Risk Factors Comparison 2024-02-29 to 2023-03-01 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

Summary of Risk Factors Risks Related To Our Business • Difficult conditions in the mortgage and residential **and commercial** real estate markets as well as general market concerns may adversely affect the value of the assets in which we invest. • The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between Fannie Mae, Freddie Mac, and Ginnie Mae and the U. S. Government, ~~may~~ **could** materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. • Mortgage loan modification programs and future legislative action may adversely affect the value of, and the returns on, our targeted assets. • The principal and interest payments on our non- Agency RMBS and ~~any~~ CRTs ~~that we may purchase~~ are not guaranteed by any entity, including any government entity or GSE, and therefore are subject to increased risks, including credit risk. • Less stringent underwriting guidelines and the resultant potential for delinquencies or defaults on certain mortgage loans could lead to losses on many of the non- Agency RMBS and European RMBS that we hold. • We rely on analytical models and other data to analyze potential asset acquisition and disposition opportunities and to manage our portfolio. Such models and other data may be incorrect, misleading or incomplete, which could cause us to purchase assets that do not meet our expectations or to make asset management decisions that are not in line with our strategy **. • Prepayment rates can change, adversely affecting the performance of our assets** . • Valuations of some of our assets are inherently uncertain, may be based on estimates, may fluctuate over short periods of time, and may differ from the values that would have been used if a ready market for these assets existed. • We depend on third- party service providers, including mortgage servicers, for a variety of services related to our **MSRs,** ~~non- Agency RMBS~~ - **MBS, CRTs** , European assets, securitizations, and whole mortgage loans and loan pools. We are, therefore, subject to the risks associated with third- party service providers. • We rely on mortgage servicers ~~for our~~ **to service effectively, including** loss mitigation efforts, and we also may engage in our own loss mitigation efforts with respect to whole mortgage loans that we own directly ~~.~~ **and** ~~Such~~ **such** loss mitigation efforts may be unsuccessful or not cost effective. • We may be affected by deficiencies in foreclosure practices of third parties, as well as related delays in the foreclosure process. • To the extent that due diligence is conducted on potential assets, such due diligence may not reveal all of the risks associated with such assets and may not reveal other weaknesses in such assets, which could lead to losses. • Sellers of the mortgage loans that we acquire, or that underlie the non- Agency RMBS or European RMBS in which we invest, may be unable to repurchase defective mortgage loans, which could have a material adverse effect on the value of our loans, or the loans held by the trust that issued the RMBS, and could cause shortfalls in the payments due on the RMBS or losses on the mortgage loans. • Our assets include subordinated and lower- rated securities that generally have greater risk of loss than senior and higher- rated securities. • Investments in second- lien mortgage **or subordinated corporate** loans could subject us to increased risk of losses ~~. • Prepayment rates can change, adversely affecting the performance of our assets~~ . • Increases in interest rates could negatively affect the value of our assets and increase the risk of default on our assets. • **Changes** ~~An increase~~ in ~~interest rates~~ **market conditions** may cause a decrease in the issuance volumes of certain of our targeted assets, which could adversely affect our ability to acquire targeted assets that satisfy our investment objectives, and which could adversely affect the loan originators in which we invest. • Interest rate mismatches between our assets and our borrowings may reduce our income during periods of changing interest rates, and increases in interest rates could adversely affect the value of our assets. • Interest rate caps on ARMs and hybrid ARMs, including those that back our RMBS, may reduce our net interest margin during periods of rising or high interest rates. • Non- government- guaranteed residential mortgage loans, including non- QM loans, residential transition loans, and residential NPLs and RPLs, and proprietary reverse mortgage loans, are subject to increased risks. • If we subsequently resell any whole mortgage loans that we acquire, we may be required to repurchase such loans or indemnify purchasers if we breach representations and warranties. • The commercial mortgage loans that we acquire or originate, and the mortgage loans underlying our CMBS investments, are subject to the ability of the commercial property owner to generate net income from operating the property as well as to the risks of delinquency and foreclosure. • Our investments in CMBS are at risk of loss. • We may not control the special servicing of the mortgage loans included in the CMBS in which we invest and, in such cases, the special servicer may take actions that could adversely affect our interests. • A portion of our investments currently are, and in the future may be, in the form of non- performing and sub- performing commercial and residential mortgage loans, or loans that may become non- performing or sub- performing, which are subject to increased risks relative to performing loans. • Our real estate assets and our real estate- related assets (including mortgage loans and MBS) are subject to the risks associated with real property. • We engage in short selling transactions, which may subject us to additional risks. • We use leverage in executing our business strategy, which may adversely affect the return on our assets and may reduce cash available for distribution to our stockholders, as well as increase losses when economic conditions are unfavorable. • Our access to financing ~~sources, which~~ may not be available on favorable terms ~~, or at all,~~ may be limited **or completely shut off** , and our lenders and derivative counterparties may require us to post additional collateral. These circumstances ~~may~~ **could** materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. • ~~A failure to comply with restrictive covenants in our financing arrangements would have a material adverse effect on us, and any future financings may require us to provide additional collateral or pay down debt. •~~ Our securitizations may expose us to additional risks. • If ~~we are~~ **Longbridge is** unable to fund ~~our~~ **its** tail **funding** commitments or securitize ~~our~~ **its** HECM loans (including ~~tails~~ - **tail pools**) **, or if HMBS tail pool prices decline** , this could **materially** adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders ~~. • The planned discontinuation~~

~~of LIBOR and transition from LIBOR to an alternative reference rate may adversely affect the value and liquidity of the financial obligations to be held or issued by us that are linked to LIBOR~~. • Our investments that are denominated in foreign currencies **, domiciled outside the U. S., or that involve non- U. S. assets are** subject ~~us~~ to **risks associated with non- U. S. investing, including in some cases** foreign currency risk, which ~~may~~ **could materially** adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. • Hedging against credit events, interest rate changes, foreign currency fluctuations, and other risks ~~may~~ **could** materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. • Hedging instruments and other derivatives, including some credit default swaps, may not, in many cases, be traded on regulated exchanges, or may not be guaranteed or regulated by any U. S. or foreign governmental authority and involve risks and costs that could result in material losses. • Our use of derivatives may expose us to counterparty risk. • Our rights under our repos are subject to the effects of the bankruptcy laws in the event of the bankruptcy or insolvency of us or our lenders. • Certain actions by the Federal Reserve could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. • We may change our investment strategy, investment guidelines, hedging strategy, and asset allocation, operational, and management policies without notice or stockholder consent, which ~~may~~ **could** materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends ~~to our~~ **toour** stockholders. In addition, our Board of Directors may authorize us to revoke or otherwise terminate our REIT election without the approval of our stockholders. • We operate in a highly competitive market. • We are highly dependent on Ellington' s and Longbridge' s information systems and those of third- party service providers **, including mortgage servicers,** and system failures could significantly disrupt our business, which **could** ~~may, in turn,~~ materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders ~~. • Because we are highly dependent on information systems when sharing information with third party service providers, systems failures, breaches or cyber- attacks could significantly disrupt our business, which could have a material adverse effect on our results of operations and cash flows~~. • Lack of diversification in the number of assets we acquire would increase our dependence on relatively few individual assets. • The lack of liquidity in our assets may materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. • We **may be exposed to environmental liabilities with respect to properties in which we have an interest. • We** could be subject to liability for potential violations of various federal, state and local laws and regulations, including predatory lending laws, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders ~~. • We may be exposed to environmental liabilities with respect to properties in which we have an interest~~. • Consumer loans are subject to delinquency and loss, which could have a negative impact on our financial results. • Increased regulatory attention and potential regulatory action on certain areas within the consumer credit or reverse mortgage businesses could have a negative impact on our reputation, or cause losses on our investments in consumer loans or our equity investment in loan originators. • Our investments in distressed debt and equity have significant risk of loss, and our efforts to protect these investments may involve large costs and may not be successful. • We have ~~held and may continue to hold the debt securities, loans or equity of companies that are more likely to enter into bankruptcy proceedings or have other risks. • We may be subject to risks associated with syndicated loans. • We have~~ made and may in the future make investments in companies that we do not control. • We have invested and may in the future invest in securities in the developing CRT sector that are subject to mortgage credit risk. Risks Related to **Certain MSR Investments • Our investments in certain MSR- related assets expose us to risk of loss if the related master servicer is unable to satisfy its obligations to the GSEs and / or to us. • Our Forward MSR- related investments may expose us to additional financing- related risks, and we may be reliant on acknowledgement agreements with the GSEs and a master servicer' s cooperation with its financing sources and its compliance with covenants in its MSR financing facility. • We do not have legal title to the MSRs underlying out Forward MSR- related investments. • The value of our MSR- related assets may vary substantially with changes in interest rates. Risks Related to** our Loan Origination Businesses • If we, or our loan originator affiliates, are unable to obtain sufficient capital to meet the financing requirements of our loan origination businesses, or if we, or our loan originator affiliates, fail to comply with debt agreements, our business, financing activities, financial condition and results of operations will be adversely affected. • **Our** ~~We are required to consolidate~~ **consolidation of** Longbridge **presents significant risks** . • Longbridge is required to follow specific guidelines and eligibility standards that impact the way it services and originates U. S. government agency loans. • Failure to comply with FHA underwriting guidelines could adversely impact Longbridge’ s business. • Material changes to the laws, regulations or practices applicable to reverse mortgage programs operated by FHA and HUD could adversely affect the reverse mortgage business of Longbridge. • Longbridge relies on a subservicer to perform reverse mortgage servicing functions, which presents us with a number of risks. ~~• The departure of any of the senior officers of Longbridge, or Longbridge’ s inability to attract, develop, and retain talent in a cost- effective manner, could have a material adverse effect on Longbridge’ s ability to conduct its business. Risks Related to the COVID- 19 Pandemic • The global outbreak of the COVID- 19 pandemic has adversely affected, and could continue to adversely affect, our business, financial condition, liquidity, and results of operations.~~ Risks Related to our Relationship with our Manager and Ellington • Our relationship with our Manager and Ellington poses risks to us. • We are dependent on our Manager and certain key personnel of Ellington that are provided to us through our Manager and may not find a suitable replacement if our Manager terminates the management agreement or such key personnel are no longer available to us. • There are conflicts of interest in our relationships with our Manager and Ellington, which could result in decisions that are not in the best interests of our shareholders. Risks Related to Our Common Stock and Preferred Stock • Our stockholders may not receive dividends or dividends may not grow over time. • An increase in interest rates may have an adverse effect on the market price of our equity or debt securities and our ability to pay dividends to our stockholders ~~. • Investing in our securities involves a high degree of risk~~. Risks Related to Our Organization and Structure • Our certificate of incorporation, bylaws and management agreement contain provisions that may inhibit potential acquisition bids that stockholders may consider favorable, and the market price of our common stock may be lower as a result. • There are ownership limits and restrictions on transferability in our certificate of incorporation. • Our rights and the rights of our stockholders to take action against our directors and officers or against our Manager or Ellington are limited, which could limit your recourse in the event actions are taken that are not in your best interests. • Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors or officers. • Maintenance of our exclusion from registration as an investment company under the Investment Company Act imposes significant limitations on our operations ~~. • If we were required to register as an investment company under the Investment Company Act, we would be subject to the restrictions imposed by the Investment Company Act, which would require us to make material changes to our strategy~~. U. S. Federal Income Tax Risks • Your investment has various U. S. federal, state, and local income tax risks. Our failure to maintain our qualification as a REIT would subject us to U. S. federal, state and local income taxes, which could adversely affect the value of our common stock and would substantially reduce the cash available for distribution to our stockholders. • **Our failure to maintain our qualification as a REIT would subject us to U. S. federal, state and local income taxes, which could adversely affect the value of our common stock and would substantially reduce the cash available for distribution to our stockholders. • We could face adverse tax consequences if Arlington failed to qualify as a REIT prior to the Merger. •** Complying with REIT requirements may cause us to forego or liquidate otherwise attractive investments. • Complying with REIT requirements may limit our ability to hedge effectively. The above list is not exhaustive, and we face additional challenges and risks. Please carefully consider all of the information in this Report, including the matters set forth below in this Item 1A. If any of the following risks occurs, our business, financial condition or results of operations could be materially and adversely affected. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance. In connection with the forward- looking statements that appear in our periodic reports on Form 10- Q and Form 10- K, our Current Reports on Form 8- K, our press releases and our other written and oral communications, you should also carefully review the cautionary statements referred to in such reports and other communications referred to under" Special Note Regarding Forward- Looking Statements." Our business is materially affected by conditions in the residential **and commercial** mortgage ~~market~~ **markets** , the residential **and commercial** real estate ~~market~~ **markets** , the financial markets, and the economy, including inflation, interest rates, energy costs, unemployment, geopolitical issues, concerns over the creditworthiness of governments worldwide and the stability of the global banking system. In particular, the residential **and commercial** mortgage markets in the U. S. and Europe have experienced a variety of difficulties and challenging economic conditions in the past, including defaults, credit losses, and liquidity concerns. Certain commercial banks, investment banks, insurance companies, loan origination companies and mortgage- related investment vehicles incurred extensive losses from exposure to the residential **and commercial** mortgage ~~market~~ **markets** as a result of these difficulties and conditions. These factors **, along with the abrupt failure of more than one regional bank in the U. S.,** have impacted, and may in the future impact, investor perception of the risks associated with residential **and commercial** mortgage loans, ~~RMBS~~ **MBS** , other real estate- related securities and various other asset classes in which we may invest. As a result, values for residential **and commercial** mortgage loans, ~~RMBS~~ **MBS** , other real estate- related securities and various other asset classes in which we may invest have experienced, and may in the future experience, significant volatility. Any deterioration of the mortgage market and investor perception of the risks associated with residential **and commercial** mortgage loans, ~~RMBS~~ **MBS** , other real estate- related securities, and various other assets that we acquire could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. The payments we receive on our Agency RMBS depend upon a steady stream of payments on the underlying mortgages and such payments are guaranteed by the Federal National Mortgage Association, or" Fannie Mae," the Federal Home Loan Mortgage Corporation, or" Freddie Mac," or GNMA. In addition, Longbridge originates and services HECMs, which are insured by FHA, and which are eligible for inclusion in Ginnie Mae- guaranteed HMBS. Fannie Mae and Freddie Mac are government- sponsored enterprises, or" GSEs," but their guarantees are not backed by the full faith and credit of the United States. Ginnie Mae, which guarantees MBS backed by federally insured or guaranteed loans primarily consisting of loans insured by FHA, or guaranteed by the Department of Veterans Affairs, or" VA," is part of the U. S. Department of Housing and Urban Development and its guarantees are backed by the full faith and credit of the United States **. Finally, cash flows from our MSR- related investments depend on the performance of the underlying loans** . In September 2008, in response to the deteriorating financial condition of Fannie Mae and Freddie Mac, the U. S. Government placed Fannie Mae and Freddie Mac into the conservatorship of the Federal Housing Finance Agency, or" FHFA," their federal regulator, pursuant to its powers under The Federal Housing Finance Regulatory Reform Act of 2008, a part of the Housing and Economic Recovery Act of 2008. Under this conservatorship, Fannie Mae and Freddie Mac are required to reduce the amount of mortgage loans they own or for which they provide guarantees on Agency RMBS. In addition to the FHFA becoming the conservator of Fannie Mae and Freddie Mac, the U. S. Treasury entered into Preferred Stock Purchase Agreements (~~“~~ **"** PSPAs ~~”~~ **"**) with the FHFA and have taken various actions intended to provide Fannie Mae and Freddie Mac with additional liquidity in an effort to ensure their financial stability. Shortly after Fannie Mae and Freddie Mac were placed in federal conservatorship, the Secretary of the U. S. Treasury noted that the guarantee structure of Fannie Mae and Freddie Mac required examination and that changes in the structures of the entities were necessary to reduce risk to the financial system. The future roles of Fannie Mae and Freddie Mac could be significantly reduced, and the nature of their guarantees could be considerably limited relative to historical measurements or even eliminated. The substantial financial assistance provided by the U. S. Government to Fannie Mae and Freddie Mac, especially in the course of their being placed into conservatorship and thereafter, together with the substantial financial assistance provided by the U. S. Government to the mortgage- related operations of other GSEs and government agencies, such as FHA, VA, and Ginnie Mae, has stirred debate among many federal policymakers over the continued role of the U. S. Government in providing such financial support for the mortgage- related GSEs in particular, and for the mortgage and housing markets in general. No definitive proposals or legislation have been released or enacted with respect to ending the conservatorship, unwinding the GSEs, or materially reducing the roles of the GSEs in the U. S. mortgage market, and it is not possible to predict the scope and nature of the actions that the U. S. Government will ultimately take with respect to these GSEs. Fannie Mae, Freddie Mac, and Ginnie Mae could each be dissolved, and the U. S. Government could determine to stop providing liquidity support of any kind to the mortgage market. If Fannie Mae, Freddie Mac, or Ginnie Mae were eliminated, or their structures were to change radically, or if the U. S. Government significantly reduced its support for any or all of them, **the value of our currently held Agency RMBS could drop significantly, and** we may be unable or significantly limited in our ability to acquire Agency RMBS, ~~which would drastically reduce the amount and type of Agency RMBS available for purchase~~ which, in turn, could materially adversely affect our ability to maintain our exclusion from registration as an investment company under the Investment Company Act and our ability to maintain our qualification as a REIT. Such changes could also materially adversely affect Longbridge, including its ability to originate HECMs and securitize them through HMBS. **With respect to HECM loans that are insured by FHA, the extent of the insurance is limited, and there are situations where the servicer will not recoup all cash outlays. In instances where the servicer is unable to liquidate the underlying REO property within certain timeframes and guidelines, FHA insurance proceeds will be determined relative to an appraised value of the subject property. If the eventual sale price of the related REO property is lower than the appraisal, the servicer will be exposed to an additional loss.** Moreover, any changes to the nature of the guarantees provided by, or laws affecting, Fannie Mae, Freddie Mac, and Ginnie Mae could materially adversely affect the credit quality of the guarantees, could increase the risk of loss on purchases of Agency RMBS issued by these GSEs **(or MSRs with underlying loans guaranteed by these GSEs)** and could have broad adverse market implications for the Agency RMBS they currently guarantee. Any action that affects the credit quality of the guarantees provided by Fannie Mae, Freddie Mac, and Ginnie Mae could materially adversely affect the value of our Agency RMBS **and our Forward MSR- related investments** . In addition, any market uncertainty that arises from such proposed changes could have a similar impact on us and our Agency RMBS **and our Forward MSR- related investments** . In addition, we rely on our Agency RMBS as collateral for our financings under the repos that we enter into. Any decline in their value, or perceived market uncertainty about their value, would make it more difficult for us to obtain financing on our Agency RMBS on acceptable terms or at all, or to maintain compliance with the terms of any financing transactions. The U. S. Government, through the U. S. Treasury, FHA, and the Federal Deposit Insurance Corporation, or" FDIC," has at various points in time, including in response to the COVID- 19 pandemic, and may again in the future, implement programs designed to provide homeowners with assistance in avoiding mortgage loan foreclosures. The programs may involve, among other things, the modification of mortgage loans to reduce the principal amount of the loans or the rate of interest payable on the loans, or to extend the payment terms of the loans. Loan modification and refinance programs may adversely affect the performance of Agency and non- Agency RMBS ~~and~~ **,** residential mortgage loans **and MSRs** . In the case of non- Agency RMBS, a significant number of loan modifications with respect to a given security, including those related to principal forgiveness and coupon reduction, could negatively impact the realized yields and cash flows on such security. Similarly, principal forgiveness and / or coupon reduction could negatively impact the performance of any residential mortgage loans **, RMBS or MSRs** we own ~~. In addition, it is also likely that loan modifications would result in increased prepayments on some RMBS~~ . See" — Prepayment rates can change, adversely affecting the performance of our assets ~~,~~ **.** " ~~below.~~ The U. S. Congress and various state and local legislatures may pass mortgage- related legislation that would affect our business, including legislation that would permit limited assignee liability for certain violations in the mortgage loan origination process, ~~and~~ legislation that would allow judicial modification of loan principal in the event of personal bankruptcy **, or legislation related to the handling of escrow accounts** . We cannot predict whether or in what form Congress or the various state and local legislatures may enact legislation affecting our business or whether any such legislation will require us to change our practices or make changes in our portfolio in the future. These changes, if required, could materially adversely affect our business, results of operations and financial condition, and our ability to pay dividends to our stockholders, particularly if we make such changes in response to new or amended laws, regulations or ordinances in any state where we acquire a significant portion of our mortgage loans, or if such changes result in us being held responsible for any violations in the mortgage loan origination process. The existing loan modification programs, together with future legislative or regulatory actions, including possible amendments to the bankruptcy laws, which result in the modification of outstanding residential mortgage loans and / or changes in the requirements necessary to qualify for refinancing mortgage loans with Fannie Mae, Freddie Mac, or Ginnie Mae, may adversely affect the value of, and the returns on, our assets, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Our portfolio includes non- Agency RMBS which are backed by residential mortgage loans that do not conform to the Fannie Mae or Freddie Mac underwriting guidelines, including subprime, manufactured housing, Alt- A, prime jumbo, non- QM, and single- family- rental mortgage loans **, as well as CRTs** . Consequently, the principal and interest on non- Agency RMBS **and CRTs** , unlike those on Agency RMBS, are not guaranteed by GSEs such as Fannie Mae and Freddie Mac or, in the case of Ginnie Mae, the U. S. Government. Non- Agency RMBS are subject to many of the risks of the respective underlying mortgage loans. A residential mortgage loan is typically secured by single- family residential property and is subject to risks of delinquency and foreclosure and risk of loss. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors, including a general economic downturn, **high** unemployment **, high energy costs** , acts of God, pandemics such as the COVID- 19 pandemic, **war or other geopolitical conflict, terrorism, elevated** inflation ~~, terrorism~~ , social unrest, and civil disturbances, may impair borrowers' abilities to repay their mortgage loans. In periods following home price declines," strategic defaults" (decisions by borrowers to default on their mortgage loans despite having the ability to pay) also may become more prevalent. In addition, recent increases in mortgage rates have ~~reduced home affordability and~~ **led to significant higher monthly costs for homeowners who** have ~~adversely impacted housing prices~~ **purchased their homes recently and they have also led to slower prepayments of older** , **more affordable mortgages, each of** which could lead to an increase in defaults on the mortgage loans underlying many of our investments. In the event of defaults under mortgage loans backing any of our non- Agency RMBS **or CRTs** , we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan. Additionally, in the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor- in- possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process which could have a substantial negative effect on our anticipated return on the foreclosed mortgage loan. **In many jurisdictions, legislation has been enacted that has the effect of making the foreclosure process more difficult, lengthier, and more expensive, and additional such legislation may be enacted in the future.