FACT SHEET - AVANA-CUSO

AVANA STRATEGY

AVANA provides funding opportunities in high-quality commercial loans secured by real estate projects across the United States. Our core lending products include construction, bridge and SBA 504 loans, with a focus on market segments of hospitality, multi-family, industrial, self-storage and retail anchor projects. Our seasoned team of financial and credit analysts average 20+ years and actively manage a diversified loan portfolio across the United States.

AVANA CUSO, established in 1998, is one of the most seasoned credit union organizations with a focus on commercial real estate lending. Driving end-to-end customer service and our investments in technology, we connect credit unions and other lenders with commercial real estate entrepreneurs and small business owners through participation lending through AVANA's participation desk. Our mission is to help credit unions diversify their lending portfolios by expanding their lending programs beyond local communities and mitigate concentration risk while enhancing loan-to-share ratios.

Fund Manager	AVANA CUSO LLC
Gross rate (**current month**, weighted)	6.10%
Net rate (**current month**, weighted)	5.60%
Net Rate Requested by CU	5-year CMT + 2.50%–3.50% loan rate less 0.49% servicing fee (currently at 5.76% to 6.76% net rate)
Geographic Focus	United States of America
Auditor	Smith+Howard Advisory, LLC
Legal Firm	Messick & Lauer
Depository Institution	Catalyst Corporate Credit Union

Target NET Return for New Investments

AVANA-Oaktree Loans (Senior)	10%
AVANA-Oaktree Loans (Junior)	15%-17%
AVANA CUSO Loans	6.25%

AVANA Companies	ALL MANDATE (2015 – Q3 2026)
Avana Capital	
UNLEVERED Average NET Return	
Performing	7.16%
All **(Note A)**	5.86%
Total Originations	$6.5 Billion
Asset Under Management	$0.8 Billion
Principal Repaid / Sold	$5.7 Billion
Avg. Investment Term	1-5 years
Investment Type	Direct Loans
Strategy Capacity	$1.0B
Transparency	AVANA / CUSO Reporting Portal
Distribution	Monthly

Note A – Impact of Covid on Reported Loan Yields

The since-inception 'All Loans' yield of 5.86% includes the drag from non-performing hospitality loans heavily impacted by COVID-19. The largest remaining exposure is a single Neemtree Hotels loan (~$54MM principal). Excluding Neemtree, the trailing one (1) year average improves from 3.63% to 5.83%. All of the COVID-affected hospitality loans have been resolved except for this Neemtree loan.

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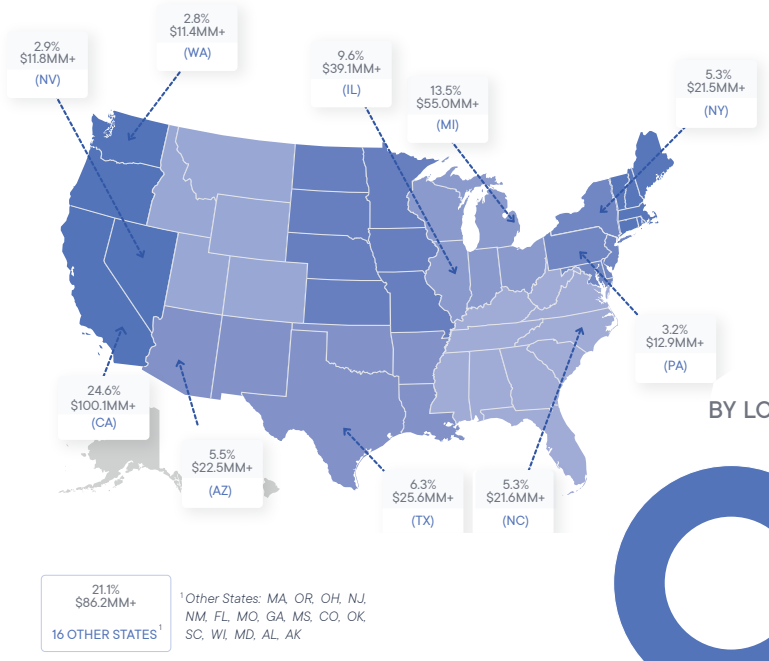
FACT SHEET - AVANA-CUSO

