receive the amounts to which they are entitled. All expenses or losses on the underlying mortgages are allocated first to us and then to the third party. If the underlying mortgage is in default, we will have the option to purchase the third party's participation interest and remove it from the loan participation agreement.

The following table details our loan participations sold as of September 30, 2022 and December 31, 2021:

September 30, 2022					
Loan Participations Sold	Count	Principal Balance	Book Value	Weighted Average Yield/Cost ⁽¹⁾	Weighted Average Maximum Maturity
Total Loans	7	\$ 121,188	\$ 121,950	L+3.7%	1.44
Senior participations ⁽²⁾⁽³⁾	7	\$ 96,950	\$ 96,950	L+2.0%	1.44

December 31, 2021					
Loan Participations Sold	Count	Principal Balance	Book Value	Weighted Average Yield/Cost ⁽¹⁾	Weighted Average Maximum Maturity
Total Loans	9	\$ 137,215	\$ 137,931	L+3.6%	2.22
Senior participations ⁽²⁾⁽³⁾	9	\$ 109,772	\$ 109,772	L+2.0%	2.22

- (1) The yield/cost is the present value of all future principal and interest payments on the loan or participation interest and does not include any origination fees or deferred commitment fees.
- (2) As of September 30, 2022 and December 31, 2021, the loan participations sold were non-recourse to us.
- (3) During the nine months ended September 30, 2022, we recorded \$2.5 million of interest expense related to loan participations sold.

Revolving Credit Liquidity Letter Agreements

IREIC, our sponsor, and Sound Point have agreed under separate letter agreements dated July 20, 2021, and July 15, 2021, respectively, to make revolving credit loans to us in an aggregate principal amount outstanding at any one time not to exceed \$5,000 and \$15,000, respectively (the "IREIC-Sound Point Commitments") from time to time. Use of the IREIC-Sound Point Commitments is limited to satisfying requirements to maintain cash or cash equivalents under our repurchase and other borrowing arrangements.

Distributions

Common Stock

The table below presents the aggregate annualized and monthly distributions declared by record date for all classes of shares of common stock since January 1, 2021.

Record date	Aggregate annualized gross distribution declared per share	Aggregate monthly gross distribution declared per share
January 31, 2021	\$ 0.9500	\$ 0.0792
February 28, 2021	\$ 1.0000	\$ 0.0833
March 31, 2021	\$ 1.0500	\$ 0.0875
April 30, 2021	\$ 1.1000	\$ 0.0917
May 31, 2021	\$ 1.1500	\$ 0.0958
June 30, 2021	\$ 1.2500	\$ 0.1042
July 31, 2021	\$ 1.2500	\$ 0.1042
August 31, 2021	\$ 1.2500	\$ 0.1042
September 30, 2021	\$ 1.2500	\$ 0.1042
October 31, 2021	\$ 1.2500	\$ 0.1042
November 30, 2021	\$ 1.2500	\$ 0.1042
December 31, 2021	\$ 1.2500	\$ 0.1042
January 31, 2022	\$ 1.2500	\$ 0.1042
February 28, 2022	\$ 1.2500	\$ 0.1042
March 31, 2022	\$ 1.2500	\$ 0.1042
April 30, 2022	\$ 1.2500	\$ 0.1042
May 31, 2022	\$ 1.2500	\$ 0.1042
June 30, 2022	\$ 1.2500	\$ 0.1042
July 31, 2022	\$ 1.2500	\$ 0.1042
August 31, 2022	\$ 1.2500	\$ 0.1042
September 30, 2022	\$ 1.2500	\$ 0.1042

The gross distribution was reduced for Class D and Class T of our common stock for applicable class-specific stockholder servicing fees to arrive at the net distribution amount for those classes. For a description of the stockholder servicing fees applicable to Class D, Class S and Class T shares of our common stock, please see “Note 10 – Transactions with Related Parties” in the notes to our consolidated financial statements included in this Quarterly Report on Form 10-Q. Since the IPO and through September 30, 2022, we have not issued any shares of Class S common stock.