** If borrowers default on the mortgage loans backing our non- Agency RMBS **or CRTs** and we are unable to recover any resulting loss through the foreclosure process, **it could materially adversely affect** our business, financial condition and results of operations, and our ability to pay dividends to our stockholders ~~, could be materially adversely affected~~ . ~~Many~~ **Some** of the non- Agency RMBS in which we invest are collateralized by Alt- A and subprime mortgage loans, which are mortgage loans that were originated using less stringent underwriting guidelines than those used in underwriting prime mortgage loans (mortgage loans that generally conform to Fannie Mae or Freddie Mac underwriting guidelines). In addition, we have acquired, and may acquire in the future, European RMBS, including retained tranches from European RMBS securitizations in which we have participated. These European RMBS are backed by residential mortgage loans that were typically originated using less stringent underwriting guidelines than those used in underwriting prime mortgage loans in the United States. The underwriting guidelines for the mortgage loans that collateralize the non- Agency RMBS and European RMBS in which we invest are more permissive as to borrower credit history or credit score, borrower debt- to- income ratio, loan- to- value ratio, and / or as to documentation (such as whether and to what extent borrower income was required to be disclosed or verified). In addition, even when specific underwriting guidelines are represented by loan originators as having been used in connection with the origination of mortgage loans, these guidelines have in many cases not been followed, and may not be followed in the future, as a result of aggressive lending practices, fraud (including borrower or appraisal fraud), or other factors. Mortgage loans that are underwritten pursuant to less stringent or looser underwriting guidelines, or that are poorly underwritten to their stated guidelines, have experienced, and should be expected to experience in the future, substantially higher rates of delinquencies, defaults, and foreclosures than those experienced by mortgage loans that are underwritten in a manner more consistent with Fannie Mae or Freddie Mac guidelines. Thus, because of the higher delinquency rates and losses associated with Alt- A, subprime mortgage loans and European mortgage loans, the performance of RMBS backed by Alt- A, subprime mortgage loans, and European mortgage loans that we may acquire could be correspondingly adversely affected, which could **materially** adversely ~~impact~~ **affect** our business, financial condition and results of operations, and our **We rely on** ~~ability to pay dividends to~~ our ~~stockholders. Our~~ **Manager and our** Manager relies on the analytical models (both proprietary and third- party models) of Ellington and information and data supplied by **Ellington itself and by** third parties. These models and data may be used to value assets or potential asset acquisitions and dispositions and also in connection with our asset management activities. If Ellington' s models **(including the data utilized by the models)** and **/ or third- party** data prove to be incorrect, misleading, or incomplete, any decisions made in reliance thereon could expose us to potential risks. Our Manager' s reliance on Ellington' s models and data may induce it to purchase certain assets at prices that are too high, to sell certain other assets at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging activities that are based on faulty models and data may prove to be unsuccessful. Some of the risks of relying on analytical models and third- party data include the following: • collateral cash flows and / or liability structures may be incorrectly modeled in all or only certain scenarios, or may be modeled based on simplifying assumptions that lead to errors; • information about assets or the underlying collateral may be incorrect, incomplete, or misleading; • asset, collateral or MBS historical performance (such as historical prepayments, defaults, cash flows, etc.) may be incorrectly reported, or subject to interpretation (e. g., different MBS issuers may report delinquency statistics based on different definitions of what constitutes a delinquent loan); and • asset, collateral or MBS information may be outdated, in which case the models may contain incorrect assumptions as to what has occurred since the date information was last updated. Some models, such as prepayment models or default models, may be predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses. In addition, the predictive models used by our Manager may differ substantially from those models used by other market participants, with the result that valuations based on these predictive models may be substantially higher or lower for certain assets than actual market prices. Furthermore, because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data, and, in the case of predicting performance in scenarios with little or no historical precedent (such as extreme broad- based declines in home prices, deep economic recessions or depressions, or pandemics), such models must employ greater degrees of extrapolation and are therefore more speculative and of more limited reliability. All valuation models rely on correct market data inputs. If incorrect market data is entered into even a well- founded valuation model, the resulting valuations will be incorrect. However, even if market data is input correctly," model prices" will often differ substantially from market prices, especially for securities with complex characteristics or whose values are particularly sensitive to various factors. If our market data inputs are incorrect or our model prices differ substantially from market prices, our business, financial condition and results of operations, and our ability to pay dividends to our stockholders could be materially adversely affected. The **The frequency at which prepayments (including both voluntary prepayments by borrowers and liquidations due to defaults and foreclosures) occur on**

mortgage loans,including those underlying our RMBS,is affected by a variety of factors,including the prevailing level of interest rates as well as economic,demographic,tax,social,legal,and other factors.Generally,borrowers tend to prepay their mortgages when prevailing mortgage rates fall below the interest rates on their mortgage loans.When borrowers prepay their mortgage loans at rates that are faster or slower than expected,it results in prepayments that are faster or slower than expected on such loans or the related RMBS ~~,Forward MSR- related investments or Reverse MSRs~~ .These faster or slower than expected payments may adversely affect our profitability.We may purchase securities or loans that have a higher interest rate than the then- prevailing market interest rate.In exchange for this higher interest rate,we may pay a premium to par value to acquire the security or loan.In accordance with U.S.GAAP,we amortize this premium as an expense over the expected term of the security or loan based on our prepayment assumptions.If a security or loan is prepaid in whole or in part at a faster than expected rate,however,we must expense all or a part of the remaining unamortized portion of the premium that was paid at the time of the purchase,which will adversely affect our profitability.We also may purchase securities or loans that have a lower interest rate than the then- prevailing market interest rate.In exchange for this lower interest rate,we may pay a discount to par value to acquire the security or loan.We accrete this discount as income over the expected term of the security or loan based on our prepayment assumptions.If a security or loan is prepaid at a slower than expected rate,however,we must accrete the remaining portion of the discount at a slower than expected rate.This will extend the expected life of our investment portfolio and result in a lower ~~–~~than ~~–~~expected yield on securities and loans purchased at a discount to par.Prepayment rates generally increase when interest rates fall and decrease when interest rates rise.Since many RMBS,especially fixed rate RMBS,will be discount securities when interest rates are high,and will be premium securities when interest rates are low,these RMBS may be adversely affected by changes in prepayments in any interest rate environment ~~.Prepayments may also result from borrowers' desire to monetize a portion of the equity in their homes (" cash- out " refinancing);since higher home values (and therefore also homeowners' equity) are often correlated with lower interest rates,higher cash- out refinancing activity is also often correlated with lower interest rates~~ .Prepayment rates are also affected by factors not directly tied to interest rates ~~or home values~~ ,and these factors are difficult to predict.Prepayments can also occur when borrowers sell their properties or when borrowers default on their mortgages and the mortgages are prepaid from the proceeds of a foreclosure sale of the underlying property and / or from the proceeds of a mortgage insurance policy or other guarantee.Fannie Mae and Freddie Mac will generally,among other conditions,purchase mortgages that are 120 days or more delinquent from the Agency RMBS pools that they have issued when the cost of guaranteed payments to security holders,including advances of interest at the security coupon rate,exceeds the cost of holding the non- performing loans in their portfolios.Consequently,prepayment rates also may be affected by conditions in the housing and financial markets,which may result in increased delinquencies on mortgage loans.Prepayment rates can also be affected by actions of the GSEs and their cost of capital,general economic conditions,and the relative interest rates on fixed and adjustable rate loans.Additionally,changes in the GSEs' decisions as to when to repurchase delinquent loans can materially impact prepayment rates on Agency RMBS.The adverse effects of prepayments may impact us in various ways.First,particular investments may experience outright losses,as in the case of interest only securities,or" IOs," and inverse interest only securities,or" IIOs," in an environment of faster actual or anticipated prepayments.Second,particular investments may underperform relative to any hedges that our Manager may have constructed for these assets,resulting in a loss to us.In particular,prepayments (at par) may limit the potential upside of many RMBS to their principal or par amounts,whereas their corresponding hedges often have the potential for unlimited loss.Furthermore,to the extent that faster prepayment rates are due to lower interest rates,the principal payments received from prepayments will tend to be reinvested in lower- yielding assets,which may reduce our income in **the long run.Therefore,if actual prepayment rates differ from anticipated prepayment rates,our business,financial condition and results of operations,and ability to pay dividends to our stockholders could be materially adversely affected.** values of some of the assets in our portfolio are not readily determinable. We value the vast majority of these assets monthly at fair value, as determined in good faith by our Manager, subject to the oversight of our Manager' s valuation committee. Because such valuations are inherently uncertain, may fluctuate over short periods of time **, especially during periods of elevated market volatility,** and may be based on estimates, our Manager' s determinations of fair value may differ from the values that would have been used if a ready market for these assets existed or from the prices at which trades occur. Furthermore, we may not obtain third- party valuations for all of our assets. Changes in the fair value of our assets directly impact our net income through recording unrealized appreciation or depreciation of our investments and derivative instruments, and so our Manager' s determination of fair value has a material impact on our net income. While in many cases our Manager' s determination of the fair value of our assets is based on valuations provided by third- party dealers and pricing services, our Manager can and does value assets based upon its judgment and such valuations may differ from those provided by third- party dealers and pricing services. Valuations of certain assets are often difficult to obtain or are unreliable **and certain of our credit and MSR interests, including our Forward MSR- related investments and our HMBS MSR Equivalent, trade infrequently and are illiquid** . In general, dealers and pricing services heavily disclaim their valuations. Additionally, dealers and pricing services may claim to furnish valuations only as an accommodation and without special compensation, and so they may disclaim any and all liability for any direct, incidental, or consequential damages arising out of any inaccuracy or incompleteness in valuations, including any act of negligence or breach of any warranty. Depending on the complexity and illiquidity of an asset, valuations of the same asset can vary substantially from one dealer or pricing service to another. Higher valuations of our assets have the effect of increasing the amount of base management fees and incentive fees we pay to our Manager. Therefore, conflicts of interest exist because our Manager is involved in the determination of the fair value of our assets. Market- based inputs are generally the preferred source of values for purposes of measuring the fair value of our assets under U. S. GAAP. However, the markets for our investments have experienced, and could in the future experience, extreme volatility, reduced transaction volume and liquidity, and disruption as a result of certain events, such as the COVID- 19 pandemic, which has made, and could in the future make, it more difficult for our Manager, and for the third- party dealers and pricing services that we use, to rely on market- based inputs in connection with the valuation of our assets under U. S. GAAP. Furthermore, in determining the fair value of our assets, our Manager uses proprietary models that require the use of a significant amount of judgment and the application of various assumptions including, but not limited to, assumptions concerning future prepayment rates, interest rates, default rates and loss severities. These assumptions might be especially difficult to project accurately during periods of economic disruption. The fair value of certain of our investments may fluctuate over short periods of time, and our Manager' s determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our business, financial condition and results of operations, and our ability to pay dividends to our stockholders could be materially adversely affected if our Manager' s fair value determinations of these assets were materially different from the values that would exist if a ready market existed for these assets. We depend on a variety of services provided by third- party service providers related to our **MSRs,** ~~non- Agency RMBS~~ - **MBS, CRTs** , European assets, securitizations, and whole mortgage loans and loan pools. We rely on the mortgage servicers who service the mortgage loans backing our **MSRs,** ~~non- Agency RMBS~~ - **MBS, CRTs** , our European assets, our securitizations, as well as the mortgage loans and loan pools that we own directly, to, among other things, collect principal and interest payments on the underlying mortgages and perform loss mitigation services. These mortgage servicers and other service providers ~~to our non- Agency RMBS, European assets, and securitizations~~ , such as trustees, bond insurance providers, due diligence vendors, and custodians, may not perform in a manner that promotes our interests. In addition, legislation that has been enacted or that may be enacted in order to reduce or prevent foreclosures through, among other things, loan modifications, may reduce the value of **our MSRs or the** mortgage loans backing our ~~non- Agency RMBS~~ - **MBS, CRTs,** or whole mortgage loans that we acquire. Mortgage servicers may be incentivized by U. S. federal, state, or local governments to pursue such loan modifications, as well as forbearance plans and other actions intended to prevent foreclosure, even if such loan modifications and other actions are not in the best interests of the beneficial owners of the mortgage loans. In addition to legislation that creates financial incentives for mortgage loan servicers to modify loans and take other actions that are intended to prevent foreclosures, legislation has also been adopted that creates a safe harbor from liability to creditors for servicers that undertake loan modifications and other actions that are intended to prevent foreclosures. Finally, legislation has been adopted that delays the initiation or completion of foreclosure proceedings on specified types of residential mortgage loans or otherwise limits the ability of mortgage servicers to take actions that may be essential to preserve the value of the mortgage loans underlying the mortgage servicing rights. Any such limitations are likely to cause delayed or reduced collections from mortgagors and generally increase servicing costs. ~~As~~ **In addition, to the extent that we own the MSR related to a mortgage loan or have economic exposure to an MSR through an arrangement with a master servicer, we could be ultimately liable for any servicing infractions by a subservicer, and in certain cases, infractions related to the origination of the mortgage loans. To the extent that we or the related master servicer cannot recover any such losses from the originator or subservicer, we would suffer losses, which could materially adversely affect our Additionally, our MSRs, MBS, CRTs, European assets, securitizations, and whole mortgage loans and loan pools could also be materially and adversely affected if the mortgage servicer is unable to service the underlying mortgage loans due to a failure to comply with applicable laws and regulations or as** a result of ~~these~~ **new** legislative actions, **failure to perform its loss mitigation duties, a downgrade in its servicer rating,** the ~~mortgage loan~~ **failure to perform adequately in its external audits, or a failure in or performance of its operational systems or infrastructure. Further, economic disruptions may result in liquidity pressures on** servicers **and other third- party vendors that we rely upon. For instance, as a result of an increase in mortgagors requesting relief in the form of forbearance plans and / or other loss mitigation, servicers and other parties responsible in capital markets securitization transactions for funding advances with respect to delinquent mortgagor payments of principal and interest may begin to experience financial difficulties if mortgagors do not make monthly payments. The negative impact of an economic disruption** on ~~which we rely may not perform in~~ **the business and operations of such servicers** ~~our~~ - **or** ~~best interests~~ **other parties responsible** ~~or~~ **for** ~~up to our expectations~~ **funding such advances could be significant** . If our third- party service providers, including mortgage servicers, do not perform as expected, our business, financial condition and results of operations, and ability to pay dividends to our stockholders ~~may~~ **could** be materially adversely affected. See ~~also~~ " **— Our investments in MSR related assets expose us to additional risk of loss if our counterparty were unable to satisfy its obligation to us" and" — Risks Related to Our Loan Origination Businesses** — Longbridge relies on a subservicer to perform reverse mortgage servicing functions, which presents us with a number of risks. ~~"~~ **"** Both default frequency and default severity of mortgage loans are highly dependent on the quality of the mortgage servicer. We depend on the **effectiveness of servicing, including** loss mitigation efforts of mortgage servicers and in some cases" special servicers," which are mortgage servicers who specialize in servicing non- performing loans. If mortgage servicers are not vigilant in encouraging borrowers to make their monthly payments, the borrowers are far less likely to make those payments **. Additionally, servicers can perform loan modifications, which could potentially impact the value of our securities. The failure of servicers to effectively service the mortgage loans underlying the securities in our investment portfolio could negatively impact the value of our investments and our performance** . In addition, for the whole mortgage loans that we own directly, we may engage in our own loss mitigation efforts over and beyond the efforts of the mortgage servicers, including more hands- on mortgage servicer oversight and management, borrower refinancing solicitations, as well as other efforts. Our and our mortgage servicers' loss mitigation efforts may be unsuccessful in limiting delinquencies, defaults, and losses, or may not be cost effective, which ~~may~~ **could** materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. **Our** ~~Furthermore, our~~ ability to accomplish such loss mitigation may **also** be limited by the tax rules governing REITs **. Servicer quality and effectiveness are of particular importance in the performance of non- agency loans and MBS. If a servicer is performing inadequately or goes out of business, the transfer of servicing to a new servicer takes time, and loans may become delinquent because of confusion or lack of attention. We have already**

experienced this phenomenon related to servicing transfers on certain of our mortgage loans. When servicing is transferred, the prior servicer' s advances (e. g., of delinquent interest, principal, taxes, or insurance) are often not recaptured efficiently by the new servicer, which in the case of securitized loans may have an adverse effect on non-agency MBS credit support. In the case of securitized loans, servicers may be required to advance interest on delinquent loans to the extent the servicer deems those advances recoverable. However, in the event the servicer does not advance such funds, interest may be interrupted, even on more senior securities. Servicers may also advance more than is in fact recoverable once a defaulted loan is disposed, and the loss to the securitization trust may be greater than the outstanding principal balance of that loan (i. e., greater than 100 % loss severity). Finally, an increase in servicing costs, including as a result of an increase in the difficulty of or the costs related to loss mitigation efforts, would lower our yield on the relevant assets and could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders . Following the global financial crisis of 2008- 2009, one of the biggest risks affecting the residential mortgage loan, non- Agency RMBS, and European RMBS markets has been uncertainty around the timing and ability of servicers to foreclose on defaulted loans, so that they can liquidate the underlying properties and ultimately pass the liquidation proceeds through to RMBS holders. Given the magnitude of the 2008- 2009 housing crisis, and in response to the well- publicized failures of many servicers to follow proper foreclosure procedures, mortgage servicers are being held to much higher foreclosure- related documentation standards than they previously were. However, because many mortgages have been transferred and assigned multiple times (and by means of varying assignment procedures) throughout the origination, warehouse, and securitization processes, mortgage servicers have generally had much more difficulty furnishing the requisite documentation to initiate or complete foreclosures. In addition, the COVID- 19 pandemic has led, and could continue to lead, to delays in the foreclosure process, both by operation of state law ~~(e. g., foreclosure moratoriums in certain states)~~ and by delays in the judicial system. These circumstances have led to stalled or suspended foreclosure proceedings, and ultimately additional foreclosure- related costs. Foreclosure- related delays also tend to increase ultimate loan loss severities as a result of property deterioration, amplified legal and other costs, and other factors. Many factors delaying foreclosure, such as borrower lawsuits and judicial backlog and scrutiny, are outside of a servicer' s control and have delayed, and will likely continue to delay, foreclosure processing in both judicial states (where foreclosures require court involvement) and non- judicial states. The concerns about deficiencies in foreclosure practices of servicers and related delays in the foreclosure process may impact our loss assumptions and has affected and may continue to affect the values of, and our returns on, our investments in RMBS and residential whole loans. Before making an investment, our Manager may decide to conduct (either directly or using third parties) certain due diligence **on such potential investment** . There can be no assurance that our Manager will conduct any specific level of due diligence, or that, among other things, our Manager' s due diligence processes will uncover all relevant facts or that any purchase will be successful, which could result in losses on these assets, which ~~, in turn,~~ could **materially** adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Sellers of mortgage loans that we acquire or that are sold to the trusts that issued the non- Agency RMBS or European RMBS in which we invest made various representations and warranties related to the mortgage loans sold by them to us or the trusts that issued the RMBS. If a seller fails to cure a material breach of its representations and warranties with respect to any mortgage loan in a timely manner, then we, or the trustee or the servicer of the loans, may have the right to require that the seller repurchase the defective mortgage loan (or in some cases substitute a performing mortgage loan). It is possible, however, that for financial or other reasons, the seller either may not be capable of repurchasing defective mortgage loans, or may dispute the validity of or otherwise resist its obligation to repurchase defective mortgage loans. The inability or unwillingness of a seller to repurchase defective mortgage loans from us or from a non- Agency RMBS trust or European RMBS trust in which we invest would likely cause higher rates of delinquencies, defaults, and losses for the mortgage loans we hold, or the mortgage loans backing such non- Agency RMBS or European RMBS, and ultimately greater losses for our investment in such assets. Certain securities that we acquire are deemed by rating agencies to have substantial vulnerability to default in payment of interest and / or principal. Other securities we acquire have the lowest quality ratings or are unrated. Many securities that we acquire are subordinated in cash flow priority to other more" senior" securities of the same securitization ~~. The exposure to defaults on the underlying mortgages is severely magnified in subordinated securities~~ . Certain subordinated securities (" first loss securities") absorb all losses from default before any other class of securities is at risk. Such securities therefore are considered to be highly speculative investments. ~~Also~~ **In the case of CRTs and subordinated RMBS and CMBS** , the risk of **defaults on the underlying mortgages and / or** declining real estate values ~~, in particular,~~ is amplified ~~in subordinated RMBS, CMBS and CRT~~ , as are the risks associated with possible changes in the market' s perception of ~~the~~ **any** entity issuing or guaranteeing ~~them~~ **such securities** , or by changes in government regulations and tax policies **. In the case of CLOs, the risk of economic recession and declining creditworthiness of corporate borrowers is amplified** . Accordingly, the subordinated and lower- rated (or unrated) securities in which we invest may experience significant price and performance volatility relative to more senior or higher- rated securities, and they are subject to greater risk of loss than more senior or higher- rated securities which, if realized, could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. ~~Investments in second lien mortgage loans could subject us to increased risk of losses.~~ We have invested, and may in the future invest, in second- lien mortgage loans or RMBS backed by such loans. **We also have invested, and may in the future invest, in subordinated corporate loans or CLOs backed by such loans.** If a borrower defaults on a second- lien ~~mortgage~~ **or subordinated** loan or on its senior debt (i. e., a first- lien loan, in the case of a residential mortgage loan), or in the event of a borrower bankruptcy, such **second- lien or subordinated** loan will be satisfied only after all senior debt is paid in full. As a result, if we invest **directly or indirectly** in second- lien mortgage loans **or subordinated corporate loans** and the **underlying** borrower defaults, we may lose all or a significant part of our investment. The frequency at which prepayments (including...... stockholders could be materially adversely affected. Our fixed **-** rate investments, especially most fixed **-** rate mortgage loans, fixed **-** rate MBS, and most MBS backed by fixed **-** rate mortgage loans, **generally** decline in value when long-term interest rates increase. Even in the case of Agency RMBS, the guarantees provided by GSEs do not protect us from declines in market value caused by changes in interest rates. In the case of RMBS backed by adjustable **-** rate mortgages, or" ARMs," increases in interest rates can lead to increases in delinquencies and defaults as borrowers become less able to make their mortgage payments following interest payment resets. Additionally, an increase in short- term interest rates would increase the amount of interest owed on our repo borrowings. See" — Interest rate mismatches between our assets and our borrowings may reduce our income during periods of changing interest rates, and increases in interest rates could adversely affect the value of our assets **.