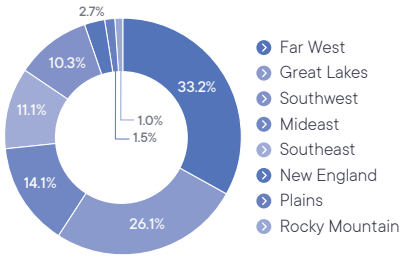
AVANA-CUSO: DIVERSIFICATION

GEOGRAPHICAL EXPOSURE

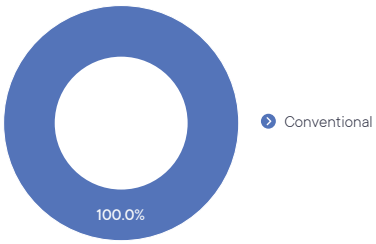


[1] *Other States: MA, OR, OH, NJ, NM, FL, MO, GA, MS, CO, OK, SC, WI, MD, AL, AK*

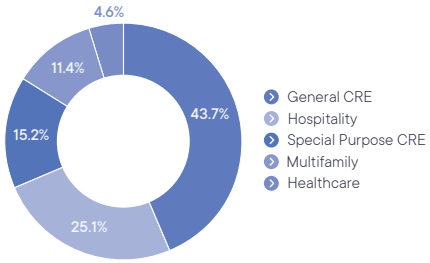
BY REGION



BY LOAN TYPE



BY INDUSTRY

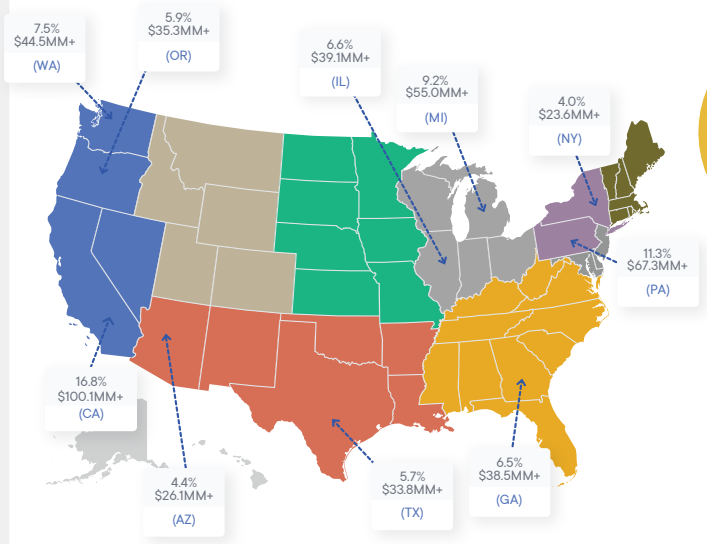


By State (Commentary)

- The AVANA CUSO's current book consists of credit held in 26 states.
- Densely populated states take up their relative pro-rate share of the originations, with California contributing 24.6% of overall loans held.