The following table shows our monthly net distribution per share for shares of Class D and Class T common stock since January 1, 2021.

Record date	Monthly net distribution declared per share of Class D common stock	Monthly net distribution declared per share of Class T common stock
January 31, 2021	\$ 0.0749	\$ 0.0646
February 28, 2021	\$ 0.0794	\$ 0.0701
March 31, 2021	\$ 0.0832	\$ 0.0729
April 30, 2021	\$ 0.0876	\$ 0.0776
May 31, 2021	\$ 0.0915	\$ 0.0813
June 30, 2021	\$ 0.1000	\$ 0.0900
July 31, 2021	\$ 0.0999	\$ 0.0896
August 31, 2021	\$ 0.0999	\$ 0.0895
September 30, 2021	\$ 0.1000	\$ 0.0900
October 31, 2021	\$ 0.0999	\$ 0.0895
November 30, 2021	\$ 0.1000	\$ 0.0901
December 31, 2021	\$ 0.0999	\$ 0.0897
January 31, 2022	\$ 0.0999	\$ 0.0896
February 28, 2022	\$ 0.1003	\$ 0.0910
March 31, 2022	\$ 0.0999	\$ 0.0898
April 30, 2022	\$ 0.1001	\$ 0.0903
May 31, 2022	\$ 0.1000	\$ 0.0899
June 30, 2022	\$ 0.1001	\$ 0.0904
July 31, 2022	\$ 0.1000	\$ 0.0899
August 31, 2022	\$ 0.1000	\$ 0.0900
September 30, 2022	\$ 0.1001	\$ 0.0905

Series A Preferred Stock

Series A Preferred Stock dividends are paid quarterly in arrears based on an annualized distribution rate of 6.75% of the \$25.00 per share liquidation preference, or \$1.6875 per share per annum. During December 2021, our Board declared a quarterly dividend on the Series A Preferred Stock in the amount of \$0.459375 per share, which was paid on December 30, 2021 to holders of record on December 15, 2021 for the period beginning September 22, 2021 to, but not including, December 30, 2021. During March 2022, our Board declared a quarterly dividend on the Series A Preferred Stock in the amount of \$0.421875 per share, which was paid on March 30, 2022 to holders of record on March 15, 2022. During June 2022, our Board declared a quarterly dividend on the Series A Preferred Stock in the amount of \$0.421875 per share, which was paid on June 30, 2022 to holders of record on June 15, 2022. During August 2022, our Board declared a quarterly dividend on the Series A Preferred Stock in the amount of \$0.421875 per share, which was paid on September 30, 2022 to holders of record on September 15, 2022.

Sources of Distributions to Common Stockholders

	Nine Months Ended September 30,	
	2022	2021
Distributions to Holders of Common Stock		
Paid in cash	\$ 9,490	\$ 9,079
Reinvested in shares	487	421
Total distributions	\$ 9,977	\$ 9,500
Cash flows from operating activities	\$ 13,136	\$ 10,501

For the nine months ended September 30, 2022 and 2021, all of our distributions were paid from cash flows from operating activities generated during the period.

Critical Accounting Policies

Disclosures discussing all critical accounting policies are set forth in our Annual Report under the heading “Summary of Critical Accounting Policies.” There have been no changes to our critical accounting policies during the nine months ended September 30, 2022.

Off-Balance Sheet Arrangements

We currently have 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.

Subsequent Events

For information related to subsequent events, reference is made to “Note 15 – Subsequent Events,” which is included in our notes to consolidated financial statements included in this Quarterly Report on Form 10-Q.

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, including, for example, our position on any third-party tender offers for our securities. Our website is not incorporated by reference in or otherwise a part of this Quarterly Report on Form 10-Q. We will provide without charge a copy of this Quarterly Report on Form 10-Q 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 3. 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.