** " ~~below.~~ Rising interest rates **, elevated interest rate volatility and / or elevated yield spreads** generally reduce the demand for mortgage loans due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may affect the volume of targeted assets available to us, which could adversely affect our ability to acquire assets that satisfy our investment objectives, and could also adversely affect the mortgage loan originators in which we are invested, whose businesses depend on demand from borrowers for mortgage loans. If ~~rising interest rates~~ **changes in market conditions** cause us to be unable to acquire a sufficient volume of our targeted assets with a yield that is above our borrowing cost, or adversely impact Longbridge and other loan originators in which we invest, our ability to satisfy our investment objectives and to generate income and pay dividends to our stockholders may be materially and adversely affected. Some of our assets are fixed rate or have a fixed **-** rate component (such as non- QM loans, residential transition loans, and RMBS backed by hybrid ARMs). This means that the interest we earn on these assets will not vary over time based upon changes in a short- term interest rate index. Although the interest we earn on our ARMs ~~and~~ **,** our RMBS backed by ARMs **, and many of our CLO investments** generally will adjust for changing interest rates, such interest rate adjustments may not occur as quickly as the interest rate adjustments to any related borrowings, and such interest rate adjustments will generally be subject to interest rate caps, which potentially could cause such **assets** ~~loans and RMBS~~ to acquire many of the characteristics of fixed rate assets during periods of rising or high interest rates. We generally fund our targeted assets with borrowings whose interest rates reset frequently, and as a result we generally have an interest rate mismatch between our assets and liabilities, which could cause our net interest margin (the spread between the average yield on our assets and our average borrowing costs) to compress, or even become negative. While our interest rate hedges are intended to mitigate a portion of this mismatch, the use of interest rate hedges also introduces the risk of other interest rate mismatches and exposures, as will the use of other financing techniques. Additionally, to the extent cash flows from RMBS we hold are reinvested in new RMBS, the spread between the yields of the new RMBS and available borrowing rates may also compress or become negative. If our net interest margin compresses or becomes negative, our business, cash flow, financial condition, results of operations, and ability to pay dividends to our stockholders could be materially affected. In fact, in 2022 **and parts of 2023** , which **saw** ~~was a period~~ **periods** of rising interest rates, we experienced compressed, and in some cases negative, net interest margin on many of our assets. Fixed **-** income assets, including many RMBS, typically decline in value if interest rates increase. If long- term rates were to increase significantly **, such as we saw during 2022 and 2023** , not only would the market value of these assets be expected to decline, but these assets could lengthen in duration because borrowers would be less likely to prepay their mortgages. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors beyond our control. Between March 2020 and March 2022, the U. S. Federal Reserve, or the" Federal Reserve," maintained the target range for the federal funds rate at 0. 00 % — 0. 25 %. Beginning in March 2022, however, the Federal Reserve began a series of interest rate hikes in response to historically high inflation, and as of ~~February 1~~ **January 31** , ~~2023~~ **2024** , the target range for the federal funds rate was ~~4~~ **5** . ~~50~~ **25** % — ~~4~~ **5** . ~~75~~ **50** %. Moreover, concerns over the United States' debt ceiling and budget- deficit have increased the possibility of downgrades by rating agencies to the U. S. government' s credit rating, which could cause interest rates and borrowing costs to rise further. The future path of interest rates is highly uncertain. While we opportunistically hedge our exposure to changes in interest rates, such hedging may be limited by our intention to remain qualified as a REIT, and we can provide no assurance that our hedges will be successful, or that we will be able to enter into or maintain such hedges. As a result, interest rate fluctuations can cause significant losses, reductions in income, and can limit the cash available to pay dividends to our stockholders. ARMs and hybrid ARMs (i. e., residential mortgage loans that have interest rates that are fixed for a specified period of time (typically three, five, seven or ten years) and, thereafter, adjust to a fixed increment over a specified interest rate index) are typically subject to periodic and lifetime interest rate caps. Periodic interest rate caps limit the amount an interest rate can increase during any given period. Lifetime interest rate caps limit the amount an interest rate can increase through the maturity of the loan. Our borrowings typically are not subject to similar restrictions. Accordingly, the ARMs and hybrid ARMs that we hold (or that back RMBS that we hold) expose us to interest rate mismatch risks. See" — Interest rate mismatches between our assets and our borrowings may reduce our income during periods of changing interest rates, and increases in interest rates could adversely affect the value of our assets **.** " ~~below.~~ Non- government-guaranteed residential mortgage loans, including non- QM loans, residential transition loans, residential NPLs and RPLs **,** and proprietary reverse mortgage loans, are subject to increased risks. We acquire and manage residential mortgage loans. Residential mortgage loans, including non- QM loans, residential transition loans, residential NPLs and RPLs, and proprietary reverse mortgage loans, are subject to increased risk of loss. Unlike Agency RMBS, residential mortgage loans generally are not guaranteed by the U. S. Government or any GSE, though in some cases they may benefit from private mortgage insurance. Additionally, by directly acquiring residential mortgage loans, we do not receive the structural credit enhancements that benefit senior tranches of RMBS. A residential whole mortgage loan is directly exposed to losses resulting from default. Therefore, the value of the underlying property, the creditworthiness and financial position of the borrower, and the priority and enforceability of the lien will significantly impact the value of such mortgage loan. In the event of a foreclosure, we may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may not be sufficient to recover our cost basis in the loan, and any costs or delays involved in the foreclosure or liquidation process may increase losses.

Residential mortgage loans are also subject to property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property insurance policies, or" special hazard risk," and to reduction in a borrower' s mortgage debt by a bankruptcy court, or" bankruptcy risk." In addition, claims may be assessed against us on account of our position as a mortgage holder or property owner, including assignee liability, environmental hazards, and other liabilities. We could also be responsible for property taxes. In some cases, these liabilities may be" recourse liabilities" or may otherwise lead to losses in excess of the purchase price of the related mortgage or property. If we subsequently resell any whole mortgage loans that we acquire, we would generally be required to make customary representations and warranties about such loans to the loan purchaser. Our residential mortgage loan sale agreements and terms of any securitizations into which we sell loans will generally require us to repurchase or substitute loans in the event we breach a representation or warranty given to the loan purchaser. In addition, we may be required to repurchase loans as a result of borrower fraud or in the event of early payment default on a mortgage loan. The remedies available to a purchaser of mortgage loans are generally broader than those available to us against an originating broker or correspondent. Repurchased loans are typically worth only a fraction of the original price. Significant repurchase activity could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Commercial mortgage loans are secured by commercial property and are subject to risks of delinquency and foreclosure, and risk of loss that may be greater than similar risks associated with loans made on the security of single- family residential property. The ability of a borrower to repay a loan secured by an income- producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower' s ability to repay the loan may be impaired. Furthermore, the market value of a commercial mortgage property is often driven by a " capitalization rate, " which represents the annual net operating income of the property expressed as a percentage of its market value. Capitalization rates tend to be correlated with long- term interest rates **, and have trended higher recently in sympathy with rising long- term interest rates, which has degraded the market value of many commercial properties** . Upon maturity of our commercial mortgage loans, declines in the net operating income of the property and / or increases in then- prevailing capitalization rates (especially if interest rates have risen substantially from the time the loan was originated), may cause declines in the market value of the property, which could cause the borrower to be unable to refinance or repay the maturing loan. Net operating income of an income- producing property can be adversely affected by, among other things: • tenant mix; • declines in tenant income and / or changes to tenant businesses; • property management decisions; • property location, condition, and design; • new construction of competitive properties; • changes in laws that increase operating expenses or limit rents that may be charged; • changes in national, regional, or local economic conditions and / or specific industry segments, including the credit and securitization markets; • declines in regional or local real estate values; • declines in regional or local rental or occupancy rates; • increases in interest rates, real estate tax rates, and other operating expenses; • costs of remediation and liabilities associated with environmental conditions; • the potential for uninsured or underinsured property losses; • changes in governmental laws and regulations, including fiscal policies, zoning ordinances and environmental legislation, and the related costs of compliance; and • **general economic downturn, high energy costs, high unemployment,** acts of God, pandemics such as the COVID- 19 pandemic, **war or other geopolitical conflict,** ~~terrorist~~ **terrorism** ~~attacks~~ **, elevated inflation** , social unrest, and civil disturbances. In the event of any default under a mortgage loan held directly by us, we will bear a risk of loss to the extent of any deficiency between the value of the collateral and our cost basis in the outstanding principal and accrued interest of the mortgage loan, and any such losses could ~~have a material~~ **materially** ~~adverse~~ **adversely** ~~effect~~ **affect** ~~on~~ our ~~cash flow from~~ **business, financial condition and results of** operations **,** and our ability to pay dividends to our stockholders. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor- in- possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process, which could have a substantial negative effect on our anticipated return on the foreclosed mortgage loan. **In addition, there were several notable regional bank failures in the U. S. during 2023, many of which held a significant amount of commercial mortgage loans. There is a possibility that any resulting instability of the banking system could reduce the rate of global economic growth and might lead to a recessionary environment in certain economies, including the U. S. or Europe. Any decline in the commercial real estate market related to the failed regional banks could have a materially adverse impact on our commercial mortgage loans and REO and could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders.** CMBS are secured by a single commercial mortgage loan or a pool of commercial mortgage loans. Accordingly, the CMBS we invest in are subject to all of the risks of the respective underlying commercial mortgage loans. **We also have commercial mortgage loans and CMBS where the value of the underlying properties, such as office properties, hotels, and healthcare properties, partly relies on the value associated with the operating businesses at those properties. As such, these loans bear the risks associated with the values of those commercial properties, as well as the risks associated with the underlying operating businesses, which could be thinly capitalized, highly leveraged, dependent on a small number of key individuals, subject to regulatory concerns, underperform expectations, or face other obstacles that could adversely affect the business and results of operations of any such entity. Office properties are subject to potential valuation declines related disruptions or changes in business practices caused by technological or other innovations (such as businesses adopting remote work policies, shared spaces, and / or co- working environments), workforce reductions in certain market segments, or other factors, which has recently negatively impacted, and may continue to negatively impact, office demand in the commercial real estate sector, rental rates and occupancy levels. Distress in the commercial real estate sector, including office properties, such as that experienced during 2023, has negatively impacted and may continue to negatively impact certain**

commercial real estate- related markets in which we invest, including for example, as a result of low occupancy rates, tenant defaults, the maturation of a significant amount of commercial real estate loans amid an elevated interest rate environment, tightening credit conditions imposed by traditional sources of real estate financing and refinancing, and commercial mortgage loan defaults. If these commercial properties do not generate sufficient income to pay for ongoing operating expenses, our commercial mortgage loans and / or our CMBS may not generate enough principal and / or interest to justify their investment. A decline in the performance or value of commercial mortgage loans could materially adversely affect our business, financial Our investments in CMBS are at risk of loss. In general, losses on real estate securing a mortgage loan included in a securitization will be borne first by the owner of the property, then by the holder of a mezzanine loan or a subordinated participation interest in a bifurcated first **-** lien loan, or" B- Note," if any, then by the" first **-** loss" subordinated security holder (generally, the B- piece buyer) and then by the holder of a higher- rated security. In the event of losses on mortgage loans included in a securitization and the subsequent exhaustion of any applicable reserve fund, letter of credit, or classes of securities junior to those in which we invest, we may not be able to recover all of our investment in the securities we purchase. In addition, if any of the real estate underlying the securitization mortgage portfolio has been overvalued by the originator, or if real estate values subsequently decline and, as a result, less collateral is available to satisfy interest and principal payments due on the related CMBS, we may incur losses. The prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual issuer developments. With respect to the CMBS in which we invest, overall control over the special servicing of the related underlying mortgage loans will be held by a" directing certificateholder" or a" controlling class representative," which is generally appointed by the holders of the most subordinate class of CMBS in such series. In connection with the servicing of the specially serviced mortgage loans, the related special servicer may, at the direction of the directing certificateholder, take actions with respect to the specially serviced mortgage loans that could adversely affect our interests. For further discussion of the risks of our reliance on special servicers, see" — We rely on mortgage servicers ~~for~~ **to service effectively, including** our loss mitigation efforts, and we also may engage in our own loss mitigation efforts with respect to whole mortgage loans that we own directly ~~.~~ **and** ~~Such~~ **such** loss mitigation efforts may be unsuccessful or not cost effective **.** " ~~above.~~ A portion of our investments currently are, and in the future may be, in the form of commercial and residential whole mortgage loans, including subprime mortgage loans and non- performing and sub- performing mortgage loans, which are subject to increased risks of loss. Such loans may already be, or may become, non- performing or sub- performing for a variety of reasons, including because the underlying property is too highly leveraged, property cash flows are inadequate to support a full refinancing upon loan maturity, or the borrower falls upon financial distress. Such non- performing or sub- performing loans may require a substantial amount of workout negotiations and / or restructuring, which may divert the attention of our Manager from other activities and entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments, and a substantial write- down of the principal of the loan. However, even if such restructuring were successfully accomplished, a risk exists that the borrower will not be able or willing to maintain the restructured payments or refinance the restructured mortgage upon maturity. In addition, such modifications could affect our compliance with the tests applicable to REITs, including by increasing our distribution requirement. In addition, certain non- performing or sub- performing loans that we acquire may have been originated by financial institutions that are or may become insolvent, suffer from serious financial stress, or are no longer in existence. As a result, the standards by which such loans were originated, the recourse to the selling institution, and / or the standards by which such loans are being serviced or operated may be adversely affected. Further, loans on properties operating under the close supervision of a mortgage lender are, in certain circumstances, subject to certain additional potential liabilities that may exceed the value of our investment. In the future, it is possible that we may find it necessary or desirable to foreclose on some, if not many, of the loans we acquire, and the foreclosure process may be lengthy and expensive. Borrowers or junior lenders may resist mortgage foreclosure actions by asserting numerous claims, counterclaims, and defenses against us including, without limitation, numerous lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action and force the lender into a modification of the loan or capital structure or a favorable buy- out of the borrower' s or junior lender' s position. In some states, foreclosure actions can sometimes take several years or more to litigate. At any time prior to or during the foreclosure proceedings, the borrower may file, or a junior lender may cause the borrower to file, for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process. Foreclosure and associated litigation may create a negative public perception of the related mortgaged property, resulting in a diminution of its value. Even if we are successful in foreclosing on a loan, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us, and the borrower or junior lenders may continue to challenge whether the foreclosure process was commercially reasonable, which could result in additional costs and potential liability. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property, or defending challenges brought after the completion of a foreclosure, will further reduce the liquidation proceeds and thus increase the loss. Any such reductions could materially and adversely affect the value we realize from the loans in which we invest. Whether or not our Manager has participated in the negotiation of the terms of any such mortgage loans, there can be no assurance as to the adequacy of the protection of the terms of the loan, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, claims may be asserted that might interfere with enforcement of our rights. In the event of a foreclosure, we may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us. Commercial whole mortgage loans are also subject to special hazard risk and to bankruptcy risk. In addition, claims may be assessed against us on account of our position as mortgage holder or property owner, including assignee liability, responsibility for tax payments, environmental hazards and other liabilities. In some cases, these liabilities may be" recourse liabilities" or may otherwise lead to losses in excess of the purchase price of the related mortgage or property. We own assets secured by real estate, we own real estate directly, and may acquire additional real estate directly in the future, either through direct acquisitions or upon a default of mortgage loans. Real estate assets are subject to various risks, including: • declines in the value of real estate, including due to declining property cash flows or rising capitalization rates; • acts of God, including pandemics, such as the COVID- 19 pandemic, earthquakes, floods, wildfires, hurricanes, mudslides, volcanic eruptions and other natural disasters, which may result in uninsured losses; • ~~acts of~~ war **or geopolitical conflict** ~~, such as Russia' s invasion of Ukraine,~~ or terrorism, including the consequences of terrorist attacks, such as those that occurred on September 11, 2001; • adverse changes in national and local economic and market conditions **, including those related to high unemployment, elevated inflation and high energy costs** ; • changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and zoning ordinances; • costs of remediation and liabilities associated with environmental conditions such as indoor mold; • potential liabilities for other legal actions related to property ownership including tort claims; and • the potential for uninsured or under- insured property losses. The occurrence of any of the foregoing or similar events ~~may~~ **could** reduce our return from an affected property or asset and, consequently, **could** materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Many of our hedging transactions, and occasionally our investment transactions, are short sales. Short selling may involve selling securities that are not owned and typically borrowing the same securities for delivery to the purchaser, with an obligation to repurchase the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale may create the risk of an unlimited loss, in that the price of the underlying security might theoretically increase without limit, thus increasing the cost of repurchasing the securities. There can be no assurance that securities sold short will be available for repurchase or borrowing. Repurchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss **, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders** . We use leverage to finance our investment activities and to enhance our financial returns. Most of our leverage is in the form of short- term repos for our Agency and credit portfolio assets. Other forms of leverage include our term secured bank facilities, our securitizations, our **unsecured borrowings** ~~Senior Notes,~~ and may in the future include credit facilities, including term loans and revolving credit facilities. Through the use of leverage, we may acquire positions with market exposure significantly greater than the amount of capital committed to the transaction. For example, by entering into repos with haircut levels ~~,~~ of 5 %, we could theoretically leverage capital allocated to Agency RMBS by an asset- to- equity ratio of as much as 20 to 1. A haircut is the percentage discount that a repo lender applies to the market value of an asset serving as collateral for a repo borrowing, for the purpose of determining whether such repo borrowing is adequately collateralized. Although we may from time to time enter into certain contracts with third parties that may limit our leverage, such as certain financing arrangements with lenders, our governing documents do not specifically limit the amount of leverage that we may use. Leverage can enhance our potential returns but can also exacerbate losses. Even if an asset increases in value, if the asset fails to earn a return that equals or exceeds our cost of borrowing, the leverage will diminish our returns. Leverage also increases the risk of our being forced to precipitously liquidate our assets. See" — Our access to financing ~~sources, which~~ may not be available on favorable terms, ~~or at all,~~ may be limited **or completely shut off** , and our lenders and derivative counterparties may require us to post additional collateral. These circumstances ~~may~~ **could** materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders **.** " ~~below.