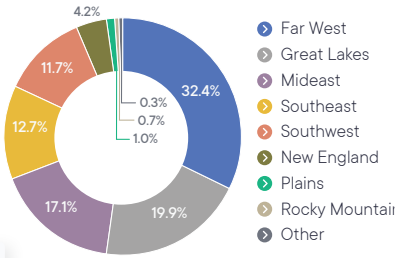
ALL MANDATE DIVERSIFICATION

GEOGRAPHICAL EXPOSURE

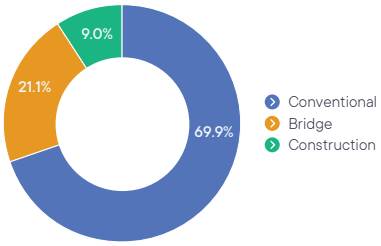


[1] *Other States: OH, NC, CT, NV, MA, NJ, NM, FL, MO, MS, CO, OK, SC, WI, MD, AL, AK, KY*

BY REGION



BY LOAN TYPE



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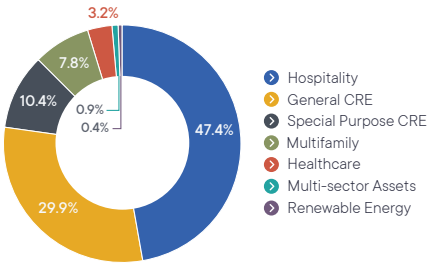

Sub-categories:

- **Healthcare** - Assisted Living Facility, Skilled Nursing Facility, Surgery Center, Urgent Care Clinic
- **Hospitality** - Bed & Breakfast, Hotel - Extended Stay, Hotel - Full Service, Hotel - Limited Service, Hotel - Select Service
- **General CRE** - Industrial, Medical Office, Office, R&D Facility, Retail, Warehouse
- **Renewable Energy** - Back Leveraged Solar Leases, Bio-Gas Project, Renewable Energy Storage Systems, Solar Farm
- **Special Purpose CRE** - Auto Dealership, Auto Repair, Cold Storage, Day Care, Fitness Facility/Sports Club, Private School, Restaurant, Self/Mini-Storage Facility

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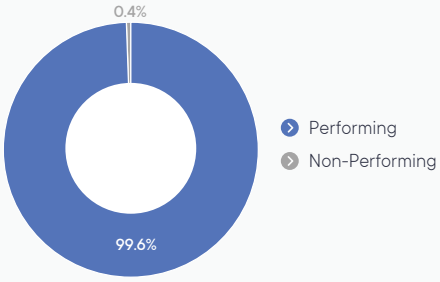
FACT SHEET - AVANA-CUSO

ACTIVE PORTFOLIO

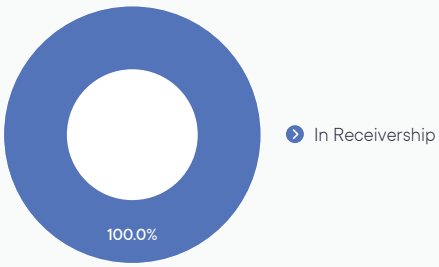
AVANA CUSO portfolio presently holds **108 active loans** with total original loan amount of **$462 million** against total appraised collateral of **$730 million**.

Parameter	Original Note Amount	Current Note Balance	Collateral Value	LTV	Loan Term (months)	Gross Interest Rate
Total	$462,214,051	$407,720,809	$730,060,200	Various	Various	Various
Mean	$4,279,760	$3,775,193	$6,759,817	54%	106	6.11%
Median	$3,064,600	$2,508,147	$4,965,000	56%	120	6.13%

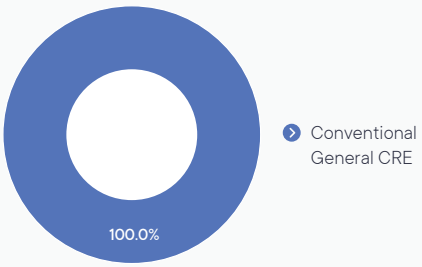
By Loan Performance



Status of the minority (0.4%)



Loan Description of the minority (0.4%)



DELINQUENCY/LOSS HISTORY

	Year	Average Delinquency	Losses	Loss %
AVANA CUSO	2026 YTD (Q3)	0.00%	$0.00	0.00%
	2025	0.51%	$0.00	0.00%
	2024	0.22%	$0.00	0.00%
	2023	0.00%	$0.00	0.00%
	2022	0.71%	$0.00	0.00%
	2021	0.85%	$0.00	0.00%
	2020	1.08%	$0.00	0.00%
EXTENSIA FINANCIAL	2019	1.62%	$3,166,557.68	0.58%
	2018	1.71%	$2,071,106.00	0.36%
	2017	1.95%	$5,042,467.58	0.85%
	2016	2.58%	$2,529,403.69	0.39%
	2015	2.75%	$9,889,989.09	1.50%

Note: AVANA Capital acquired Extensia Financial in 2020 and restructured it into AVANA CUSO, significantly improving portfolio performance and eliminating credit losses.