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. 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.

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 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 nine months ended September 30, 2022 and 2021, 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 both September 30, 2022 and December 31, 2021, 98% of our investment portfolio was comprised of variable rate investments based on LIBOR or SOFR for various terms. Borrowings under our master repurchase agreements were short-term and at a variable rate. Both our investment portfolio and borrowings have minimum levels for LIBOR or SOFR known as interest rate floors. The floors were established when the loans and borrowings were originated based on market conditions. The following table below 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. The change from December 31, 2021 to September 30, 2022 was primarily due to the Federal Reserve increasing interest rates and LIBOR and SOFR increasing above the minimum interest rate floors for our investment portfolio and borrowings.

<u>Change in Rates</u>	<u>Estimated Percentage Change in Interest Income Net of Interest Expense</u>	
	<u>September 30, 2022</u>	<u>December 31, 2021</u>
(-) 50 Basis Points	(4.50)%	1.06%
(-) 25 Basis Points	(2.25)%	1.06%
Base Interest Rate	0.00%	0.00%
(+) 25 Basis Points	2.25%	(1.21)%
(+) 50 Basis Points	4.50%	(1.91)%

For this analysis, LIBOR and SOFR were assumed to not fall below zero.

LIBOR Transition

It appears highly likely that LIBOR will be discontinued by June 30, 2023. Specifically, on March 5, 2021, the ICE Benchmark Administration (“IBA”) confirmed its intention to cease publication of (i) one week and two month U.S. Dollar LIBOR settings after December 31, 2021 and (ii) the remaining U.S. Dollar LIBOR settings after June 30, 2023. On September 29, 2021, the Financial Conduct Authority announced that under its new powers, it will compel IBA to publish one, three and six month LIBOR under a synthetic methodology, which will no longer be representative of the underlying market or economic reality the setting is intended to measure, for the duration of 2022. The United States Federal Reserve has also advised banks to cease entering into new contracts that use LIBOR as a reference rate. The Federal Reserve, in conjunction with the Alternative Reference Rate Committee, a committee convened by the Federal Reserve that includes major market participants, has identified the SOFR, a new index calculated by short-term repurchase agreements, backed by U. S. 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 the LIBOR benchmarks is anticipated in coming years. Accordingly, the outcome of these reforms is uncertain and any changes in the methods by which LIBOR is determined or regulatory activity related to LIBOR’s phaseout could cause LIBOR to perform differently than in the past. As of September 30, 2022, all of our commercial mortgage loan agreements and our Facilities include language that allows a change to an alternative reference rate to replace LIBOR. We and our lenders have concluded that SOFR will be used as the alternative reference rate. Beginning January 1, 2022, all new loans we originate are based on SOFR. In March 2022, the reference rate for our CF Repo Facility converted from LIBOR to SOFR. We do not anticipate making changes to the index on our loans or borrowings originated prior to January 1, 2022 until the earlier of their maturity dates or June 30, 2023, whichever comes first.

Item 4. Controls and Procedures

Controls and Procedures

Our management has 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 Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q.

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 three months ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Part I, Item 1A of the Company's annual report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on March 11, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Equity Securities

We have not sold any securities that were not registered under the Securities Act during the period covered by this report.

Use of Proceeds (dollar amounts in thousands, except share data)

On May 3, 2019, our 2019 Registration Statement on Form S-11 (File No. 333-230465) for our IPO of common stock of up to \$2,350,000 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 common stock IPO. On April 28, 2022, the Company filed 2022 Registration Statement on Form S-11 (File No. 333-264540) with the SEC to register up to \$2,200,000 in shares of common stock, which was declared effective by the SEC on November 2, 2022.