~~ Our ability to fund our operations, meet financial obligations, and finance targeted asset acquisitions may be impacted by an inability to secure and maintain our financing through repurchase agreements or other borrowings with our counterparties. Because repurchase agreements are generally short- term transactions, lenders may respond to adverse market conditions in a manner that makes it more difficult for us to renew or replace on a continuous basis our maturing short- term borrowings and have, and may continue to, impose more onerous conditions when rolling such repurchase agreements. Our lenders are primarily large global financial institutions, with exposures both to global financial markets and to more localized conditions. In addition to borrowing from large banks, we borrow from smaller non- bank financial institutions. Whether because of a global or local financial crisis or other circumstances, such as if one or more of our lenders experiences severe financial difficulties, they or other lenders could become unwilling or unable to provide us with financing, could increase the haircut required for such financing, or could increase the costs of that financing. Moreover, we are currently party to short- term borrowings (in the form of repos) and there can be no assurance that we will be able to replace these borrowings, or" roll" them, as they mature on a continuous basis and it may be more difficult for us to obtain debt financing on favorable terms, or at all. If we are not able to renew our existing repurchase agreements or other borrowings, or arrange for new financing on terms acceptable to us, or if we default on our financial covenants (including those on our repurchase agreements, other borrowings, and our Senior Notes), are otherwise unable to access funds under our financing arrangements, or if we are required to post more collateral or face larger haircuts, we may have to dispose of assets at significantly depressed prices and at inopportune times, which could cause significant losses, and may also force us to curtail our asset acquisition activities. Similarly, if we were to move a financing from one counterparty to another that was subject to a larger haircut we would have to repay more cash to the original ~~repurchase agreement~~ counterparty than we would be able to borrow from the new ~~repurchase agreement~~ counterparty. To the extent that we might be compelled to liquidate qualifying real estate assets to repay debts, our compliance with the REIT asset tests, income tests, and distribution requirements could be negatively affected, which could jeopardize our qualification as a REIT. Losing our REIT qualification would cause us to be subject to U. S. federal income tax (and any applicable state and local taxes) on all of our income and decrease profitability and cash available to pay dividends to our stockholders. Any such forced liquidations could also materially adversely affect our ability to maintain our exclusion from registration as an investment company under the Investment Company Act. In addition, if there is a contraction in the overall availability of financing for our assets, including if the regulatory capital requirements imposed on our lenders change, our lenders may significantly increase the cost of the financing that they provide to us, or increase the amounts of collateral they require as a condition to providing us with financing. Our lenders also have revised, and may continue to revise, their eligibility requirements for the types of assets that they are willing to finance or the terms of such financing arrangements, including increased haircuts and requiring additional cash collateral, based on, among other factors, the regulatory environment and their management of actual and perceived risk, particularly with respect to assignee liability. Moreover, the amount of financing that we receive under our financing agreements will be directly related to our lenders' valuation of the financed assets subject to such agreements. Typically, the master repurchase agreements that govern our borrowings under repurchase agreements grant the lender the right to reevaluate the fair market value of the financed assets subject to such repurchase agreements at any time. If a lender determines that the net decrease in the value of the portfolio of financed assets is greater in magnitude than any applicable threshold, it will generally initiate a margin call. In such cases, a lender' s valuations of the financed assets may be different than the values that we ascribe to these assets and may be influenced by recent asset sales at distressed levels by forced sellers. A valid margin call requires us to transfer **cash or** additional ~~cash or~~ qualifying ~~assets~~ **collateral** to a lender ~~without any advance of funds from the lender for such transfer~~ or to repay a portion of the outstanding borrowings. If **we were to dispute the validity of a margin call from** a lender under one of our repo agreements ~~were~~ **and refuse** to **deliver margin collateral as a result, a lender could still** send us a notice of default **. In this situation** ~~, even if we were to dispute the validity of a margin call from the lender~~ , such lender will have possession of the financed assets, and might still decide to exercise its contractual remedies **, despite the margin dispute** . In the event of our default, our lenders or derivative counterparties can accelerate our indebtedness, terminate our derivative contracts (potentially on unfavorable terms requiring additional payments, including additional fees and costs), increase our borrowing rates, liquidate our collateral, and terminate our ability to borrow. In certain cases, a default on one repo agreement or derivative agreement (whether caused by a failure to satisfy margin calls or another event of default) can trigger" cross defaults" on other such agreements. In addition, if the market value of our derivative contracts with a derivative counterparty declines in value, we generally will be subject to a margin call by the derivative counterparty. Significant margin calls and / or increased repo haircuts could have a material adverse effect on our results of operations, financial condition, business, liquidity, and ability to make distributions to our stockholders, and could cause the value of our capital stock to decline. During March and April of 2020, we observed that many of our financing agreement counterparties assigned lower valuations to certain of our assets, resulting in us having to pay cash or transfer additional securities to satisfy margin calls, which were higher than historical levels. In addition, during March and April of 2020 we also experienced an increase in haircuts on repurchase agreements that we rolled. A sufficiently deep and / or rapid increase in margin calls or haircuts would have an adverse impact on our liquidity. Consequently, depending on market conditions at the relevant time, we may have to rely on additional equity issuances to meet our capital and financing needs, which may be dilutive to our stockholders, or we may have to rely on less efficient forms of debt financing that consume a larger portion of our cash flow from operations, thereby reducing funds available for our operations, future business opportunities, cash dividends to our stockholders, and other purposes. We cannot assure you that we will have access to such equity or debt capital on favorable terms (including, without limitation, cost and term) at the desired times, or at all, which may cause us to curtail our asset acquisition activities and / or dispose of assets, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders, or in the worst case, cause our insolvency. **A failure to comply with restrictive covenants in our financing arrangements would have a material adverse effect on us, and any future financings may require us to provide additional collateral or pay down debt.** We are subject to various restrictive covenants contained in our existing financing arrangements and may become subject to additional covenants in connection with future financings. For example, the indenture governing our Senior Notes contains covenants that, subject to a number of exceptions and adjustments, among other things: limit our ability to incur additional indebtedness; require us to maintain a minimum Net Asset Value (as defined in the indenture governing the Senior Notes); require us to maintain a ratio of Consolidated Unencumbered Assets (as defined in indenture governing the Senior Notes) to the aggregate principal amount of the outstanding Senior Notes at or above a specified threshold, and impose certain conditions on our merger or consolidation with another person. In addition, the interest rate on our Senior Notes is subject to upward adjustment based on certain changes, if any, in the ratings of the Senior Notes. Furthermore, several of our repo agreements contain financial covenants of a similar nature, including requiring us to maintain a minimum level of liquidity, a minimum level of equity, and a maximum level of additional indebtedness. The covenants in our financing arrangements may limit our flexibility to pursue certain investments or incur additional debt. If we fail to meet or satisfy any of these covenants, subject to ~~certain~~ **any applicable** cure provisions ~~, as applicable~~ , we would be in default under these agreements and our indebtedness could be declared due and payable. In addition, our lenders could terminate their commitments, require the posting of additional collateral and enforce their interests against existing collateral. We may also be subject to cross- default and acceleration rights under our financing arrangements, whereby a default (such as a failure to comply with a covenant) under one financing arrangement can trigger a default under other financing arrangements. In order to generate additional cash for funding new investments, we have securitized, and may in the future seek to securitize, certain of our assets, especially our loan assets. Some securitizations are treated as financing transactions for U. S. GAAP, while others are treated as sales. In a typical securitization, we convey assets to a special purpose vehicle, which then issues one or more classes of notes secured by the assets pursuant to the terms of an indenture. To the extent that we retain the most subordinated economic interests in the issuing vehicle, we would continue to be exposed to losses on the assets for as long as those retained interests remained outstanding and therefore able to absorb such losses. Furthermore, our retained interests in a securitization could be less liquid than the underlying assets themselves, and may be subject to U. S. Risk Retention Rules and similar European rules. Moreover, even though we might accumulate assets with a view towards possible securitization, we cannot be assured that we will be able to access the securitization market, or be able to do so under favorable terms. The inability to securitize certain segments of our portfolio, especially certain of our loan assets, could force us to resort to **what may be** inferior methods of financing those assets, could force us to sell those loan assets at inopportune times, and could adversely impact our ability to grow our loan acquisition businesses. Furthermore, because we have entered into and may in the future enter into securitization transactions alongside other entities, including other Ellington affiliates, there may be conflicts between us, on the one hand, and the other entities, including other Ellington affiliates, on the other hand. In addition, in anticipation of a securitization transaction, we (either alone or in conjunction with other investors, including other Ellington affiliates) have in the past, and may again in the future, provide capital to a vehicle accumulating assets for the securitization. If such a securitization is not ultimately completed, or if the assets do not perform as expected during the accumulation period, we could lose all or a portion of the capital that we provided to the vehicle. Furthermore, because we may enter into these types of transactions along with other investors, including other Ellington affiliates, there may be conflicts between us, on the one hand, and the other investors, including other Ellington affiliates, on the other hand. These accumulation vehicles typically enter into warehouse financing facilities to facilitate their accumulation of assets, and so such vehicles carry with them the additional risks associated with financial leverage and covenant compliance. In connection with our securitizations, we generally are required to prepare disclosure documentation for investors, including term sheets and offering memoranda, which contain information regarding the securitization generally, the securities being issued, and the assets being securitized. If our disclosure documentation for a securitization is alleged or found to contain material inaccuracies or omissions, we may be liable under federal securities laws, state securities laws or other applicable laws for damages to the investors in such securitization, we may be required to indemnify the underwriters of the securitization or other parties, and / or we may incur other expenses and costs in connection with disputing these allegations or settling claims. Such liabilities, expenses, and / or losses could be significant. We will typically be required to make representations and warranties in connection with our securitizations regarding, among other things, certain characteristics of the assets being securitized. If any of the representations and warranties that we have made concerning the assets are alleged or found to be inaccurate, we may incur expenses disputing the allegations, and we may be obligated to repurchase certain assets, which may result in losses. Even if we previously obtained representations and warranties from loan originators or other parties from whom we originally acquired the assets, such representations and warranties may not align with those that we have made for the benefit of the securitization, or may otherwise not protect us from losses ~~(e. g.~~ , ~~because of~~ **including as** a **result of the** deterioration in the financial condition of the party that provided representations and warranties to us ~~)~~ . Longbridge assumes certain obligations related to each security issued in its securitizations. One significant obligation is the requirement to purchase any HECM loan out of the HMBS if the outstanding principal balance of such loan is equal to or greater than 98 % of the maximum claim amount (" MCA Repurchases"). Active repurchased loans are assigned to HUD, and HUD reimburses Longbridge for the outstanding principal balance on the loan up to the maximum claim amount. Longbridge bears the risk to the extent that the amount of the outstanding principal balance on a loan exceeds the maximum claim amount. Inactive repurchased loans, which are loans where **a default or maturity event has occurred, such as** the borrower ~~is deceased~~ **passing away** , no longer ~~occupies~~ **occupying** the property or ~~is~~ **becoming** delinquent on tax and insurance payments, are generally liquidated through foreclosure and subsequent sale of real estate owned **property** (“ REO ”), with a claim filed with HUD for recoverable remaining principal and advance balances. The recovery timeline for inactive repurchased loans depends on various factors, including foreclosure status at the time of repurchase, state- level foreclosure timelines, and the post- foreclosure REO liquidation timeline. The timing and amount of Longbridge’ s obligation with respect to MCA Repurchases is uncertain as repurchase is dependent largely on circumstances outside of Longbridge’ s control including the amount and timing of future draws and the status of the loan. MCA Repurchases are expected to continue to increase due to the increased flow of HECMs and REO that are reaching 98 % of their maximum claim amount. **We typically fund these repurchase obligations using available cash and / or borrowing facilities to finance a portion of the repurchase amount; provided that, in certain repurchase situations, we rely on a contractual obligation of an unrelated entity to fund such purchase amount. However, to the extent that our funding commitments exceed our borrowing capacity under these facilities, if we are unable to renew these facilities upon their maturities, or, in cases where we' re relying on an unrelated entity to fund such repurchase amount and they do not fund in time, we would be solely dependent on available cash to meet these commitments. In cases where we are relying on the contractual agreement with an unrelated entity, we may not be able to recover such funds from the unrelated entity after the repurchase. If our liquidity position is insufficient to fund these amounts, this could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders.** In addition **, when using** ~~to having to fund~~ these **facilities to finance the** ~~repurchases~~ - **repurchase** ~~, which requires adequate sources of financing and liquidity that might not be available~~ , Longbridge also typically earns **an** ~~a lower~~ interest rate that is frequently less than the cost of financing, and also incurs certain non- reimbursable costs during the process of liquidating nonperforming loans. ~~Through~~ Longbridge ~~, we originate~~ **originates** and ~~service~~ **services** HECM loans where the borrower ~~has additional borrowing capacity, primarily in the form of~~ an undrawn line of credit **entitling the borrower to demand future draws** , which ~~we are~~ **Longbridge as servicer is** obligated to fund. As of December 31, ~~2022~~ **2023** our commitment to fund such additional borrowing capacity was $ 1. ~~7~~ **9** billion. In addition, we are required to advance mortgage insurance premiums on behalf of HECM borrowers. We typically fund these obligations on a short- term basis using available cash **and / or our credit facilities** , and regularly securitize these amounts (along with our servicing fees) through the issuance of HMBS tail securitizations **. A substantial portion of reverse MSR values comes from the expectation that while the servicer funds such future draws at par, it will be able to securitize and sell such future draws at a premium. When valuing Longbridge’ s reverse MSRs, the prices assumed for subsequent HMBS tail pools reflect market conditions that may not be realized. If the actual prices earned on these HMBS pools are lower than forecast, the value of Longbridge’ s reverse MSRs could be materially adversely impacted** . We have also entered into an agreement for a revolving credit facility to finance a portfolio of these tail draws prior to their securitization into HMBS. However, to the extent that our funding commitments exceed our borrowing capacity under this facility, or if we are unable to renew this facility upon its maturity in ~~April~~ **May** ~~2023~~ **2024**, we would be dependent on available cash to meet these commitments. If ~~our~~ **Longbridge's** liquidity position is insufficient to fund these amounts and ~~we are~~ **Longbridge is** unable to fund them through the securitization of the tails into HMBS, this could ~~have a material~~ **materially** ~~adverse~~ **adversely** ~~effect~~ **affect** ~~on~~ our business, financial condition and results of operations, and our ability to pay dividends to our stockholders ~~. The ICE Benchmark Administration, (the current administrator of LIBOR), or the " IBA, " ceased publishing USD LIBOR on December 31, 2021 for the one week and two month USD LIBOR tenors, and intends to cease publishing the remaining USD LIBOR tenors on June 30, 2023; however, in November 2022, the U. K. Financial Conduct Authority, which regulates the IBA, announced a public consultation regarding whether it should compel IBA to continue publishing " synthetic " USD LIBOR settings from June 2023 to the end of September 2024. The Alternative Reference Rates Committee, or" ARRC," a group convened by the Federal Reserve Board and the Federal Reserve Bank of New York consisting of large U. S. financial institutions, regulators and other private and public- sector entities, has recommended the Secured Overnight Financing Rate, or" SOFR," as a more robust reference rate alternative to USD LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U. S. Treasury securities, and is based on directly observable U. S. Treasury- backed repurchase transactions. There are significant differences between LIBOR and SOFR, such as LIBOR being an unsecured lending rate while SOFR is a secured lending rate, and SOFR is an overnight rate while LIBOR reflects term rates at different maturities. If our LIBOR- based borrowings are converted to SOFR, the differences between LIBOR and SOFR, plus the recommended spread adjustment, could result in higher interest costs for us, which could have a material adverse effect on our operating results. It is uncertain at this time if the remaining tenors of USD LIBOR will cease to exist prior to June 30, 2023, or whether additional reforms to LIBOR may be enacted, or whether alternative reference rates such as SOFR will gain market acceptance as a replacement for LIBOR. Although SOFR is ARRC' s recommended replacement rate, it is also possible that lenders may instead choose alternative replacement rates that may differ from LIBOR in ways similar to SOFR or in other ways that would result in higher interest costs for us. In addition, the planned discontinuation of LIBOR and / or changes to another index could result in mismatches with the interest rate of investments that we are financing, and the overall financial markets may be disrupted as a result of the phase- out or replacement of LIBOR. As a result, we cannot reasonably estimate the impact of the transition at this time. The transition from LIBOR to SOFR or other alternative reference rates may also introduce operational risks in our accounting, financial reporting, liability management and other aspects of our business. Additionally, certain of our LIBOR- based contracts that may be in effect at the time of LIBOR discontinuation may not contain fallback language in the event LIBOR is unavailable or may not contain fallback language that contemplates the permanent discontinuation of LIBOR. Consequently, there is uncertainty as to how our LIBOR- based financial instruments may react to its discontinuation. While legislation passed by New York State in April 2021 was designed to address situations where there is no fallback language in a LIBOR- based contract, there is still uncertainty as to how the legislation will be applied for certain investments, and other investments will likely not be covered by the legislation. In addition, on March 15, 2022, the Consolidated Appropriations Act of 2022, which includes the Adjustable Interest Rate (LIBOR) Act, or LIBOR Act, was signed into law in the U. S. This legislation establishes a uniform benchmark replacement process for financial contracts maturing after June 30, 2023 that do not contain clearly defined or practicable fallback provisions. Under the LIBOR Act, such contracts will automatically transition as a matter of law to a SOFR- based replacement rate identified by the Federal Reserve Board. The legislation also creates a safe harbor that shields lenders from litigation if they choose to utilize a replacement rate recommended by the Federal Reserve. In July 2022, the Federal Reserve issued a notice of proposed rulemaking implementing the LIBOR Act. As of December 31, 2022, no such regulations have been promulgated. LIBOR being discontinued as a benchmark may also cause one or more of the following to occur, among other impacts: (i) there may be an increase in the volatility of LIBOR prior to its discontinuation; (ii) there may be an increase in price volatility with respect to our LIBOR- based investments and / or a reduction in the value of our LIBOR- based investments; (iii) there may be a reduction in our ability to effectively hedge interest rate risks; and (iv) we may incur losses from hedging disruptions~~. Our investments that are denominated in foreign currencies subject us to foreign currency risk arising from fluctuations in exchange rates between such foreign currencies and the U. S. dollar. While we currently attempt to hedge the vast majority of our foreign currency exposure, subject to maintaining our qualification as a REIT, we may not always choose to hedge such exposure, or we may not be able to hedge such exposure. To the extent that we are exposed to foreign currency risk, changes in exchange rates of such foreign currencies to the U. S. dollar ~~may~~ **could materially** adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders **. Further, while our CLO investments are primarily in CLOs that hold underlying U. S. assets, we may also invest in CLOs that hold non- U. S. assets, and we expect that many of the CLO issuers in which we invest will be domiciled outside the United States. Investing directly or indirectly in non- U. S. issuers may expose us to additional risks, including political and social instability, expropriation, imposition of foreign taxes, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards, currency fluctuations and greater price volatility. Further, we, and the CLOs in which we invest, may have difficulty enforcing creditor' s rights in foreign jurisdictions**. Subject to maintaining our qualification as a REIT and maintaining our exclusion from registration as an investment company under the Investment Company Act, we opportunistically pursue various hedging strategies to seek to reduce our exposure to losses from adverse credit events, interest rate changes, foreign currency fluctuations, and other risks. Hedging against a decline in the values of our portfolio positions does not prevent losses if the values of such positions decline, nor does it eliminate the possibility of fluctuations in the value of our portfolio. Hedging transactions generally will limit the opportunity for gain should the values of our other portfolio positions increase. Further, certain hedging transactions could result in significant losses. Qualification as a REIT may require that we undertake certain hedging activities in a TRS. Our domestic TRSs are subject to U. S. federal, state, and local income tax. Moreover, at any point in time we may choose not to hedge all or a portion of our risks, and we generally will not hedge those risks that we believe are appropriate for us to take at such time, or that we believe would be impractical or prohibitively expensive to hedge. Even if we do choose to hedge certain risks, for a variety of reasons we generally will not seek to establish a perfect correlation between our hedging instruments and the risks being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. Our hedging activity will vary in scope based on the composition of our portfolio, our market views, and changing market conditions, including the level and volatility of interest rates. When we do choose to hedge, hedging may fail to protect or could materially adversely affect us because, among other things: • our Manager may fail to correctly assess the degree of correlation between the hedging instruments and the assets being hedged; • our Manager may fail to recalculate, re- adjust, and execute hedges in an efficient and timely manner; • the hedging transactions may actually result in poorer overall performance for us than if we had not engaged in the hedging transactions; • credit hedging can be expensive, particularly when the market is forecasting future credit deterioration and when markets are more illiquid; • interest rate hedging can be expensive, particularly during periods of volatile interest rates; • available hedges may not correspond directly with the risks for which protection is sought; • the durations of the hedges may not match the durations of the related assets or liabilities being hedged; • many hedges are structured as over- the- counter contracts with counterparties whose creditworthiness is not guaranteed, raising the possibility that the hedging counterparty may default on their payment obligations; • to the extent that the creditworthiness of a hedging counterparty deteriorates, it may be difficult or impossible to terminate or assign any hedging transactions with such counterparty; and • our hedging instruments are generally structured as derivative contracts and, as a result, are subject to additional risks such as those described ~~above~~ under" — Our access to financing sources ~~, which~~ may not be available on favorable terms, ~~or at all,~~ may be limited **or completely shut off** , and our lenders and derivative counterparties ~~may~~ **could** require us to post additional collateral. These circumstances ~~may~~ **could** materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders ~~.~~" and ~~below under~~ " — Our use of derivatives may expose us to counterparty risk." For these and other reasons, our hedging activity ~~may~~ **could** materially adversely affect our business, financial condition and results of operations, our ability to pay dividends to our stockholders, and our ability to maintain our qualification as a REIT. Hedging instruments and other derivatives, including certain types of credit default swaps, involve risk because they may not, in many cases, be traded on exchanges and may not be guaranteed or regulated by any U. S. or foreign governmental authorities. Consequently, for these instruments there may be less stringent requirements with respect to record keeping and compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. Our Manager is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Furthermore, our Manager has only a limited internal credit function to evaluate the creditworthiness of its counterparties, mainly relying on its experience with such counterparties and their general reputation as participants in these markets. ~~The~~ **Under the terms of many of our hedging transaction contracts, the** business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in a default under the agreement governing the hedging arrangement. Default by a party with whom we enter into a hedging transaction, may result in losses and may force us to re-initiate similar hedges with other counterparties at the then- prevailing market levels. Generally we will seek to reserve the right to terminate our hedging transactions upon a counterparty' s insolvency, but absent an actual insolvency, we may not be able to terminate a hedging transaction without the consent of the hedging counterparty, and we may not be able to assign or otherwise dispose of a hedging transaction to another counterparty without the consent of both the original hedging counterparty and the potential assignee. If we terminate a hedging transaction, we may not be able to enter into a replacement contract in order to cover our risk. There can be no assurance that a liquid secondary market will exist for hedging instruments purchased or sold, and therefore we may be required to maintain any hedging position until exercise or expiration, which could **materially** adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. In addition, some portion of our hedges are cleared through a central counterparty clearinghouse, or" CCP," which we access through a futures commission merchant, or" FCM." If an FCM that holds our cleared derivatives account were to become insolvent, the CCP will make an effort to move our futures **and swap** positions to an alternate FCM, though it is possible that ~~such transfer~~ **no alternate FCM** ~~would~~ **could** ~~fail~~ **be found to accept our positions** , which ~~would~~ **could** result in a total cancellation of our positions in the account; in such a case, if we wished to reinstate such hedging positions, we would have to re- initiate such positions with an alternate FCM. In the event of the insolvency of an FCM that holds our cleared over- the- counter derivatives, the rules of the CCP require that its direct members submit bids to take over the portfolio of the FCM, and would further require the CCP to move our existing positions and related margin to an alternate FCM. If this were to occur, we believe that our risk of loss would be limited to the excess equity in the account at the insolvent FCM due to the" legally segregated, operationally commingled" treatment of client assets under the rules governing FCMs in respect of cleared over- the- counter derivatives. In addition, in the case of both futures and cleared over- the- counter derivatives, there could be knock- on effects of our FCM' s insolvency, such as the failure of co- customers of the FCM or other FCMs of the same CCP. In such cases, there could be a shortfall in the funds available to the CCP due to such additional insolvencies and / or exhaustion of the CCP' s guaranty fund that could lead to total loss of our positions in the FCM account. Finally, we face a risk of loss (including total cancellation) of positions in the account in the event of fraud by our FCM or other FCMs of the CCP, where ordinary course remedies would not apply. The U. S. Commodity Futures Trading Commission, or" CFTC," and certain commodity exchanges have established limits referred to as speculative position limits or position limits on the maximum net long or net short position which any person or group of persons may hold or control in particular futures and options. Limits on trading in options contracts also have been established by the various options exchanges. It is possible that trading decisions may have to be modified and that positions held may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could **materially** adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. We enter into interest rate swaps and other derivatives that have not been cleared by a CCP. If a derivative counterparty cannot perform under the terms of the derivative contract, we would not receive payments due under that agreement, we may lose any unrealized gain associated with the derivative, and the hedged liability would cease to be hedged by such instrument. If a derivative counterparty becomes insolvent or files for bankruptcy, we may also be at risk for any collateral we have pledged to such counterparty to secure our obligations under derivative contracts, and we may incur significant costs in attempting to recover such collateral. In the event of our insolvency or bankruptcy, certain repos may qualify for special treatment under the U. S. Bankruptcy Code, the effect of which, among other things, would be to allow the lender to avoid the automatic stay provisions of the U. S. Bankruptcy Code and to foreclose on and / or liquidate the collateral pledged under such agreements without delay. In the event of the insolvency or bankruptcy of a lender during the term of a repo, the lender may be permitted, under applicable insolvency laws, to repudiate the contract, and our claim against the lender for damages may be treated simply as an unsecured claim. In addition, if the lender is a broker or dealer subject to the Securities Investor Protection Act of 1970, or an insured depository institution subject to the Federal Deposit Insurance Act, our ability to exercise our rights to recover our securities under a repo or to be compensated for any damages resulting from the lenders' insolvency may be further limited by those statutes. These claims would be subject to significant delay and costs to us and, if and when received, may be substantially less than the damages we actually incur. In response to the global financial crisis of 2008- 2009 and again in response to the economic effects of the COVID- 19 pandemic in 2020, the Federal Reserve announced and completed several rounds of quantitative easing, which are programs designed to expand the Federal Reserve' s holdings of long- term securities by purchasing U. S. Treasury securities and / or Agency RMBS, in order to provide stability to the market. Also during 2020, the Federal Reserve reduced the target range for the federal funds rate to 0. 