EXPERIENCED PORTFOLIO MANAGEMENT

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MBA, University of California, Irvine
CPA, CMA

CANDACE SHEETS
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Comerica Bank and others

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CPA, CMA, CSCA

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FACT SHEET - AVANA-CUSO

AVANA's Quarterly Commentary for Q3 2026

The Quarter in Brief

The third quarter was a test of structure rather than forecasting. A year ago, the Federal Reserve had begun to cut rates, and markets expected more cuts. This quarter the Fed raised rates for the first time since 2023, the 10-year Treasury yield closed the quarter at 5.29%, above its 2007 peak and its highest level since 2002, and delinquency in commercial mortgage bonds reached its highest level since 2020.[1,3,4]

Beneath the rate shock, the economy kept growing, although hiring slowed. Industrial fundamentals improved, and apartment and hotel operations stayed steady. The stress we saw came mainly from loans that reached maturity and had to be refinanced in a higher-rate market.

The outcome for 2027 depends on forces no lender controls: energy prices and the war, the Federal Reserve, the political calendar and how quickly AI changes jobs and investment. What we can control is structure, which for us means loan-to-value limits, cash flow covenants and a stress test that underwrites each loan to rates well above today's.

Measure	Latest reading	Context
Fed funds target range	3.75% to 4.00%	The Fed raised rates on September 16, the first increase since 2023.[1]
10-year Treasury yield	5.29%	The yield ended September at its highest level since 2002, up from about 4.2% at the end of 2025.[3]
Brent crude	About $104	Brent averaged about $104 in the last two weeks of the quarter, compared with $72 on July 1.[5]
CMBS delinquency rate (Trepp)	8.02%	September's reading was the highest since late 2020.[4]

Where AVANA stands today

- **On rates,** we are assuming no relief in base rates next year. Our stress test moves with the 10-year Treasury yield, and at the September 30 yield of 5.29% it implies a rate of about 9.8%.
- **On underwriting,** we continue to underwrite new financings and refinancings to our policy maximum loan-to-value of 75%, or 70% for hotels and 65% for special-purpose collateral, based on current values. Every loan also carries debt service coverage and debt yield covenants.
- **On funding,** our loans are funded by institutional capital or by credit unions that purchase them for their own balance sheets, rather than by retail funds that face quarterly redemption requests.
- **On credit,** our nonperforming loans are the result of one hospitality loan that has been under workout since the pandemic, and our team continues to work toward resolving it.
- **On geopolitics**, we do not try to forecast the war or the Fed's next move. Instead, we underwrite each loan to perform across a range of outcomes.

What the Data Shows

Rates and inflation. On September 16 the Federal Reserve voted 12 to 0 to raise its target range to 3.75% to 4.00%. Fed officials' median projection is about 4.1% at the end of this year and through 2027, and as of October 14 markets priced at least two more increases in 2027, which is more than the Fed's own median implies.[1] Inflation was 3.4% in July and August and rose to 3.7% in September, driven largely by energy. Gasoline prices jumped 9.1% in the month and are up 34.2% on the year. Core inflation, which removes food and energy, rose from 2.4% to 2.6%.[2] The 10-year yield, which sets the pricing for long-term loans, rose from about 4.2% at the end of 2025 to 5.29%.