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 September 30, 2022, we had received net offering proceeds of \$40.1 million from the IPO. The following table summarizes certain information about the IPO proceeds:

	<u>Class A Shares</u>	<u>Class T Shares</u>	<u>Class S Shares</u>	<u>Class D Shares</u>	<u>Class I Shares</u>	<u>Total</u>
Primary shares sold	743,606	444,135	—	53,313	426,787	1,667,841
Gross proceeds from primary offering	\$ 18,739	\$ 10,931	\$ —	\$ 1,237	\$ 9,967	\$ 40,874
Reinvestments of distributions	526	262	—	83	480	1,351
Total gross proceeds	19,265	11,193	—	1,320	10,447	42,225
Selling commissions and dealer manager fees	1,092	300	—	—	—	1,392
Stockholder servicing fees	—	637	—	98	—	735
Total expenses	1,092	937	—	98	—	2,127
Net offering proceeds ⁽¹⁾	<u>\$ 18,173</u>	<u>\$ 10,256</u>	<u>\$ —</u>	<u>\$ 1,222</u>	<u>\$ 10,447</u>	<u>\$ 40,098</u>

(1) Excludes company-level offering costs of \$5,315.

We primarily used the net offering proceeds from the IPO to originate commercial real estate 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.

On March 24, 2020, our Board suspended our IPO, effective immediately, and the DRP, effective April 6, 2020. In determining to suspend the IPO and the DRP, our Board considered various factors, including the impact of the 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. After determining that volatility in the market for the Company's investments had declined and the U.S. economic outlook had improved, our 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 2019 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.

On September 15, 2021, our registration statement on Form S-11 (File No. 333-258802) for our Preferred Stock Offering of up to 3,500,000 shares of Series A Preferred Stock was declared effective under the Securities Act. Raymond James & Associates acted as representative of the underwriters. On September 22, 2021, the Company issued and sold 3,500,000 shares of its Series A Preferred

Stock at a public offering price of \$25.00 per share. In addition, on October 15, 2021, the underwriters partially exercised their over-allotment option and purchased an additional 100,000 shares of Series A Preferred Stock. The Series A Preferred Stock is listed on the New York Stock Exchange with the ticker symbol ICR PR A.

As of September 30, 2022, we received net offering proceeds of \$86.3 million from our Preferred Stock Offering. The following table summarizes certain information about the proceeds from our Preferred Stock Offering:

	Series A Preferred Stock
Primary shares sold	3,600,000
Gross proceeds from primary offering	\$ 90,000
Underwriting discounts and commissions	2,835
Other expenses	855
Total expenses	3,690
Net offering proceeds	<u>\$ 86,310</u>

We contributed the net proceeds from the Preferred Stock Offering to our Operating Partnership, which in turn used the net proceeds to originate first mortgage loans and acquire other targeted assets in a manner consistent with its investment strategies and investment guidelines and for general corporate purposes.

Repurchases of Common Stock

We have adopted the SRP, whereby on a monthly basis, common stockholders may request that we repurchase all or any portion of their shares. The total amount of aggregate repurchases of shares will be limited to 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 with NAV measured as of the last day of the previous calendar quarter. Common stockholders may not request that we repurchase their shares for at least one year, provided we can waive the holding period in the event of death.

Due to the illiquid nature of investments in real estate, we may not have sufficient liquid resources to fund repurchase requests. 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 the SRP. Further, our Board may modify, suspend or terminate the SRP.

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 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 common stockholders requesting repurchase of shares as a result of the death or qualified disability of the holder, and on July 1, 2021, our SRP was reinstated for all common stockholders. The first settlement of permitted repurchase requests was 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, we repurchased fewer shares than the maximum amount permitted for the months of July, August and September 2021. Beginning on October 1, 2021, the total amount of aggregate repurchases of shares is 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 with NAV measured as of the last day of the previous calendar quarter). Notwithstanding the foregoing, we may repurchase fewer shares than the limits in the SRP in any month or quarter, 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 three months ended September 30, 2022, we repurchased shares of our common stock in the following amounts:

Period	Total Number of Shares Purchased	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⁾
July 1 - July 31, 2022	14,537	\$ 19.63	14,537	—
August 1 - August 31, 2022	102,563	\$ 19.56	102,563	—
September 1 - September 30, 2022	93,674	\$ 19.52	93,674	—
	<u>210,774</u>	<u>\$ 19.54</u>	<u>210,774</u>	

(1) Repurchases are limited as described above.