00 % – 0. 25 % from 1. 50 % – 1. 75 %. These actions put downward pressure on interest rates. Among other effects, low interest rates can increase prepayment rates (resulting from lower long- term interest rates, including mortgage rates), impact the shape of the yield curve, cause a narrowing of our net interest margin, and lower the yields that we are able to generate on our investments, all of which ~~can~~ **could materially** adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. In November 2021, the Federal Reserve began to withdraw some of this quantitative easing support by commencing the tapering of its asset purchases of U. S. Treasury securities and Agency RMBS. In 2022, the Federal Reserve increased the pace of its balance sheet runoff, and also began a series of interest rate hikes in response to historically high inflation. As of ~~February 1~~ **January 31** , ~~2023~~ **2024** , the target range for the federal funds rate was ~~4~~ **5** . ~~50~~ **25** % — ~~4~~ **5** . ~~75~~ **50** %. This quantitative tightening has caused, and could continue to cause, elevated market volatility, widening yield spreads, and an inversion of the U. S. Treasury yield curve. These and other actions by the Federal Reserve have adversely affected, and could continue to adversely affect, the economy as a whole, ~~as well as~~ **which in turn could materially adversely affect** our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. See ~~also~~ " — Increases in interest rates could negatively affect the value of our assets and increase the risk of default on our assets **.** " ~~above for the impact of higher interest rates on our business.~~ We may change our investment strategy, investment guidelines, hedging strategy, and asset allocation, operational, and management policies without notice or stockholder consent, which ~~may~~ **could** materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. In addition, our Board of Directors may authorize us to revoke or otherwise terminate our REIT election without the approval of our stockholders. We may change our investment strategy, investment guidelines, hedging strategy, and asset allocation, operational, and management policies at any time without notice to or consent from our stockholders. As a result, the types or mix of assets, liabilities, or hedging transactions in our portfolio may be different from, and possibly riskier than, the types or mix of assets, liabilities, and hedging transactions that we have historically held, or that are otherwise described in this report. A change in our strategy may increase our exposure to real estate values, interest rates, and other factors. Our Board of Directors determines our investment guidelines and our operational policies, and may amend or revise our policies, including those with respect to our acquisitions, growth, operations, indebtedness, capitalization, and dividends or approve transactions that deviate from these policies without a vote of, or notice to, our stockholders. Policy or strategy changes could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Although we elected to be treated as a REIT, our Board of Directors may authorize us to revoke or otherwise terminate our REIT election, without the approval of our stockholders, at any time. These changes could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Any such change may increase our exposure to the risks described herein or expose us to new risks that are not currently contemplated. Our profitability depends, in large part, on our ability to acquire targeted assets at favorable prices. We compete with a number of entities when acquiring our targeted assets, including other mortgage REITs, financial companies, loan originators and servicers, public and private funds, commercial and investment banks, and residential and commercial finance companies. We may also compete with (i) the Federal Reserve and the U. S. Treasury to the extent they purchase assets in our targeted asset classes and (ii) companies that partner with and / or receive financing from the U. S. Government or consumer bank deposits. Many of our competitors are substantially larger and have considerably more favorable access to capital and other resources than we do. We acquire a significant amount of our loan assets pursuant to flow agreements with various loan originators. If such originators are unable or unwilling to continue to sell loan assets to us, or if we are unable to find additional loan originators from whom to purchase loans at attractive prices, we may be forced to acquire such loan assets at prices that are less attractive, or acquire different assets, which could **materially** adversely ~~impact~~ **affect** our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Furthermore, new companies with significant amounts of capital have been formed or have raised additional capital, and may continue to be formed and raise additional capital in the future, and these companies may have objectives that overlap with ours, which may create competition for assets we wish to acquire. Some competitors may have a lower cost of funds and access to funding sources that are not available to us, such as funding from the U. S.

Government. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of assets to acquire, or pay higher prices than we can. We also may have different operating constraints from those of our competitors including, among others, (i) tax- driven constraints such as those arising from our qualification as a REIT and in some cases to avoid adverse tax consequences to our stockholders, (ii) restraints imposed on us by our attempt to comply with certain exclusions from the definition of an" investment company" or other exemptions under the Investment Company Act and (iii) restraints and additional costs arising from our status as a public company. Furthermore, competition for assets in our targeted asset classes may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. **The** ~~We cannot assure you that the~~ competitive pressures we face **could** ~~will not have a material~~ **materially** ~~adverse~~ **adversely** ~~effect~~ **affect** ~~on~~ our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Our business is highly dependent on Ellington' s communications and information systems, Longbridge' s communications and information systems, as well as those of third- party service providers **, including mortgage loan servicers** . Any failure or interruption of Ellington' s, Longbridge' s, or certain third- party service providers' systems or cyber- attacks or security breaches of their networks or systems could cause delays or other problems in our securities trading activities, could allow unauthorized access for purposes of misappropriating assets, stealing proprietary and confidential information, corrupting data or causing operational disruption, **or could prevent us from receiving distributions to which we are entitled, any of** which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Computer malware, ransomware, viruses, and computer hacking and phishing attacks have become more prevalent in the financial services industry and may occur on Ellington' s, Longbridge' s, or certain third party service providers' systems in the future. We rely heavily on Ellington' s financial, accounting and other data processing systems. Financial services institutions have reported breaches of their systems, some of which have been significant, and Ellington has experienced a data breach, which was not material to its or our operations. Even with all reasonable security efforts, not every breach can be prevented or even detected. It is possible that Ellington or certain third- party service providers have experienced an undetected breach, and it is likely that other financial institutions have experienced more breaches than have been detected and reported. There is no assurance that we, Ellington, Longbridge or certain of the third parties that facilitate our, Longbridge' s and Ellington' s business activities, have not or will not experience a breach. It is difficult to determine what, if any, negative impact may directly result from any specific interruption or cyber- attacks or security breaches of either Ellington' s or Longbridge' s networks or systems (or the networks or systems of certain third parties that facilitate our, Ellington' s, and Longbridge' s business activities) or any failure to maintain performance, reliability and security of Ellington' s, Longbridge' s, or certain third- party service providers' technical infrastructure, but such computer malware, ransomware, viruses, and computer hacking and phishing attacks ~~may~~ **could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Additionally, operational failures or cyber incidents relating to our third- party service providers (or their service providers), including mortgage servicers, have** negatively ~~affect~~ **impacted in the past, and may negatively impact in the future, our business. For example, one of our mortgage servicers experienced a cyber- attack which caused it to delay payments to its counterparties; it is possible that, to the extent a similar future event occurs at one of our counterparties, funds from such counterparty could also be delayed,** ~~our~~ **or not recovered at all. The number and complexity of these threats continue to increase over time and many companies in the mortgage space have recently been targeted by hackers, likely due to the personally identifiable information that these companies hold. While we collaborate with mortgage servicers and other third- party service providers to develop secure transmission capabilities and protect against operational failures and cyber- attacks, we and those third parties may not have all appropriate controls in place to protect from such failures or attacks. If a material operational failure or material breach of the information technology systems of our third- party service providers occurs, we could be required to expend significant amounts of money, be delayed in receiving funds (or not receive them at all) or have to expend significant time and resources to respond to these threats or breaches, each of which could materially adversely impact our business, financial condition and results of** operations **, and our ability to pay dividends to our stockholders. Because we are highly dependent on information systems when sharing information with third party service providers, systems failures, breaches or cyber- attacks could significantly disrupt our business, which could have a material adverse effect on our results of operations and cash flows** . In the ordinary course of our business, we and Longbridge receive non- public personal information, which an identity thief could utilize in engaging in fraudulent activity or theft. We and Longbridge may share this information with third party service providers, including those interested in acquiring such loans from us or financing such loans, or with other third parties, as required or permitted by law. We and Longbridge may be liable for losses suffered by individuals whose personal information is stolen as a result of a breach of the security of the systems on which we, Longbridge, Ellington, or third- party service providers store this information, or as a result of other mismanagement of such information, and any such liability could be material. Even if we are not liable for such losses, any breach of these systems could expose us to material costs in notifying affected individuals or other parties and providing credit monitoring services, as well as to regulatory fines or penalties. In addition, any breach of these systems could disrupt our normal business operations and expose us to reputational damage and lost business, revenues, and profits. Our management objectives and policies do not place a limit on the amount of capital used to support, or the exposure to (by any other measure), any individual asset or any group of assets with similar characteristics or risks. As a result, our portfolio may be concentrated in a small number of assets or may be otherwise undiversified, increasing the risk of loss and the magnitude of potential losses to us and our stockholders if one or more of these assets perform poorly. For example, **the properties underlying** our portfolio of mortgage- related assets may at times be concentrated in certain **sectors** ~~property types~~ that are subject to higher risk of foreclosure, or **may be** ~~secured by properties~~ concentrated in a limited number of geographic locations **, and our investments may be concentrated in certain of our**

targeted asset classes such that they are substantial relative to our total equity . To the extent that our portfolio is concentrated in any one region or type of security, downturns or other significant events or developments relating generally to such region or type of security, such as natural disasters, may result in defaults on a number of our assets within a short time period, which may materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders **. Our acquisitions, mergers and the integration of acquired or merged- with businesses and companies subject us to various risks and may not result in all of the cost savings and benefits anticipated, which could adversely affect our financial condition or results of operations. We have in the past and may in the future, seek to grow our business by acquiring other businesses or merging with other companies that we believe will complement or augment our existing businesses. We cannot predict with certainty the benefits of such acquisitions or mergers, which often constitute multi- year endeavors, and we often make a number of assumptions about a company' s assets, investment portfolio and / or liabilities when assessing such acquisitions or mergers. To the extent that we overestimate the value of, and / or projected net income to be generated by certain assets or investment portfolios, and / or underestimated liabilities related to a company or its assets or investment portfolio or we are otherwise incorrect in our assumptions, we may be unable to realize the anticipated benefits of an acquisition or merger. Further, we may incur significant additional costs in connection with the completion of an acquisition or merger, or in connection with any delay in completing an acquisition or merger or termination of the applicable acquisition or merger agreement, and the investment of such upfront costs may not be profitable. There is risk that our acquisitions and / or mergers, including the Arlington Merger, may not have the anticipated positive results, including results relating to: correctly assessing the quality of the assets or investment portfolio being acquired, the cost, time and complexities required to complete the integration successfully, being able to successfully redeploy any capital acquired in connection with an acquisition or a merger, potential unknown liabilities associated with an acquisition or a merger, including but not limited to those related to taxation issues, pending or threatened litigation or regulatory matters, performance shortfalls as a result of the diversion of management' s attention caused by completing an acquisition or a merger, any expectation of benefit from certain operating synergies and / or efficiencies, including those related to the elimination of duplicative costs and the spreading of fixed costs across a larger asset base, or the overall performance of the combined entity. If we are unable to successfully integrate our acquisitions and / or mergers into our business, we may never realize their expected benefits. With each acquisition or merger, including the Arlington Merger, we may discover unexpected costs, liabilities for which we are not indemnified, delays, lower than expected cost savings or synergies, or incurrence of other significant charges, such as impairment of goodwill or other intangible assets and asset or portfolio devaluation. We also may be unable to successfully integrate the diverse company cultures, retain key personnel, apply our expertise to new competencies, or react to adverse changes in industry conditions. It is possible that the integration process related to acquisitions or mergers could result in the disruption of our ongoing businesses or inconsistencies in standards, controls, procedures and policies that could adversely affect our ability to maintain relationships with key counterparties. Acquisition, merger and the related integration efforts could divert management attention and resources, which could have an adverse effect on our financial condition and results of operations. Additionally, the operation of the acquired businesses or company may adversely affect our existing profitability, and we may not be able to achieve results in the future similar to those achieved by our existing business or manage growth resulting from the acquisition or merger effectively. Additionally, merger and acquisition transactions are frequently the subject of litigation or other legal proceedings, including actions alleging breaches of fiduciary or other duties. If litigation or other legal proceedings are brought against us or against our board of directors in connection with any acquisition or merger, we might not be successful in defending against such proceedings. An adverse outcome in such matters, as well as the costs and efforts of a defense even if successful, could have a material adverse effect on our business, results of operation or financial position, including through the possible diversion of our resources or distraction of key personnel** . We acquire assets and other instruments that are not publicly traded, including privately placed RMBS, residential and commercial mortgage loans, CLOs, consumer loans, ABS backed by consumer and commercial assets, distressed corporate debt and equity **, MSR- related assets** , and other private investments, such as investments in loan originators. As such, these assets may be subject to legal and other restrictions on resale, transfer, pledge or other disposition, or will otherwise be less liquid than publicly traded securities. Other assets that we acquire, while publicly traded, have limited liquidity on account of their complexity, turbulent market conditions, or other factors. In addition, mortgage- related assets from time to time have experienced extended periods of illiquidity, including during times of financial stress (such as during the COVID- 19 pandemic), which is often the time that liquidity is most needed. Illiquid assets typically experience greater price volatility, because a ready market does not exist, and they can be more difficult to value or sell if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our assets. We may also face other restrictions on our ability to liquidate any assets for which we or our Manager has or could be attributed with material non- public information. Furthermore, assets that are illiquid are more difficult to finance, and to the extent that we finance assets that are or become illiquid, we may lose that financing or have it reduced. If we are unable to sell our assets at favorable prices or at all, it could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. **.** In the course of our business,we may take title to real estate,and,if we do take title,we could be subject to environmental liabilities with respect to these properties.In such a circumstance,we may be held liable to a governmental entity or to third parties for property damage,personal injury,investigation,and clean- up costs incurred by these parties in connection with environmental contamination,or may be required to investigate or clean up hazardous or toxic substances,or chemical releases at a property.The costs associated with investigation or remediation activities could be substantial.In addition,the presence of hazardous substances may adversely affect an owner' s ability to sell real estate or borrow using real estate as collateral.To the extent that an owner of an underlying property becomes liable for removal costs,the ability of the owner to make debt payments may be reduced,which in turn may materially adversely affect the value of the relevant mortgage- related assets held by us ~~.~~ Loan originators and servicers are required to comply with various federal, state and local laws and regulations, including anti- predatory lending laws and laws and regulations imposing certain restrictions on requirements on high **-** cost loans. Failure of loan originators or servicers to comply with these laws, to the extent any of their loans become part of our assets, to the extent we own such loan originator, or to the extent we originated or were deemed to have originated such loans, could subject us, as an originator, assignee or purchaser of the related loans, or as an owner of a loan originator, to monetary penalties and could result in the borrowers rescinding the affected loans. Lawsuits have been brought in various states making claims against assignees or purchasers of high **-** cost loans for violations of state law. Named defendants in these cases have included assignees or purchasers of certain types of loans we invest in. If the loans are found to have been originated in violation of predatory or abusive lending laws, we could incur losses, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders . In the course of our business...... mortgage- related assets held by us . We are exposed to the performance of consumer loans through those consumer loans that we own directly, through those consumer loans to which we are exposed indirectly through our ownership of consumer- loan- backed ABS, and through our ownership interests in consumer loan originators. The ability of borrowers to repay consumer loans may be adversely affected by numerous borrower- specific factors, including unemployment, divorce, major medical expenses or personal bankruptcy. General factors, including ~~an~~ **a general** economic downturn, high energy costs ~~or~~ **, high unemployment,** acts of God, pandemics such as the COVID- 19 pandemic, **war or other** geopolitical conflict, ~~or~~ terrorism, **elevated inflation, social unrest, and civil disturbances** may also affect the financial stability of borrowers and impair their ability or willingness to repay their loans. Whenever any of our consumer loans defaults, we are at risk of loss to the extent of any deficiency between the liquidation value of the collateral, if any, securing the loan, and the principal and accrued interest of the loan. Many of our consumer loans are unsecured, or are secured by collateral (such as an automobile) that depreciates rapidly; as a result, these loans may be at greater risk of loss than residential **mortgage** ~~real estate~~ loans. Pursuing any remaining deficiency following a default is often difficult or impractical, especially when the borrower has a low credit score, making further substantial collection efforts unwarranted. In addition, repossessing personal property securing a consumer loan can present additional challenges, including locating and taking physical possession of the collateral. We rely on servicers who service these consumer loans, to, among other things, collect principal and interest payments on the loans and perform loss mitigation services, and these servicers may not perform **adequately or** in a manner that promotes our interests. Since we purchase some of our consumer loans and our consumer- loan- backed ABS at a premium to the remaining unpaid principal balance, we may incur a loss when such loans are voluntarily prepaid. There can be no guarantee that we will not suffer unexpected losses on our investments as a result of the factors set out above, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Increased regulatory attention and potential regulatory action on certain areas within the consumer credit or reverse mortgage businesses could have a negative impact on our reputation, or cause losses on our investments in consumer loans or our equity investments in loan originators. Certain consumer advocacy groups, media reports, and federal and state legislators have asserted that laws and regulations should be tightened to severely limit, if not eliminate, the availability of certain loan products. The consumer advocacy groups and media reports generally focus on higher cost consumer loans, which are typically made to less creditworthy borrowers, and which bear interest rates that are higher than the interest rates typically charged by lending institutions to more creditworthy consumers. These consumer advocacy groups and media reports have characterized these consumer loans as predatory or abusive. In addition, reverse mortgage loans have faced similar issues in terms of media reports and potential legislative hurdles, in particular, in the event that a reverse mortgage lender begins foreclosure proceedings on a loan where the borrower still occupies the home. If the negative characterization of these types of loans becomes increasingly accepted by consumers, legislators or regulators, our reputation, as a purchaser of such loans and as an equity investor in a both a consumer loan originator and a reverse mortgage originator, could be negatively impacted. This reputational risk could be magnified for loan originators that we control, such as Longbridge. Furthermore, if legislators or regulators take action against originators of consumer loans or reverse mortgages or provide for payment relief for borrowers, we could incur additional losses on the consumer loans or reverse mortgage loans that we have purchased and / or with respect to the equity investments that we have made in a consumer loan originator and a reverse mortgage originator. Our investments in distressed debt and equity have significant risk of loss, and our efforts to protect these investments may involve large costs and may not be successful. Our investments in distressed debt and equity have a significant risk of loss, and our efforts to protect these investments may involve large costs and may not be successful. We also will be subject to significant uncertainty as to when and in what manner and for what value the distressed debt or equity in which we invest will eventually be satisfied (e. g., in the case of distressed debt, through liquidation of the obligor' s assets, an exchange offer or plan of reorganization involving the distressed debt securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or plan of reorganization is adopted with respect to distressed debt we hold, there can be no assurance that the securities or other assets received by us in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made. Moreover, any securities received by us upon completion of an exchange offer or plan of reorganization may be restricted as to resale. If we participate in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of distressed debt, we may be restricted from disposing of such securities **. Our investments in corporate CLOs involve certain risks. Investments in corporate CLO securities involve certain risks. Corporate CLOs are generally backed by a pool of corporate loans or similar corporate credit- related assets that serve as collateral. We and other investors in CLO securities ultimately bear the credit risk of the underlying collateral. Most CLOs are issued in multiple tranches, offering investors various maturity and credit risk characteristics,**