Commercial real estate. The stress in commercial real estate is mainly a maturity problem, meaning loans that came due and could not be refinanced at today's rates. In August, 81% of newly delinquent balances were loans that failed to pay off at maturity. Overall CMBS delinquency rose to 8.02% in September, with office at 12.16%, just below its January record of 12.34%; multifamily at 8.04%; hotels at 6.18%; and industrial at only 1.14%.[4] Property operations, however, tell a better story. Industrial vacancy fell to 6.8%, the lowest since the end of 2024. Apartment rents rose 0.8% in the quarter, and the gap between new supply and renter demand was the narrowest since late 2015. Hotel revenue per available room rose 8.2% in July and 2.0% in August, and CoStar and Tourism Economics raised their 2026 forecast to growth of 4.4%. When operations hold up and delinquency still rises, it tells us that the problem is refinancing rather than tenant demand.

Trepp's data show that debt yield, which is a property's net operating income divided by the loan balance, is the clearest dividing line between loans that refinance and loans that do not. Loans that paid off on time in 2024 and 2025 averaged 13% to 14%, while loans that did not averaged about 9%. The Mortgage Bankers Association counts $875 billion of commercial and multifamily mortgages maturing in 2026 and $652 billion in 2027. These are market figures for all commercial and multifamily mortgages, and they describe the sector as a whole rather than our own loans.

Private credit. Fitch's private credit default rate reached a record 6.3% in August, up from 6.1% in July.[6] Most of those events, however, were not missed payments. Interest deferrals and payment-in-kind substitutions, where unpaid interest is added to the loan balance, made up 47% of default events, stressed maturity extensions made up another 41%, and uncured payment defaults were only 8%. Proskauer's narrower measure, which counts only payment and covenant defaults, was 2.51% in the second quarter. Preliminary Valuation Research data show redemption requests at 11 of the 14 largest nontraded business development companies easing from 13.9% to 13.0%, still well above the typical 5% quarterly limit. These figures describe corporate lending rather than real estate loans, but they show how investors are reacting to higher rates.

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Last quarter's questions. Last quarter we raised six questions, and the table below sets out what happened to each of them.

Q2 watch item	Q3 outcome
Would the Iran ceasefire hold?	It did not. Oil fell to $72 a barrel after a June 17 agreement, but fighting resumed on July 7, and oil reached $109 by September 15.
Could the Fed raise rates instead of cutting?	It could, and it did. On September 16 the Fed raised its benchmark rate to 3.75% to 4.00%, its first increase since 2023.
Would temporary tariffs end on July 24?	They did not. The temporary 10% tariff expired as scheduled, but new tariffs of 10% to 12.5% on 60 trading partners took effect the same day.
Would AI data center spending keep rising?	It did. Amazon, Alphabet, Meta and Microsoft now plan roughly $720 billion to $745 billion of spending in 2026, partly funded by borrowing that has helped lift long-term rates.
Would commercial real estate stress stay limited?	Only in part. Stress stayed concentrated in office (12.16%) and apartments (8.04%), while warehouse operations improved and hotel revenue grew, although hotel delinquency edged up to 6.18%. Even so, overall CMBS delinquency reached its highest level since 2020.
Would private credit stay strong?	The picture was mixed. Large investors kept lending, but defaults reached a record 6.3% on Fitch's broad measure, and investors in retail funds asked to withdraw more than those funds allow.

How We See 2026 and 2027

Four forces will shape the next year. The final paragraph of this section explains how they reach a small real estate borrower or a community bank.

Inflation, jobs and interest rates. Normally, plentiful jobs push wages and prices up, and the Fed raises rates to cool demand. This quarter, the pattern looks different. Unemployment is only 4.2%, but payrolls rose just 29,000 in September and real hourly earnings fell 0.5%, so household purchasing power is shrinking. Gasoline accounted for more than half of the monthly increase in consumer prices. Our reading is that this is mainly a cost shock from energy and the war rather than a wage spiral. The Federal Reserve is less certain. Core inflation rose from 2.4% to 2.6%, and Chair Warsh said underlying inflation was not yet moving to target clearly or quickly enough, which is why the Fed's rate-setting committee raised rates. For a small real estate borrower, the result is a higher cost of refinancing, higher operating costs and tenants with less to spend. For the lender, loans that must refinance at higher rates carry more risk than the coupon suggests, which is why debt yield and debt service coverage matter more than appraised value alone.