Repurchases of Preferred Stock

Subject to certain exceptions, we may not redeem our Series A Preferred Stock until on or after September 22, 2026. Preferred stockholders may only convert their Series A Preferred Shares into Class I common stock if there is a change in control and we do not redeem the shares within 120 days of the change in control event. For the three months ended September 30, 2022, there were no redemptions of our Series A Preferred Stock or conversions of our Series A Preferred Stock to common stock.

Series A Preferred Repurchase Program

On August 11, 2022, the Board authorized and approved the Series A Preferred Repurchase Program pursuant to which we may repurchase up to the lesser of 1,000,000 shares or \$15 million of the outstanding shares of our Series A Preferred Stock through December 31, 2022. Under the Series A Preferred Repurchase Program, repurchases of shares of our Series A Preferred Stock may be made at management's discretion from time to time through open market purchases, privately-negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws. We cannot predict when or if we will repurchase any shares of Series A Preferred Stock. The Series A Preferred Repurchase Program may be suspended, extended or terminated by us at any time without prior notice.

The table below sets forth the number of shares we repurchased pursuant to the Series A Preferred Repurchase Program during the three months ended September 30, 2022.

Period	Total Number of Shares Purchased	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⁾
July 1 - July 31, 2022	—	—	—	—
August 1 - August 31, 2022	—	—	—	1,000,000
September 1 - September 30, 2022	4,630	\$ 18.93	4,630	995,370
	<u>4,630</u>	<u>\$ 18.93</u>	<u>4,630</u>	

(1) Repurchases are limited as described above.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

On November 11, 2022, the Company entered into Amendment No. 1 to the Advisory Agreement (the "Amendment"). The Amendment removes the Board's discretion to decrease certain NAV per share thresholds, below which any subsequent increases would be included in the performance component of the advisory fee paid to the Advisor.

Item 6. Exhibits

The representations, warranties and covenants made by us in any agreement filed as an exhibit to this Quarterly Report on Form 10-Q are made solely for the benefit of the parties to the agreement, including, in some cases, for the purpose of allocating risk among the parties to the agreement, and should not be deemed to be representations, warranties or covenants to, or with, you. Moreover, these representations, warranties and covenants should not be relied upon as accurately describing or reflecting the current state of our affairs.

The exhibits filed in response to Item 601 of Regulation S-K are listed on the Exhibit Index attached hereto and are incorporated herein by reference.

Exhibit No. Description

1.1	Amendment No. 1 to Dealer Manager Agreement (filed as Exhibit 1.2 to Pre-Effective Amendment No. 1 the Registrant's Registration Statement on Form S-11 filed October 17, 2022 and incorporated by reference)
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	Articles Supplementary of InPoint Commercial Real Estate Income, Inc. designating the Series A Preferred Stock (filed as Exhibit 3.5 to the Registrant's Form 8-A filed September 22, 2021 and incorporated by reference)
3.6	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 April 11, 2022 and incorporated by reference)
4.2	Form of certificate representing the Series A Preferred Stock (filed as Exhibit 4.1 to the Registrant's Form 8-A filed September 22, 2021 and incorporated by reference)
10.1*	Amendment No. 1 to Second Amended and Restated Advisory Agreement dated November 11, 2022
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.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed as part of this Quarterly Report on Form 10-Q

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report 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
(principal executive officer)
Date: November 14, 2022

By: /s/ Catherine L. Lynch
Name: Catherine L. Lynch
Title: Chief Financial Officer
(principal financial officer)
Date: November 14, 2022