often categorized as senior, mezzanine and subordinated / equity according to their relative seniority and degree of risk. If the relevant collateral defaults or otherwise underperforms, payments to the more senior tranches of such securitizations take precedence over those of more junior tranches, such as mezzanine debt and equity tranches, which are the focus of our corporate CLO investment strategy. CLOs present risks similar to those of other types of credit investments, including credit, interest rate and prepayment risks. The corporate loans that underlie our CLO investments may become nonperforming or impaired for a variety of reasons. Nonperforming or impaired loans may require substantial workout negotiations or restructurings that may result in significant delays in repayment, a significant reduction in the interest rate, and / or a significant write- down of the principal of the loan. A wide range of factors could adversely affect the ability of an underlying corporate borrower to make interest or other payments on its loan. The corporate issuers of the loans or securities underlying our CLO investments may be subject to an increased risk of default depending on certain micro- or macro- economic conditions, such as economic recessions, heightened interest rates and / or inflation, and other conditions. Such defaults and losses, especially those in excess of the market' s or our expectations, would have a negative impact on the fair value of our CLO investments, and reduce the cash flows that we receive from our CLO investments, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. In addition, if a CLO in which we invest experiences an event of default as a result of failure to make a payment when due, erosion of the underlying collateral, or for other reasons, the CLO would be subject to the possibility of liquidation. In such cases, the risks are heightened that the collateral underlying the CLO may not be able to be readily liquidated, or that when liquidated, the resulting proceeds would be insufficient to redeem the CLO mezzanine debt and equity tranches that are the focus of our corporate CLO investment strategy. CLO equity tranches often suffer a loss of all of their value in these circumstances, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Furthermore, following an event of default by a CLO, the holders of CLO mezzanine debt and equity tranches typically have limited rights regarding decisions made with respect to the underlying collateral, with the result that such decisions might favor the more senior tranches of the CLO. Even though we expect that most of our CLO mezzanine debt investments will have floating rate coupons, these and other of our CLO investments are still exposed to interest rate risk. There can be significant mismatches between the timing and frequency of coupon resets on the floating rate CLO debt tranches and the underlying floating rate corporate loans, and furthermore some of the underlying corporate loans may bear fixed coupon rates. When interest rates are low but increasing, variations between interest rate floors on the CLO debt tranches and the underlying corporate loans can reduce the amount of excess interest available for payment to the CLO debt and equity tranches. This reduction in excess interest could adversely impact our CLO equity cashflows and valuations, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. The assets underlying our corporate CLO investments involve certain risks. The assets underlying our CLO investments generally consist of lower-rated first- lien corporate loans, although certain CLO structures may also allow for limited exposure to other asset classes including unsecured loans, second- lien loans, or corporate bonds. Corporate issuers of lower- rated debt securities may be highly leveraged and may not have available to them more traditional methods of financing. During economic downturns or sustained periods of rising interest rates, issuers of lower- rated debt securities may be likely to experience financial stress, especially if such issuers are highly leveraged. The risk of loss for lower- rated debt securities is also magnified to the extent that such securities are unsecured or subordinated to more senior creditors. Lower- rated debt securities generally have limited liquidity and limited secondary market support. The underlying collateral of the CLO securities in which we invest may include loans to smaller companies, or " middle market " loans, which may carry more inherent risks than loans to larger, publicly traded entities. Compared to larger companies, these middle- market companies tend to have more limited access to capital, weaker financial positions, narrower product lines, and tend to be more vulnerable to competitors' actions and market conditions, as well as to general economic downturns. As a result, the securities issued by CLOs that hold significant investments in middle- market loans are generally considered riskier than securities issued by CLOs that primarily invest in broadly syndicated loans. In addition," covenant- lite" loans may comprise a significant portion of the underlying collateral of the CLOs in which we invest. Generally, covenant- lite loans provide the obligor with more freedom to take actions that could negatively impact their lenders because the obligor' s covenants are incurrence- based and not maintenance- based, which means that they are only tested and can only be breached following an affirmative action of the borrower, rather than by a deterioration in the borrower' s financial condition. To the extent that the CLO securities in which we invest hold covenant- lite loans, we may have a greater risk of loss on such investments as compared to investments in CLOs holding loans with more robust covenants. CLOs have at times experienced negative credit events in their constituent loans, credit rating downgrades of constituent loans and issued debt tranches, and failures of certain deal metrics. The failure by a CLO in which we invest to satisfy certain tests, including with respect to adequate collateralization and / or interest coverage, would generally lead to a reduction in the payments made to holders of its mezzanine debt and equity tranches. Ratings downgrades on our CLO debt investments may result in our investments being viewed as riskier than they were previously thought to be. This perception of increased riskiness resulting from a downgrade can result in adverse impacts to the market value and liquidity of our CLO debt investments, as well as reduce the availability or increase the cost of repo financing for our CLO debt investments . The pools of loans underlying Ellington- sponsored CLO securitizations (" Ellington- Sponsored CLOs") have historically had lower credit ratings than the loan portfolios in typical CLOs, as they allow for a higher percentage of below investment grade loans. Ellington- Sponsored CLOs have ~~at times~~ also experienced negative credit events in their constituent loans, credit rating downgrades of constituent loans and issued debt tranches, and failures of certain deal metrics. As a result, the risks associated with our investments in Ellington- Sponsored CLOs may be greater than those associated with our investments in other CLOs. In addition, we have in the past, and we may in the future, make equity investments in proposed Ellington- Sponsored CLO issuing entities ~~, and we also may make loans to such entities in which we have an equity investment, to enable these entities to establish warehouse facilities for the purpose of acquiring the assets to be securitized~~ . If the assets accumulated prior to the completion of a proposed CLO securitization experience negative credit events, decrease in value, are sold at a loss, or the proposed securitization does not occur, our equity and loan investments in such entity may experience a partial or complete loss **. We are dependent on the collateral managers of the CLOs in which we invest, and those CLOs are generally not registered under the Investment Company Act. We invest in CLO securities issued by CLOs that are managed by collateral managers unaffiliated with us, and we are dependent on the skill and expertise of such managers. While the actions of the CLO collateral managers may significantly affect the return on our investments, we typically do not have any direct contractual relationship with these collateral managers. While we also rely on these collateral managers to act in the best interests of the CLOs in which we invest, there can be no assurance that such collateral managers will do so. Moreover, such collateral managers are subject to fiduciary duties owed to other classes of notes besides those in which we invest, and they may have other incentives to manage the CLO portfolios in a manner that disadvantages the particular classes of notes in which we are invested. Furthermore, since the CLO issuer often provides an indemnity to its collateral manager, the CLO tranches we hold may ultimately bear the burden of any legal claims brought against the collateral manager, including any legal claims brought by us. In addition, the CLOs in which we invest are generally not registered as investment companies under the Investment Company Act. As investors in these CLOs, we are not afforded the protections that shareholders in an investment company registered under the Investment Company Act would have. We may only have limited information regarding the underlying assets held by the CLOs in which we invest, and collateral managers may not identify or report issues relating to the underlying assets on a timely basis (or at all) to enable us to take appropriate measures to manage our risks. Further, none of the information contained in certain monthly reports nor any other financial information furnished to us as an investor in a CLO is audited and or reviewed, nor is an opinion expressed, by an independent public accountant. Collateral managers are subject to removal or replacement by other holders of CLO securities without our consent and may also voluntarily resign as collateral manager or assign their role as collateral manager to another entity. The removal, replacement, resignation, or assignment of any particular CLO manager' s role could adversely affect the returns on the CLO securities in which we invest, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. The CLOs in which we invest incur significant operating expenses. The CLOs in which we invest incur significant operating expenses, including but not limited to collateral management fees, administrative expenses, and other operating expenses. As the most subordinated tranche, the CLO equity tranche typically bears the primary burden of these expenses, although such expenses can also be borne by mezzanine debt tranches to the extent that the CLO equity tranche suffers a total principal loss. The CLOs in which we invest are subject to risks associated with loan participations. The CLOs in which we invest may acquire interests in corporate loans indirectly, by way of participations. In a participation, the underlying debt obligation remains with the institution that has sold the participation, which typically results in a contractual relationship only with such selling institution, and not with the corporate obligor directly. As a result, the holder of a participation assumes the credit risk of both the obligor and the selling institution, and may only have limited rights to influence any decisions made by the selling institution in connection with the underlying debt obligation. We have held and may continue to hold the debt securities, loans or equity of companies that are more likely to enter into bankruptcy proceedings or have other risks** . We have held and may continue to hold the debt securities, loans or equity of companies that are more likely to experience bankruptcy or similar financial distress, such as companies that are thinly capitalized, employ a high degree of financial leverage, are in highly competitive or risky businesses, are in a start- up phase, or are experiencing losses. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. A bankruptcy filing by a company whose debt or equity we have purchased may adversely and permanently affect such company. If the proceeding results in liquidation, the liquidation value of the company may have deteriorated significantly from what we believed to be the case at the time of our initial investment. The duration of a bankruptcy proceeding is also difficult to predict, and a return on investment to a creditor or equity investor can be adversely affected by delays until a plan of reorganization or liquidation ultimately becomes effective. The administrative costs in connection with a bankruptcy proceeding are frequently high and would be paid out of the debtor' s estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, our influence with respect to the class of securities or other obligations we own may be lost by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (~~for example~~ **e. g.** , ~~claims~~ for taxes) may be substantial, eroding the value of any recovery by holders of other securities of the bankrupt entity. A bankruptcy court may also re- characterize our debt investment as equity, and subordinate all or a portion of our claim to that of other creditors. This could occur even if our investment had initially been structured as senior debt, and we could lose all or a significant part of our investment. We have made and may in the future make loans secured by, or invest in structures tied to, individual, or portfolios of, legal claims, or" litigation finance loans." There is no assurance our Manager will be able to predict several aspects of the cases underlying our investments, including to which courts and judges the cases are assigned, the development of evidence during discovery and its presentation at trial, the composition and decisions of juries, timing of the judicial process, likelihood of settlements and collectability of judgments. In addition, we will not have the ability to control decisions made by the claimholder, defendant, or the law firm, nor can we share details of the underlying cases with our stockholders. We rely on, among other things, the advice and opinion of outside counsel and other experts in assessing potential claims and on the skills and efforts of independent law firms to litigate cases. There is no guarantee that the ultimate outcome of any case will be in line with **outside counsel** ~~a law firm~~ ' s or expert' s initial assessment of the validity and merit of a legal claim. Various laws restrict the ability to assign certain legal claims or to participate in a lawyer' s contingent fee interest in a claim. While we intend to analyze all relevant restrictions prior to investment, there is a risk that failure to comply with a federal, state or local law, rule or regulation could subject us to liability and jeopardize the enforceability of our investment **. We may be subject to risks associated with syndicated loans** . Under the documentation for syndicated loans, a financial institution or other entity typically is designated as the administrative agent and / or collateral agent. This agent is granted a lien on any collateral on behalf of the other lenders and distributes payments on the indebtedness as they are received. The agent is the party responsible for administering and enforcing the loan and generally may take actions only in accordance with the instructions of a majority or two- thirds in commitments and / or principal amount of the associated indebtedness. In most cases for our syndicated loan investments, we do not expect to hold a sufficient amount of the indebtedness to be able to compel any actions by the agent. Consequently, we would only be able to direct such actions if instructions from us were made in conjunction with other holders of associated indebtedness that together with us compose the requisite percentage of the related indebtedness then entitled to take action. Conversely, if holders of the required amount of the associated indebtedness other than us desire to take certain actions, such actions may be taken even if we did not support such actions. Furthermore, if a syndicated loan is subordinated to one or more senior loans made to the applicable obligor, the ability of us to exercise such rights may be subordinated to the exercise of such rights by the senior lenders. Whenever we are unable to direct such actions, the parties taking such actions may not have interests that are aligned with us, and the actions taken may not be in our best interests. Furthermore, in recent years, " priming " transactions in the distressed debt sector have become more common. These " priming " arrangements are transactions where a group of debtholders can move collateral away from existing lenders so that it can serve as the primary source of secured assets for new money and / or restructuring existing debt. If we were to hold distressed debt that became " primed " by another group of lenders, we could lose all or a significant part of such investment. If an investment is a syndicated revolving loan or delayed drawdown loan, other lenders may fail to satisfy their full contractual funding commitments for such loan, which could create a breach of contract, result in a lawsuit by the obligor against the lenders and adversely affect the fair market value of our investment. There is a risk that a loan agent may become bankrupt or insolvent. Such an event would delay, and possibly impair, any enforcement actions undertaken by holders of the associated indebtedness, including attempts to realize upon the collateral securing the associated indebtedness and / or direct the agent to take actions against the related obligor or the collateral securing the associated indebtedness and actions to realize on proceeds of payments made by obligors that are in the possession or control of any other financial institution. In addition, we may be unable to remove the agent in circumstances in which removal would be in our best interests. Moreover, agented loans typically allow for the agent to resign with certain advance notice, and we may not find a replacement agent on a timely basis, or at all, in order to protect our investment. **Our** ~~Some of our~~ investments in loan originators and other operating entities include, or may include, debt instruments and / or equity securities of companies that we do not control. Those investments **are** ~~will be~~ subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of such company may take risks or otherwise act in a manner that does not serve our interests. The entities in which we invest could be thinly capitalized, highly leveraged, dependent on a small number of key individuals, subject to regulatory concerns, underperform expectations, or face other obstacles that could adversely affect the business and results of operations of any such entity. If any of the foregoing were to occur, our investments in these operating entities could be lost in their entirety, ~~and~~ **which could materially adversely affect** our **business,** financial condition, **and** results of operations **,** and ~~cash flow could suffer as a result~~ **our ability to pay dividends to our stockholders** . We have invested and may in the future invest in securities in the CRT sector that are subject to mortgage credit risk. We have invested and may in the future invest in credit risk transfer securities, or" CRTs." CRTs are designed to transfer a portion of the mortgage credit risk of a pool of insured or guaranteed mortgage loans from the insurer or guarantor of such loans to CRT investors. In a CRT transaction, interest and / or principal of the CRT is written off following certain credit events, such as delinquencies, defaults, and / or realized losses, on the underlying mortgage pool. To date, the vast majority of CRTs consist of risk sharing transactions issued by the GSEs, namely Fannie Mae' s Connecticut Avenue Securities program, or" CAS," and Freddie Mac' s Structured Agency Credit Risk program, or" STACR." These securities have historically been unsecured and subject to the credit risk of the underlying mortgage pool. In the future, Fannie Mae and Freddie Mac may issue CRTs with a variety of other structures. ~~Risks~~ **We have investments in MSR-** ~~Related~~ **related assets that expose us** to **risk of loss. We do not hold the requisite licenses to purchase or hold the underlying MSRs of forward- MSR related investments directly, but instead we have entered and, in the future, may enter into agreements with licensed residential mortgage loan servicers (each, a " Forward MSR Master Servicer ") that enable us to participate indirectly in the economic returns of the underlying MSRs. Generally, a Forward MSR- related investment with a Forward MSR Master Servicer provides that we: (i) purchase the" excess servicing spread" from such Forward MSR Master Servicer, entitling us to monthly distributions of the servicing fees collected by the Forward MSR Master Servicer in respect of the underlying MSRs in excess of a base rate (often approximately 12. 5 basis points per annum) and (ii) enter into a contract (a" Base MSR Contract") with the Forward MSR Master Servicer or an affiliate thereof (the" Base MSR Contract Counterparty") that references the performance of the underlying MSRs. The amount that we pay to enter into a Base MSR Contract entitles us to receive an amount generally equivalent to the excess of servicing proceeds (which may include servicing fee revenue, income generated on escrow balances, reimbursements for previously made servicing advances, and proceeds from the sale of the underlying MSRs) over the sum of the excess servicing spread and the actual costs of servicing (including amounts paid for servicing advances, master and subservicing fees, and other costs and expenses). Forward**

MSR- related investments also generally entitle us to distributions of corresponding proceeds upon a sale of the underlying MSRs. We rely on the Forward MSR Master Servicer to maintain the state licenses required to hold and manage the underlying MSRs, and, when the underlying MSRs related to mortgage loans are guaranteed by a GSE, to maintain the required GSE approvals. If the Forward MSR Master Servicer were to default under its servicing or other obligations to a GSE, such GSE could transfer the related servicing rights to another servicer, in which case we could realize a significant loss on our Forward MSR- related investment, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. While our Forward MSR- related investments involving GSE- guaranteed loans are often subject to an “ acknowledgement agreement ” with the GSE, which gives us some rights in the event of a Forward MSR Master Servicer default, such rights are not absolute and the underlying MSRs remain subject and subordinate in all respects to the interests of the GSE. In addition to being subject to regulations by the GSEs, mortgage servicers are also subject to extensive federal, state and local laws, regulations and administrative decisions. As mortgage servicers, Forward MSR Master Servicers’ failures to comply with these laws, regulations and administrative decisions can expose Forward MSR Master Servicers to fines, damages and losses. Forward MSR Master Servicers operate in a highly litigious industry that also subject them to potential lawsuits related to billing and collections practices, modification protocols or foreclosure practices. Furthermore, Forward MSR Master Servicers can often be held responsible for the actions of any subservicers they employ. Finally, if a Forward MSR Master Servicer becomes insolvent, we may become a general unsecured creditor of such Forward MSR Master Servicer with respect to the related Forward MSR- related investments, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. For some of our Forward MSR- related investments, we may allow the Forward MSR Master Servicer to apply leverage to the underlying MSRs by pledging them under an MSR financing facility, in which case the lender would have a secured interest in the pledged underlying MSRs. Under a typical MSR financing facility, if the fair value of the pledged underlying MSRs declines and the lender demands additional collateral from the Forward MSR Master Servicer through a margin call, we would be required to provide the Forward MSR Master Servicer with additional funds or other assets to meet such margin call; if we were unable to satisfy such margin call, the lender could declare an event of default. MSR financing facilities typically require the Forward MSR Master Servicer to satisfy various covenants, conditions and tests, the failure of which could lead to an amortization event and / or an event of default, and the satisfaction of which is out of our control. An event of default under an MSR financing facility could result in the liquidation by the lender of the pledged underlying MSRs to satisfy the loan obligation, which could result in a material loss on our Forward MSR- related investment and materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Further, our MSR financing facilities may also include other customers of the related Forward MSR Master Servicer as borrowers, whose MSR- related investments (that may or may not be similar to our Forward MSR- related investments) are commingled with our own investments in securing the MSR financing facility. As such, in a scenario where those other MSR- related investments decline in value and trigger margin calls under the MSR financing facility, if the applicable borrower does not provide funds or additional assets to meet such margin calls, we could be required to meet the margin calls in order to preserve the value of our own investments, and avoid an amortization event and / or an event of default under the MSR financing facility. In addition, a sufficiently large decline in value of the unaffiliated MSR- related investments could lead to an impairments of our own Forward MSR- related investments given the commingled nature of the MSR Financing Facility. In the case of MSRs involving loans that are guaranteed by a GSE, any excess servicing spread that we hold related to such MSRs, and any MSR financing facilities used to finance such MSRs, are subject to acknowledgement agreements with a GSE, pursuant to which our and our lender' s rights are subordinate in all respects to the rights of such GSE. Any extinguishment of our and / or our lender' s rights in the underlying MSRs could result in significant losses to us. In addition, the borrowing capacity under any MSR financing is limited, and if the Forward MSR Master Servicer is not successful in upsizing an MSR financing facility or finding a larger replacement facility, we may not be able to achieve our projected leveraged economic returns on our Forward MSR- related investments. In addition, any new MSR financing facility entered into by a Forward MSR Master Servicer would be subject to approval by the relevant GSE. If the Forward MSR Master Servicer cannot obtain such GSE approval, it may not be able to obtain financing for us on favorable terms or at all. We may have to fund amounts equal to the servicing advances due under our Forward MSR- related investments, which could adversely impact our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Pursuant to our Base MSR Contracts, to the extent that costs of servicing exceed servicing proceeds, we are obligated to pay the equivalent of such excess to cover such “ servicing advances, ” which can include the payment of unpaid principal and interest due to the third- party owners of the loans, property taxes and insurance premiums, legal expenses and other protective advances that have not yet been received from the individual borrowers. Subject to the terms of the relevant servicing agreements, the Forward MSR Master Servicer is generally entitled to reimbursement for servicing advances that are not subsequently collected from the underlying borrowers, and under the Base MSR Contract we would in turn be reimbursed by the Base MSR Contract Counterparty for any servicing advances that we had funded. Our right to such reimbursement is unsecured. During periods of economic disruption, there is a greater possibility that mortgage ~~Loan~~ loan ~~Origination~~ borrowers could fail to pay principal and interest payments, request forbearance of their monthly mortgage payments altogether, or otherwise miss scheduled payments including property taxes and insurance premium escrows, which could greatly increase the amount of servicing advances we would be required to indirectly fund, which could materially adversely affect our ~~Businesses~~ -- business , financial condition and results of operations, and our ability to pay dividends to our