AI and jobs. We are watching agentic AI, meaning software that carries out multistep work on its own, because it could change who has a job and who pays rent. The Wall Street Journal reported in October 2025 that Amazon, UPS, Target and others had cut tens of thousands of white-collar jobs, but the evidence so far is mixed. A Stanford brief found little effect on overall employment, although AI may be weighing on hiring of new graduates, whose unemployment rate reached 5.6% in early 2026. In an Atlanta Fed survey, 80% of executives said AI had not yet changed their headcount. If AI weakens white-collar hiring, we expect office demand to feel it first. If AI displaces jobs faster than expected, the lower cost of producing many services would tend to pull inflation down over time. Prices would stay high, however, if the energy and war shock continued, and rising unemployment combined with high inflation is the dilemma the Fed faced in the 1970s.

The war, tariffs and the calendar. The Congressional Budget Office estimates that the Iran war has cost the Defense Department about $38 billion through August 1 and will cost $2 billion to $3 billion for each additional month. The administration has asked Congress for $87.6 billion, which Congress has not approved. The larger economic effect runs through energy prices and inflation, which the CBO says push Treasury rates higher. Tariffs add to costs as well. The temporary tariff that expired on July 24 was replaced the same day, and duties on steel, aluminum and copper remain the more direct cost driver for construction, so we continue to use conservative contingency assumptions. The midterm elections are on November 3, Congress returns for a lame-duck session on November 9, and government funding expires on December 11. We do not think anyone can say with confidence how fiscal or monetary policy will be set while that plays out.

Debt behind the AI buildout. Amazon, Alphabet, Meta and Microsoft plan roughly $720 billion to $745 billion of capital spending in 2026, although each company defines capital spending differently. Much of that buildout is funded with debt. Chair Warsh said on September 16 that capital investment is robust and that competition for capital partly explains higher long-term yields. The Financial Times reported that large banks have explored selling down data center loans and that AI-related debt issuance fell to about $23 billion in September, less than half the August level. OpenAI, the best-known AI lab, was estimated to have lost about $21 billion at the operating level in 2025, although the largest technology companies are profitable. Cheaper models such as Moonshot's Kimi K3 raise the question of whether too much capacity is being built. However, Moonshot paused new subscriptions when demand exceeded its capacity, and power remains the main physical limit on data centers, so we treat oversupply as a risk rather than a fact. For a real estate lender, a senior secured loan against property is a different risk from owning AI technology or its equity.

What this means for community banks and small businesses. Community banks earned a net interest margin of 3.81% in the second quarter and grew loans 5.1% over the year, led by nonresidential commercial real estate, but their reserve coverage ratio fell to 145.6% because noncurrent loans rose faster than reserves. The banking industry held $326.7 billion of unrealized securities losses at June 30. Among small businesses, 26% of owners name finding qualified workers as their top problem and 20% name inflation, and owners report higher rates on recent loans. Taken together, banks are earning well but are carrying those losses and, at community banks, thinner reserves, while small borrowers are paying more for labor, credit and fuel.

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AVANA's Perspective

How we got here. A year ago, we wrote that the Federal Reserve had begun to cut rates. At year end we wrote that "higher for longer" could reappear in pockets and that refinancing risk should stay at the center of underwriting. This quarter that risk moved from pockets to the whole yield curve, as the 10-year yield rose more than 100 basis points from the start of the year to 5.29%. Higher rates raise income on new loans, but they also raise what borrowers must pay, and no lender is spared the risk of borrowers who must refinance. We make no claim that we are exempt. What we can control is the structure of each loan.

How we are funded. Because our loans are funded by institutional capital or by credit unions that purchase them for their own balance sheets, our lending does not depend on the retail investors whose redemption requests ran well above fund limits this quarter. That gives us a more stable funding base in a volatile market.

Where we are. The table below shows the fact sheet measures that matter most to you.