stockholders. Our interests in MSRs, including our MSRs Investments, may involve complex or novel structures. Our interests in MSRs, including our Forward MSR- related investments, may involve complex or novel structures. Accordingly, the risks associated with the transactions and structures are not fully known. In the case of interests in MSRs that reference mortgages guaranteed by GSEs, the GSEs may require that we submit to costly or burdensome conditions as a prerequisite to their consent to an investment in, or our financing of, those MSRs. These conditions, which could include large capital requirements, may greatly reduce the potential returns available from these investments. It is possible that a GSE' s views on whether any such acquisition structure is appropriate or acceptable may not be known to us when we make an investment and may change from time to time for any reason, even with respect to a completed investment. A GSE could even impose new conditions on our existing Forward MSR- related investments, including our ability to hold such MSRs at all. Such new conditions may be costly or burdensome and could require us to dispose of the Forward MSR- related investments at an inopportune time. Moreover, complying with such new conditions could require us or our co- investment counterparties to agree to material structural or economic changes, as well as agree to indemnification or other terms that expose us to risks to which we have not previously been exposed, all of which could negatively affect the returns from our investments. In addition, the novelty and / or complexity of such structures may limit our ability to transfer such interests, including as a result of required GSE consents and / or the unsecured nature of our interest, and the market for investors willing to invest in an asset with such a novel and complex structure may be limited or may not exist at all, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. We do not have legal title to the Underlying MSRs. The Forward MSR Master Servicer, rather than us, owns legal title to the MSRs underlying a Forward MSR- related investment of ours. While we do purchase the excess servicing spread from the Forward MSR Master Servicer, we do not purchase an interest in the underlying MSRs, and instead rely on the Base MSR Contract, which entitles us to payments based on the performance of the underlying MSRs but does not give us any security interest or buyer' s rights to the underlying MSRs. The validity or priority of our interest in the underlying MSRs, which is not secured, could be challenged in a bankruptcy proceeding of the Forward MSR Master Servicer, the Base MSR Contract Counterparty, or a subservicer, and the related purchase agreement could be rejected in such proceeding. Any of the foregoing events could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. The values of our MSR- related assets, including our Forward MSR- related investments, are highly sensitive to changes in interest rates. The value of MSRs typically increases when interest rates rise and decreases when interest rates decline because of the effect those changes in interest rates have on prepayment estimates. Changes in interest rates influence a variety of assumptions included in the valuation of MSRs, including prepayment speeds, assumed yields used to discount future cashflows, the value of float earned on escrow balances and other servicing valuation elements. Subject to qualifying and maintaining our qualification as a REIT, we may pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates. For a discussion of some of the risks associated with this hedging activity, see" — Hedging against credit events, interest rate changes, foreign currency fluctuations, and other risks could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders." We, and our loan originator affiliates, require significant borrowing capacity in order to fund mortgage originations and finance our investments in the mortgage loans originated by our loan originator affiliates and by third parties. Accordingly, our ability, and that of our loan originator affiliates, to fund mortgage originations, to continue to make investments in loans, and to fund existing loan commitments, depends on the ability to secure financing on acceptable terms and to renew and / or replace existing financings as they expire. These financings may not be available on acceptable terms or at all. If we, or our loan originator affiliates, are unable to obtain these financings, our business and results of operations would be adversely affected. Effective as of the closing of the Longbridge Transaction, we consolidated the indebtedness of Longbridge on our balance sheet. Longbridge is subject to financial covenants pursuant to the terms of its indebtedness, including minimum net worth ~~,~~ **and** liquidity ~~and profitability measures~~ . As of December 31, ~~2022~~ **2023** , Longbridge was in compliance with all of its financial covenants. If Longbridge were to fail to meet or satisfy any of these financial covenants, it could be in default under its agreements, and its lenders could elect to declare all amounts outstanding under the respective financing agreements to be immediately due and payable, enforce their respective security interests under such agreements and restrict Longbridge' s ability to incur additional borrowings. In addition, Longbridge' s financing agreements may contain other events of default and cross- default provisions, so that if an event of default occurs under one agreement, the lenders under certain other agreements could also declare an event of default. **See** ~~For additional risks related to our indebtedness, see~~ " — Risks Related to Our Business — Our access to financing sources, which may not be available on favorable terms, ~~or at all,~~ may be limited **or completely shut off** , and our lenders and derivative counterparties ~~may~~ **could** require us to post additional collateral. These circumstances ~~may~~ **could** materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders **.** " **We** ~~above. Effective upon the closing of the Longbridge Transaction, we~~ are required to consolidate Longbridge in our financial statements starting with ~~this~~ **our** Annual Report on Form 10- K **for the year ended December 31, 2022** . ~~We have~~ **Prior to the closing of the Longbridge Transaction, we had** not previously acquired a controlling interest in an operating company nor ~~have~~ **had** we been previously engaged in directly originating reverse mortgage loans or owning reverse MSRs. If we experience challenges related to the acquisition of a controlling interest in Longbridge that we did not anticipate or cannot mitigate, we could experience **significant disruptions in our business, which may include** significant losses with respect to this investment. Longbridge' s status as both an approved non- supervised FHA mortgagee and an approved Ginnie Mae issuer are subject to compliance with FHA' s and Ginnie Mae' s regulations, guides, handbooks, mortgagee letters and all participants' memoranda. For example, as a Ginnie Mae issuer, Longbridge must meet certain minimum capital requirements, including but not limited to Ginnie Mae' s requisite capital and leverage ratio requirements. Longbridge has relied on annual waivers from Ginnie Mae, whereby Ginnie Mae has granted an exception to the leverage ratio requirement in Ginnie Mae' s guidelines, based on Ginnie Mae' s determination, in its sole discretion, that Longbridge' s failure to meet this requirement is directly attributable to the lack of true sale accounting treatment of its securitized loans. Any loss of Longbridge' s status as an approved non- supervised FHA mortgagee or an approved Ginnie Mae issuer, including a change in Ginnie Mae' s determination to grant an exception to the leverage ratio requirement, could have a material adverse effect on Longbridge' s overall business and our financial position, results of operations and cash flows. Longbridge is required to follow specific guidelines and borrower eligibility standards that impact the way it services and originates U. S. government agency loans, including guidelines and standards with respect to: • credit standards for mortgage loans; • staffing levels and other servicing practices; • the servicing and ancillary fees that Longbridge may charge; • modification standards and procedures; • the amount of reimbursable and non- reimbursable advances that Longbridge may make; and • the types of loan products that are eligible for sale or securitization. These guidelines allow government agencies to provide monetary incentives for loan servicers that perform according to their standards for origination and servicing, and to assess penalties for those that do not. Longbridge generally cannot negotiate these terms with the agencies, and they are subject to change at any time without Longbridge' s specific consent. A significant change in these guidelines that decreases the fees Longbridge may charge or requires Longbridge to expend additional resources to provide mortgage services could decrease its revenues or increase its costs. Furthermore, one of Longbridge' s financing arrangements requires ~~obtaining~~ an" ~~Acknowledgement~~ **acknowledgement** ~~Agreement~~ **agreement** " from Ginnie Mae ~~by a specified date~~ . If Ginnie Mae were to ~~not provide the Acknowledgement Agreement, or subsequently~~ revoke or modify such ~~Acknowledgement~~ **acknowledgement** ~~Agreement~~ **agreement** , it would adversely affect Longbridge' s liquidity. **In addition, if** Longbridge ~~must~~ **were to fail to meet its servicing obligations, including its MCA Repurchase obligations, its tail funding obligations and its other servicing obligations, it could forfeit ownership of its HMBS- related mortgage servicing rights, which would represent a total loss of a valuable asset, and could require the repayment of related financing solely from cash or the liquidation of other assets. This could adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. If Longbridge fails to** comply with FHA underwriting guidelines when originating **an** FHA ~~loans~~ - **loan** ~~. If~~ **, it could negatively affect** Longbridge **' s business** ~~fails to do so~~ , **including by preventing Longbridge from** ~~it may not be able to collect~~ **collecting** on FHA insurance **on such loan, including such loans in a Ginnie Mae pool, or financing such loan via one of Longbridge' s warehouse facilities** . In addition, Longbridge could be subject to allegations of violations of the False Claims Act asserting that it submitted claims for FHA insurance on loans that had not been underwritten in accordance with FHA underwriting guidelines. If Longbridge is found to have violated FHA underwriting guidelines, it could face regulatory penalties and damages in litigation, suffer reputational damage, and it could incur losses due to an inability to collect on such insurance, any of which could materially and adversely impact Longbridge' s business, financial condition and results of operations. The reverse mortgage industry is largely dependent upon FHA and HUD, and there can be no guarantee that these entities will continue to participate in the reverse mortgage industry or that they will not make material changes to the laws, regulations, rules or practices applicable to reverse mortgage programs. **When** ~~Certain of the reverse mortgage loan products originated~~ **originating** ~~by Longbridge are~~ HECM loans, ~~which~~ **Longbridge** must comply with FHA and other regulatory requirements. FHA regulations governing the HECM product have changed at multiple points in time, such as in 2013, 2014 and 2017, which in some cases adversely affected Longbridge' s business and results of operations. The reverse mortgage business of Longbridge is also subject to state statutory and regulatory requirements including, but not limited to, licensing requirements, required disclosures and requirements regarding the fees that originators are permitted to charge. It is unclear how various regulatory requirements and / or changes would impact the reverse mortgage business, and the impact could be adverse to Longbridge' s business and results of operations. In addition, because much of this guidance and regulation relates to the protection of older adults facing foreclosure and eviction, negative publicity arising from actions by other reverse mortgage lenders has in the past caused, and could in the future cause, greater regulatory scrutiny on the business of Longbridge. Longbridge has contracted with ~~a~~ subservicer (~~the~~ **s) (each, a** " Subservicer ") to perform reverse mortgage servicing functions on its behalf. This subservicing relationship presents a number of risks to us. Longbridge currently relies on the Subservicer to subservice all of its reverse mortgage portfolio. Failure by the Subservicer to meet the requirements of the various servicing guidelines or contractual obligations could expose us to the assessment of fines and loss of reimbursement of loan related advances, expenses, interest and servicing fees. Moreover, if the Subservicer is not vigilant in encouraging borrowers to make their real estate tax and property insurance premium payments, the borrowers may be less likely to make these payments, which could result in a higher frequency of borrower default for failure to make these payments. If the Subservicer misses HUD and Ginnie Mae timelines for liquidating non- performing assets and Longbridge' s oversight does not prevent such missed timeline, loss severities may be higher than originally anticipated, and Longbridge may be subject to penalties by HUD and Ginnie Mae, including curtailment of interest. If Longbridge fails to recover fines or any amounts lost from the Subservicer, it would eventually realize a loss of such amounts. Since all of Longbridge' s portfolio is subserviced by one entity, as opposed to multiple subservicers, there is a greater risk to Longbridge if the Subservicer fails to perform its duties properly, than if Longbridge were to use multiple subservicers. In the reverse mortgage business, the number of third- party subservicers is highly limited. Unless more subservicers enter this space, the quality of subservicing practices may deteriorate, and Longbridge could have limited options in the event of a subservicer' s failure. The failure of a subservicer to effectively service the HECM and proprietary mortgage loans Longbridge owns or the loans underlying the HMBS Longbridge issues and holds in its portfolio or sells to third parties could have a material and adverse effect on our business and our financial condition. In addition, regulators or third parties may take the position that we were responsible for the subservicers' actions or failures to act; in that event, we might be exposed to the same risks as the subservicers. If any of Longbridge' s subservicers or any of their respective vendors fails to perform their duties pursuant to the related agreement (s), whether due to legal and regulatory issues or financial difficulties as described in the two preceding paragraphs or for any other reason, Longbridge would need to appoint another subservicer to perform such duties, to the extent required pursuant to the related agreement. The process of identifying and engaging a suitable successor subservicer and transitioning the functions performed by such subservicer to such successor subservicer could result in delays in collections and other functions performed by the subservicer and expose Longbridge' s business to breach of contract and indemnity claims relating to its servicing or subservicing obligations. Such delays may also adversely affect the value of the residual interests that we own in our securitizations and loans. The departure of any of the senior officers of Longbridge, or Longbridge' s inability to attract, develop, and retain talent in a cost- effective manner, could have a material adverse effect on Longbridge' s ability to **conduct its business. The departure of any of the senior officers of Longbridge, or Longbridge' s inability to attract, develop, and retain talent in a cost- effective manner, could have a material adverse effect on Longbridge' s ability to** achieve its objectives. In addition, now that we consolidate Longbridge, our business is also more affected by employment laws and regulations, including those related to minimum wage, benefits and scheduling requirements ~~. The global outbreak of the COVID- 19 pandemic adversely affected, and this pandemic or future epidemics or pandemics could adversely affect in the future, our business, financial condition, liquidity, and results of operations. The COVID- 19 pandemic negatively affected our business, and we believe that it (or a future epidemic or pandemic) could do so again in the future. This pandemic caused significant volatility and disruption in the financial markets both globally and in the United States. If COVID- 19 continues to spread and / or mutate and efforts to contain COVID- 19 are unsuccessful, or the United States experiences another highly infectious or contagious disease in the future, our business, financial condition, liquidity, and results of operations could be materially and adversely affected. The ultimate severity and duration of such effects would depend on future developments that are highly uncertain and difficult to predict. The continued spread and / or mutation of COVID- 19, or an outbreak of another highly infectious or contagious disease in the future, could also negatively impact the availability of key personnel necessary to conduct our business. Moreover, certain actions taken by U. S. or other governmental authorities to ameliorate the macroeconomic effects of the COVID- 19 pandemic or an outbreak due to another highly infectious or contagious disease in the future, harmed, and could harm in the future, our business. Any significant decrease in economic activity or resulting decline in the markets in which we invest could also have an adverse effect on our investments in our targeted assets. The COVID- 19 pandemic and certain of the actions taken to reduce the spread of the disease, based on governmental mandates and recommendations, including restrictions on travel, restrictions on the ability of individuals to assemble in groups, and restrictions on the ability of certain businesses to operate, have resulted in lost business revenue, rapid and significant increases in unemployment, and changes in consumer behavior, all of which have materially and adversely affected the economy. As a result, there was a significant nationwide increase in loan delinquencies, forbearances, deferments, and modifications in the first half of 2020, which increased delinquencies and losses on our loans and otherwise adversely affected our results of operations in the first half of 2020. Future outbreaks involving other highly infectious or contagious diseases could have similar adverse effects. We cannot predict the effect that government policies, laws, and plans adopted in response to the COVID- 19 pandemic or other future outbreaks involving highly infectious or contagious diseases and resulting recessionary economic conditions will have on us. Governments have adopted, and we expect will continue to adopt, policies, laws, and plans intended to address the COVID- 19 pandemic and adverse developments in the credit, financial, and mortgage markets that it has caused. Governments may also adopt similar measures in response to future outbreaks involving highly infectious or contagious diseases. We cannot assure you that these programs will be effective, sufficient, or otherwise have a positive impact on our business. Furthermore, such programs could also have a material adverse effect on our business. As a result of financial difficulties due to the COVID- 19 pandemic, borrowers have requested, and could continue to request, forbearance or other relief with respect to their mortgage payments. In addition, across the country, moratoriums have been put in place in certain states to stop evictions and foreclosures in an effort to lessen the financial burden created by the COVID- 19 pandemic, and various states have proposed or enacted regulation requiring servicers to formulate policies to assist mortgagors in need as a result of the COVID- 19 pandemic. While some of these programs have been lifted or discontinued, other forbearance programs, foreclosure moratoriums or other programs or mandates may be imposed or extended, including those that will impact mortgage related assets. Moratoriums on foreclosures may significantly impair a servicer' s abilities to pursue loss mitigation strategies in a timely and effective manner, which could have a material adverse effect on our business. Measures intended to prevent the spread of COVID- 19 have disrupted our ability to operate our business, and could again do so in the future. In response to the outbreak of COVID- 19 and the federal and state mandates implemented to control its spread, certain of Ellington' s personnel, as well as the third- party service providers that provide services to us, are working remotely. Since the initial outbreak of COVID- 19, certain of Ellington' s personnel and our service providers continue to work remotely. If these personnel are unable to work effectively, including because of illness, quarantines, office closures, ineffective remote work arrangements, or technology failures or limitations, our operations would be adversely impacted. Further, remote work arrangements may increase the risk of cybersecurity incidents and cyber- attacks on us or our third- party service providers, which could have a material adverse effect on our business and results of operations, due to, among other things, the loss of investor or proprietary data, interruptions or delays in the operation of our business, and damage to our reputation~~ . Other than Longbridge' s employees, who are solely focused on Longbridge' s operations, we do not have any employees of our own. Our officers are employees of Ellington or one or more of its affiliates. Other than Longbridge' s office locations, which are dedicated solely to Longbridge' s business, we have no separate facilities and are completely reliant on our Manager, which has significant discretion as to the implementation of our operating policies and execution of our business strategies and risk management practices. We also depend on our Manager' s access to the professionals of Ellington as well as information and deal flow generated by Ellington. The employees of Ellington identify, evaluate, negotiate, structure, close, and monitor our portfolio. The departure of any of the senior officers of our Manager, or of a significant number of investment professionals of

Ellington or the inability of such personnel to perform their duties due to acts of God, ~~including~~ pandemics such as the COVID-19 pandemic **, war or other geopolitical conflict, terrorism, elevated inflation, high energy costs, social unrest, or civil disturbances** , could have a material adverse effect on our ability to achieve our objectives. We can offer no assurance that our Manager will remain our manager or that we will continue to have access to our Manager' s senior management. We are subject to the risk that our Manager will terminate the management agreement or that we may deem it necessary to terminate the management agreement or prevent certain individuals from performing services for us and that no suitable replacement will be found to manage us. The base management fee payable to our Manager is payable regardless of the performance of our portfolio, which may reduce our Manager' s incentive to devote the time and effort to seeking profitable opportunities for our portfolio. We pay our Manager substantial base management fees based on our equity capital (as defined in the management agreement) regardless of the performance of our portfolio. The base management fee takes into account the net issuance proceeds of both common and preferred stock offerings. Our Manager' s entitlement to non- performance- based compensation might reduce its incentive to devote the time and effort of its professionals to seeking profitable opportunities for our portfolio, which could result in a lower performance of our portfolio and **could** materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. Our Manager' s incentive fee may induce our Manager to acquire certain assets, including speculative or high risk assets, or to acquire assets with increased leverage, which could increase the risk to our portfolio. In addition to its base management fee, our Manager is entitled to receive an incentive fee based, in large part, upon our achievement of targeted levels of net income. In evaluating asset acquisition and other management strategies, the opportunity to earn an incentive fee based on net income may lead our Manager to place undue emphasis on the maximization of net income at the expense of other criteria, such as preservation of capital, maintaining liquidity, and / or management of credit risk or market risk, in order to achieve a higher incentive fee. Assets with higher yield potential are generally riskier or more speculative. This could result in increased risk to our portfolio. Our Board of Directors has approved very broad investment guidelines for our Manager and will not approve each decision made by our Manager to acquire, dispose of, or otherwise manage an asset. Our Manager is authorized to follow very broad guidelines in pursuing our strategy. While our Board of Directors periodically reviews our guidelines and our portfolio and asset- management decisions, it generally does not review all of our proposed acquisitions, dispositions, and other management decisions. In addition, in conducting periodic reviews, our Board of Directors relies primarily on information provided to them by our Manager. Furthermore, our Manager may arrange for us to use complex strategies or to enter into complex transactions that may be difficult or impossible to unwind by the time they are reviewed by our Board of Directors. Our Manager has great latitude within the broad guidelines in determining the types of assets it may decide are proper for us to acquire and other decisions with respect to the management of those assets. Poor decisions could ~~have a material~~ **materially** ~~adverse~~ **adversely** ~~effect~~ **affect** ~~on~~ our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. We compete with Ellington' s other accounts for access to Ellington **and for opportunities to acquire assets** . Ellington has sponsored and / or currently manages accounts with a focus that overlaps with our investment focus, and expects to continue to do so in the future. Ellington is not restricted in any way from sponsoring or accepting capital from new accounts, even for investing in asset classes or strategies that are similar to, or overlapping with, our asset classes or strategies. Therefore, we compete for access to the benefits that our relationship with our Manager and Ellington provides us. For the same reasons, the personnel of Ellington and our Manager may be unable to dedicate a substantial portion of their time to managing our assets. ~~We compete with~~ **Further, to** ~~other~~ -- **the extent that** ~~Ellington accounts for opportunities to acquire assets, which are allocated in accordance with Ellington' s investment allocation policies. Many of~~ our targeted assets are also targeted assets of other Ellington accounts, ~~and~~ **we will compete with those accounts for opportunities to acquire assets.** Ellington has no duty to allocate such opportunities in a manner that preferentially favors us. Ellington makes available to us all opportunities to acquire assets that it determines, in its reasonable and good faith judgment, based on our objectives, policies and strategies, and other relevant factors, are appropriate for us in accordance with Ellington' s written investment allocation policy, it being understood that we might not participate in each such opportunity, but will on an overall basis equitably participate with Ellington' s other accounts in all such opportunities. Since many of our targeted assets are typically available only in specified quantities and are also targeted assets for other Ellington accounts, Ellington often is not able to buy as much of any asset or group of assets as would be required to satisfy the needs of all of Ellington' s accounts. In these cases, Ellington' s investment allocation procedures and policies typically allocate such assets to multiple accounts in proportion to their needs and available capital. As part of these policies, accounts that are in a" start- up" or" ramp- up" phase may get allocations above their proportion of available capital, which could work to our disadvantage, particularly because there are no limitations surrounding Ellington' s ability to create new accounts. In addition, the policies permit departure from proportional allocations under certain circumstances, for example when such allocation would result in an inefficiently small amount of the security or assets being purchased for an account, which may also result in our not participating in certain allocations. There are conflicts of interest in our relationships with our Manager and Ellington, which could result in decisions that are not in the best interests of our stockholders. We are subject to conflicts of interest arising out of our relationship with Ellington and our Manager. Currently, all of our executive officers, and one of our directors, are employees of Ellington or one or more of its affiliates. As a result, our Manager and our officers may have conflicts between their duties to us and their duties to, and interests in, Ellington or our Manager. For example, Mr. Penn, our President and Chief Executive Officer and one of our directors, also serves as the President and Chief Executive Officer of, and as a member of the Board of Trustees of, Ellington Residential Mortgage REIT, and as Vice Chairman and Chief Operating Officer of Ellington. Mr. Vranos, our Co- Chief Investment Officer, also serves as the Co- Chief Investment Officer of, and as a member of the Board of Trustees of, Ellington Residential Mortgage REIT, and as Chairman of Ellington. Mr. Tecotzky, our Co- Chief Investment Officer, also serves as the Co- Chief Investment Officer of Ellington Residential Mortgage REIT, and as Vice Chairman- Co- Head of Credit Strategies of Ellington. Mr. Herlihy, our Chief Financial Officer, also serves as the Chief