AVANA measure	September 30, 2025	December 31, 2025	September 30, 2026
Nonperforming share of loans	11.7%	11.5%	11.9%
Loans on AVANA's own book	15	13	13
Average and median loan-to-value	73% and 62%	70% and 62%	79.2% and 57.5%

Our nonperforming loans are the result of one hospitality loan that has been in default and under workout since the pandemic. Our team has been working to remedy it for years, and we mention it so that the nonperforming figure in our fact sheet carries the right context.

Our policy maximum loan-to-value is 75% for most property types, 70% for hotels and 65% for special-purpose collateral, and every loan carries minimum debt service coverage and debt yield covenants. That is our policy, and we underwrite to it today on new financings and refinancings, based on current values. After a loan is made, however, its loan-to-value moves with the value of the property. The 73% average at September 30, 2025, against a median of 62%, is mainly the result of two factors. First, one loan is well over policy on loan-to-value, and because it is a large share of the portfolio it pulls the average up. Second, values under current cap rates are lower because interest rates are higher, so the ratio on older loans rises even though new loans are underwritten to policy on today's values. As of September 30, 2026, the average rose to 79.2%, driven by the devaluation of one large loan. Because one large loan can move the average this much, we believe the median is the better guide to a typical loan in our portfolio, and our latest fact sheet shows current figures.

Our interest rate stress test starts with the 10-year Treasury yield, adds 2.50% and then adds a 2.00% risk premium, so the test rate rises whenever Treasury yields rise. At the September 30 yield of 5.29%, the formula implies a test rate of about 9.8%. These are internal policies, and any exceptions are approved under policy.

Where we are going. As we move into the fourth quarter, we are watching four things in particular.

- **Energy and the war.** Brent averaged about $104 in the last two weeks of the quarter, and gasoline prices are up 34.2% on the year. If energy prices stay high, we expect inflation and interest rates to stay high with them.
- **The Fed.** Markets expect the Fed to hold rates at its October 27 and 28 meeting and to raise them again at its December 8 and 9 meeting. We are assuming no relief in base rates next year.
- **Maturities.** Trepp's spring review put nearly 39% of 2026 CMBS hard maturities, meaning loans with no remaining extension option, in the fourth quarter, so refinancing conditions over the next three months matter. Beyond that, we believe loans made in 2021 and 2022, and loans maturing between 2027 and 2029, are the most likely to show stress.
- **Private credit funds.** Redemption requests of 13.0% against a typical 5% limit are a measure of investor patience, and we will watch whether they ease again in the fourth quarter.

The war, the Fed and the elections will keep markets volatile, and we do not claim to know how 2027 will unfold. We do know what we can control: the loans we make, the cash flow behind them and the structure around them. In our view, the lenders who do best will be those whose loans carry real cash flow cushions and whose own funding does not depend on markets staying calm. We will keep underwriting for a range of outcomes and telling you plainly what we see, and we would rather answer your questions than leave them open.

Questions? For any credit-related question, please call Candace Sheets, who leads our credit team. For anything about your investment, please call Jane Alto in investor relations. Both can be reached at +1 877-850-5130, and you can also write to investor relations at IR@avanacompanies.com.

Sources and important information

1. Federal Reserve decision and projections, as reported by Reuters and Franklin Templeton. 2. U.S. Bureau of Labor Statistics, Consumer Price Index, September 2026. 3. U.S. Department of the Treasury, Daily Treasury Par Yield Curve Rates. 4. Trepp, CMBS Delinquency Report, September 2026. 5. U.S. Energy Information Administration. 6. Fitch Ratings, U.S. Private Credit Default Rate, August 2026. Other figures are attributed in the text to Proskauer, Valuation Research, Cushman & Wakefield, RealPage, CoStar, Tourism Economics, the Mortgage Bankers Association, the Congressional Budget Office, the FDIC, NFIB, Stanford SIEPR, the Federal Reserve Bank of Atlanta, the Wall Street Journal and the Financial Times. Full links are available from investor relations. Trepp, Fitch and Proskauer measures are not comparable with one another.

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