Operating Officer of Ellington Residential Mortgage REIT, and as a Managing Director of Ellington. Mr. Smernoff, our Chief Accounting Officer, also serves as the Chief Financial Officer of Ellington Residential Mortgage REIT. We may acquire or sell assets in which Ellington or its affiliates have or may have an interest. Similarly, Ellington or its affiliates may acquire or sell assets in which we have or may have an interest. In addition, affiliates of Ellington have purchased loans from certain of our loan originator affiliates, and we have entered into and may in the future enter into securitization transactions along with other funds managed by Ellington or its affiliates. Although such acquisitions, dispositions, and transactions may present conflicts of interest, we nonetheless may pursue and consummate such transactions. Additionally, we may engage in transactions directly with Ellington or its affiliates, including the purchase and sale of all or a portion of a portfolio asset. We may also, either directly or indirectly through an entity in which we invest, pay Ellington or an affiliate of Ellington to perform administrative services for us. Furthermore, if we securitize any of our assets, Ellington or an affiliate of Ellington may be required under the U. S. Risk Retention Rules to acquire and retain an economic interest in the credit risk of such assets. In connection with any of these transactions we may indemnify, alongside other Ellington affiliates, Ellington or its affiliates or third parties. Acquisitions made for entities with similar objectives may be different from those made on our behalf. Ellington may have economic interests in, or other relationships with, others in whose obligations or securities we may acquire. In particular, such persons may make and / or hold an investment in securities that we acquire that may be pari passu, senior, or junior in ranking to our interest in the securities or in which partners, security holders, officers, directors, agents, or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities and otherwise create conflicts of interest. In such instances, Ellington may, in its sole discretion, make recommendations and decisions regarding such securities for other entities that may be the same as or different from those made with respect to such securities and may take actions (or omit to take actions) in the context of these other economic interests or relationships the consequences of which may be adverse to our interests. In deciding whether to issue additional debt or equity securities, we will rely in part on recommendations made by our Manager. While such decisions are subject to the approval of our Board of Directors, one of our directors is also an Ellington employee. Because our Manager earns base management fees that are based on the total amount of our equity capital, and earns incentive fees that are based in part on the total net income that we are able to generate, our Manager may have an incentive to recommend that we issue additional debt or equity securities. See" — **General Risk Factors —** Future offerings of debt securities, which would rank senior to our common and preferred stock upon our liquidation, and future offerings of equity securities, which could dilute our existing stockholders and, in the case of preferred equity, may be senior to our common stock for the purposes of dividend and liquidating distributions, may adversely affect the market price of our common stock." The officers of our Manager and its affiliates devote as much time to us as our Manager deems appropriate; however, these officers may have conflicts in allocating their time and services among us and Ellington and its affiliates' accounts. During turbulent conditions in the mortgage industry, distress in the credit markets or other times when we will need focused support and assistance from our Manager and Ellington employees, other entities that Ellington advises or manages will likewise require greater focus and attention, placing our Manager and Ellington' s resources in high demand. In such situations, we may not receive the necessary support and assistance we require or would otherwise receive if we were internally managed or if Ellington or its affiliates did not act as a manager for other entities. We, directly or through Ellington, may obtain confidential information about the companies or securities in which we have invested or may invest. If we do possess confidential information about such companies or securities, there may be restrictions on our ability to dispose of, increase the amount of, or otherwise take action with respect to the securities of such companies. Our Manager' s and Ellington' s management of other accounts could create a conflict of interest to the extent our Manager or Ellington is aware of material non- public information concerning potential investment decisions. We have implemented compliance procedures and practices designed to ensure that investment decisions are not made while in possession of material non- public information. We cannot assure you, however, that these procedures and practices will be effective. In addition, this conflict and these procedures and practices may limit the freedom of our Manager to make potentially profitable investments, which could have an adverse effect on our operations. These limitations imposed by access to confidential information could ~~therefore~~ materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. As of December 31, ~~2022~~ **2023** , the Manager Group owned approximately **4.** 6 ~~. 0~~ % of our outstanding common shares and other equity interests convertible into our common shares. In evaluating opportunities for us and other management strategies, this may lead our Manager to emphasize certain asset acquisition, disposition, or management objectives over others, such as balancing risk or capital preservation objectives against return objectives. This could increase the risks, or decrease the returns, of your investment. The management agreement with our Manager was not negotiated on an arm' s- length basis and may not be as favorable to us as if it had been negotiated with an unaffiliated third party and may be costly and difficult to terminate. Our management agreement with our Manager was negotiated between related parties, and its terms, including fees payable, may not be as favorable to us as if it had been negotiated with an unaffiliated third party. Various potential and actual conflicts of interest may arise from the activities of Ellington and its affiliates by virtue of the fact that our Manager is controlled by Ellington. Termination of our management agreement without cause, including termination for poor performance or non- renewal, is subject to several conditions which may make such a termination difficult and costly. The management agreement has a current term that expires on December 31, ~~2023~~ **2024** , and will be automatically renewed for successive one- year terms thereafter unless notice of non- renewal is delivered by either party to the other party at least 180 days prior to the expiration of the then current term. The management agreement provides that it may be terminated by us based on performance upon the affirmative vote of at least two- thirds of our independent directors, or by a vote of the holders of at least a majority of our outstanding common stock, based either upon unsatisfactory performance by our Manager that is materially detrimental to us or upon a determination by the Board of Directors that the fees payable to our Manager are not fair, subject to our Manager' s right to prevent such a termination by accepting a mutually acceptable reduction of the fees. In the event we terminate the management agreement as discussed above or elect not to renew the management agreement, we will be required to pay our Manager a termination fee equal to the amount of three times the sum of the average annual base management fee and the average annual incentive fee earned by our Manager during the 24- month period immediately preceding the date of notice of termination or non- renewal, calculated as of the end of the most recently completed fiscal quarter prior to the date of notice of termination or non- renewal. These provisions will increase the effective cost to us of terminating the management agreement, thereby adversely affecting our ability to terminate our Manager without cause. Pursuant to the management agreement, our Manager will not assume any responsibility other than to render the services called for thereunder and will not be responsible for any action of our Board of Directors in following or declining to follow its advice or recommendations. Under the terms of the management agreement, our Manager, Ellington, and their affiliates and each of their officers, directors, members, shareholders, managers, investment and risk management committee members, employees, agents, successors and assigns, will not be liable to us for acts or omissions performed in accordance with and pursuant to the management agreement, except because of acts or omissions constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their duties under the management agreement. In addition, we will indemnify our Manager, Ellington, and their affiliates and each of their officers, directors, members, shareholders, managers, investment and risk management committee members, employees, agents, successors and assigns, with respect to all liabilities, judgments, costs, charges, losses, expenses, and claims arising from acts or omissions of our Manager not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of duties under the management agreement. If our Manager ceases to be our Manager ~~pursuant to the management agreement~~ or one or more of our Manager' s key personnel ceases to provide services to us, our lenders and our derivative counterparties may cease doing business with us. If our Manager ceases to be our Manager, including upon non- renewal of our management agreement, or if one or more of our Manager' s key personnel ceases to provide services to us, it could constitute an event of default or early termination event under many of our repo or derivative transaction agreements, upon which ~~our~~ **the relevant** counterparties would have the right to terminate their agreements with us. If our Manager ceases to be our Manager for any reason, including upon the non- renewal of our management agreement and we are unable to obtain or renew financing or enter into or maintain derivative transactions, **it could materially adversely affect** our business, financial condition and results of operations, and our ability to pay dividends to our stockholders ~~may be materially adversely affected~~ . Our Manager' s failure to identify and acquire assets that meet our asset criteria or perform its responsibilities under the management agreement could materially adversely affect our business, financial condition and results of operations, our ability to **pay dividends to our stockholders, and our ability to** maintain our qualification as a REIT ~~, and our ability to pay dividends to our stockholders~~ . Our ability to achieve our objectives depends on our Manager' s ability to identify and acquire assets that meet our asset criteria. Accomplishing our objectives is largely a function of our Manager' s structuring of our investment process, our access to financing on acceptable terms, and general market conditions. Our stockholders do not have input into our investment decisions. All of these factors increase the uncertainty, and thus the risk, of investing in our common or preferred stock. The senior management team of our Manager has substantial responsibilities under the management agreement. In order to implement certain strategies, our Manager may need to hire, train, supervise, and manage new employees successfully. In addition, since the closing of the Longbridge Transaction in October 2022, our Manager is also required to provide oversight of Longbridge' s management and business **, and since the closing of the Arlington Merger in December 2023, our Manager is also required to manage the investment portfolio acquired from Arlington** . Any failure to manage our future growth effectively could ~~have a material~~ **materially** ~~adverse~~ **adversely** ~~effect~~ **affect** ~~on~~ our business, financial condition and results of operations, our ability to maintain our qualification as a REIT, and our ability to pay dividends to our stockholders. We do not own the Ellington brand or trademark, but may use the brand and trademark as well as our logo pursuant to the terms of a license granted by Ellington. Ellington has licensed the" Ellington" brand, trademark, and logo to us for so long as our Manager or another affiliate of Ellington continues to act as our manager. We do not own the brand, trademark, or logo that we will use in our business and may be unable to protect this intellectual property against infringement from third parties. Ellington retains the right to continue using the" Ellington" brand and trademark. We will further be unable to preclude Ellington from licensing or transferring the ownership of the" Ellington" brand and trademark to third parties, some of whom may compete against us. Consequently, we will be unable to prevent any damage to goodwill that may occur as a result of the activities of Ellington or others. Furthermore, in the event our Manager or another affiliate of Ellington ceases to act as our manager, or in the event Ellington terminates the license, we will be required to change our name and trademark. Any of these events could disrupt our recognition in the marketplace, damage any goodwill we may have generated, and otherwise harm our business. Finally, the license is a domestic license in the United States only and does not give us any right to use the" Ellington" brand, trademark, and logo overseas even though we are using the brand, trademark, and logo overseas. Our use of the" Ellington" brand, trademark, and logo overseas will therefore be unlicensed and could expose us to a claim of infringement. The declaration, amount, nature, and payment of any future dividends on shares of our common and preferred stock are at the sole discretion of our Board of Directors. It is possible that we may not be able to pay dividends or other distributions on shares of our common stock or preferred stock. Under Delaware law, cash dividends on capital stock may only be paid from " surplus " or, if there is no " surplus, " from the corporation' s net profits for the then- current or the preceding fiscal year. Unless we operate profitably, our ability to pay cash dividends on shares of our common stock and preferred stock would require the availability of adequate " surplus, " which is defined as the excess, if any, of our net assets (total assets less total liabilities) over our capital. Further, even if an adequate surplus is available to pay cash dividends on shares of our common stock or preferred stock, we may not have sufficient cash to pay dividends on shares of our common stock or preferred stock. In addition, in order to preserve our liquidity, our Board of Directors may **not declare a dividend at all or** declare all or any portion of a dividend to be payable in stock, may delay the record date or payment date for any previously declared, but unpaid, dividend, convert a previously declared, but unpaid, cash dividend on our common stock to a dividend paid partially or completely in stock, or even revoke a declared, but unpaid, dividend. Our ability to pay dividends may be impaired if any of the risks described in this Annual Report on Form 10- K, or any of our other periodic or current reports filed with the SEC, were to occur. In addition, payment of dividends depends upon our earnings, liquidity, financial condition, the REIT distribution requirements, our financial covenants, and other factors that our Board of Directors may deem relevant from time to time. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings or other capital will be available to us in an amount sufficient to enable us to make distributions on our shares of common stock or preferred stock, to pay our indebtedness, or to fund other liquidity needs. Our Board of Directors will continue to assess our common stock dividend rate and our preferred stock dividend payment schedule on an ongoing basis, as market conditions and our financial position continue to evolve. Our Board of Directors is under no obligation to declare any dividend distribution. We cannot assure you that we will achieve results that will allow us to pay a specified level of dividends or to increase dividends from one period to the next. **For example** ~~Among the factors that could materially adversely affect our business~~ , ~~financial condition and results of operations, and~~ our ~~ability~~ **management team currently expects** to ~~pay~~ **recommend to our Board of Directors a reduction of our monthly** ~~dividends~~ **dividend from $ 0. 15** to ~~our stockholders~~ **$ 0. 13 per** ~~are~~ **share** ~~: • our inability to realize positive or attractive returns on our portfolio~~ , **beginning** ~~whether because of defaults~~ in **March 2024** ~~our portfolio, decreases in the value of our portfolio, or otherwise; • margin calls or other expenditures that reduce our cash flow and impact our liquidity; and • increases in actual or estimated operating expenses~~ . One of the factors that investors may consider in deciding whether to buy or sell our common stock is our dividend rate (or expected future dividend rates) as a percentage of our common stock price, relative to prevailing market interest rates. Similarly, investors in our preferred equity securities or our debt securities may consider the dividend rate or yield on such securities relative to prevailing market interest rates. If market interest rates continue to increase, prospective investors in our equity or debt securities may demand a higher dividend rate or yield on our securities or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and capital market conditions can affect the market price of our securities independent of the effects such conditions may have on our portfolio. For instance, if interest rates rise without an increase in our dividend rate, the market price of our common stock could decrease because potential investors may require a higher dividend yield on our common stock as market rates on interest- bearing instruments such as bonds rise. In addition, to the extent we have variable rate debt, such as our repo financings, rising interest rates would result in increased interest expense on this variable rate debt, thereby potentially adversely affecting our cash flow and our ability to service our indebtedness and pay dividends to our stockholders. **Preferred stock, unsecured debt, and convertible debt securities could reduce the cash flow available to our common stock, including to fund dividends, and could also cause the net asset value of our common stock to be volatile. We have issued preferred stock and unsecured debt, and in the future may issue additional preferred equity, unsecured debt, and / or convertible debt. We cannot assure you that such issuances will result in a higher yield or return to the holders of our common stock. If the dividend rate on the preferred stock, or the interest rate on the unsecured debt and / or convertible debt securities, were to exceed the net rate of return on our investment portfolio, the use of these instruments would result in a lower rate of return to the holders of our common stock than if we had not issued the preferred stock, unsecured debt or convertible debt securities, which could reduce the value of the common stock and adversely affect our ability to pay dividends to the holders of our common stock. The issuance of preferred stock, unsecured debt and / or convertible debt could also cause the net asset value of our common stock to become more volatile. Any decline in the value of our assets would typically be borne entirely by the holders of our common stock. Therefore, if the value of our assets were to decline, the prior issuance of preferred equity and debt would result in a greater decrease in net asset value to the holders of our common stock than if we had not issued debt and preferred equity. This decline in net asset value would also tend to cause a greater decline in the market price for our common stock. Investing in our securities involves a high degree of risk.** The assets we purchase in accordance with our objectives may result in a higher amount of risk than other alternative asset acquisition options. The assets we acquire may be highly speculative and aggressive and may be subject to a variety of risks, including credit risk, prepayment risk, interest rate risk, and market risk. As a result, an investment in our securities may not be suitable for investors with lower risk tolerance. Risks Related To Our Organization and Structure Our certificate of incorporation and bylaws contain provisions that may have an anti- takeover effect and inhibit a change in our Board of Directors. These provisions include: • allowing only our Board of Directors to fill newly created directorships resulting from any increase in the authorized number of directors and any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause, even if the remaining directors do not constitute a quorum; • requiring advance notice for our stockholders to nominate candidates for election to our Board of Directors or to propose business to be considered by our stockholders at a meeting of stockholders; • the ability of our Board of Directors to cause us to issue additional authorized but unissued shares of common stock or preferred stock without the approval of our stockholders; • the ability of the Board of Directors to amend, modify or repeal our bylaws without the approval of our stockholders; • restrictions on the ability of stockholders to call a special meeting without a majority of all the votes entitled to be cast at such meeting; and • limitations on the ability of stockholders to act by written consent. Certain provisions of the management agreement also could make it more difficult for third parties to acquire control of us by various means, including limitations on our right to terminate the management agreement and a requirement that, under certain circumstances, we make a substantial payment to our Manager in the event of a termination. Our certificate of incorporation provides that (subject to certain exceptions described below) no person may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9. 8 %, in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock. Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our capital stock that will or may violate any of the foregoing restrictions on transferability and ownership will be required to give written notice immediately to us, or in the case of proposed or attempted transactions will be required to give at least 15 days written notice to us, and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT. Our Board of Directors, in its sole discretion, may exempt any person from the foregoing restrictions. Any person seeking such an exemption must provide to our Board of Directors such representations, covenants, and undertakings as our Board of Directors may deem appropriate. Our Board of Directors may also condition any such exemption on the receipt of a ruling from the Internal Revenue Service, or" IRS," or an opinion of counsel as it deems appropriate. Our Board of Directors has granted an exemption from this limitation to Ellington and certain affiliated entities of Ellington, subject to certain conditions. Our certificate of incorporation provides that each person that is or was a director, officer, employee, or agent of ours shall not be liable to us or any of our stockholders for any acts or omissions by any such person arising from the performance of their duties and obligations in connection with us, except to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law. In addition, as permitted by Section 102 (b) (7) of the Delaware General Corporation Law, our certificate of incorporation provides that our directors will not be liable to us or any holder of shares for monetary damages for breach of a fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law. In addition, our certificate of incorporation provides that we may indemnify, to the fullest extent permitted by law, each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than an action by or in our right), by reason of the fact that the person is or was a director, officer, employee, or agent of ours, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding, if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to our best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person' s conduct was unlawful. Our certificate of incorporation also provides that we may indemnify, to the fullest extent permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in our right to procure a judgment in our favor by reason of the fact that the person is or was a director, officer, employee, or agent of ours, against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to our best interests, except that no indemnification may be made in respect of any claim, issue or matter as to which such person had been adjudged to be liable to us unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought determines that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses. We have entered into indemnification agreements with our directors and officers implementing these indemnification provisions that obligate us to indemnify them to the maximum extent permitted by Delaware law. Such indemnification includes defense costs and expenses incurred by such officers and directors. Our management agreement with our Manager requires us to indemnify our Manager and its affiliates against any and all claims and demands arising out of claims by third parties caused by acts or omissions of our Manager and its affiliates not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of our Manager' s duties under the management agreement. In light of the liability limitations contained in our certificate of incorporation and our management agreement with our Manager, as well as our indemnification arrangements with our directors and officers and our Manager, our and our stockholders' rights to take action against our directors, officers, and Manager are limited, which could limit your recourse in the event actions are taken that are not in your best interests. Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for: any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of fiduciary duty owed by any current or former director, officer or stockholder of ours to us or our stockholders; any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or bylaws; or any action asserting a claim against us governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder' s ability to bring a claim in a judicial forum that the stockholder believes is favorable for disputes with us or our directors or officers, which may discourage lawsuits against us and our directors or officers. Alternatively, if a court were to find these provisions of our certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations. We have conducted and intend to continue to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act. Both we and our Operating Partnership are organized as holding companies and conduct our business primarily through wholly- owned subsidiaries of our Operating Partnership. Our Operating Partnership' s investments in its 3 (c) (7) subsidiaries and its other investment securities cannot exceed 40 % of the value of our Operating Partnership' s total assets (excluding U. S. government securities and cash) on an unconsolidated basis. In addition, the Holding Subsidiary' s investment in its 3 (c) (7) subsidiaries and its other investment securities cannot exceed 40 % of the value of our Holding Subsidiary' s total assets (excluding U. S. government securities and cash) on an unconsolidated basis. These requirements limit the types of businesses in which we may engage and the assets we may hold. Our 3 (c) (5) (C) subsidiaries rely on the exclusion provided by Section 3 (c) (5) (C) of the Investment Company Act. Section 3 (c) (5) (C) of the Investment Company Act is designed for entities" primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exclusion generally requires that at least 55 % of the entity' s assets on an unconsolidated basis consist of qualifying real estate assets and at least 80 % of the entity' s assets on an unconsolidated basis consist of qualifying real estate assets or real estate- related assets. Both the 40 % Test and the requirements of the Section 3 (c) (5) (C) limit the types of businesses in which we may engage and the types of assets we may hold, as well as the timing of sales and purchases of those assets. To classify the assets held by our subsidiaries as qualifying real estate assets or real estate- related assets, we rely on no-action letters and other guidance published by the SEC staff regarding those kinds of assets, as well as upon our analyses (in consultation with outside counsel) of guidance published with respect to other types of assets. There can be no assurance that the laws and regulations governing the Investment Company Act status of companies similar to ours, or the guidance from the SEC staff regarding the treatment of assets as qualifying real estate assets or real estate- related assets, will not change in a manner that adversely affects our operations. In fact, in August 2011, the SEC published a concept release in which it asked for comments on this exclusion from registration. To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon our exclusion from the definition of an investment company under the Investment Company Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC staff could further inhibit our ability to pursue the strategies that we have chosen. Furthermore, although we monitor the assets of our subsidiaries regularly, there can be no assurance that our subsidiaries will be able to maintain their exclusion from registration. Any of the foregoing could require us to adjust our strategy, which could limit our ability to make certain investments or require us to sell assets in a manner, at a price or at a time that we otherwise would not have chosen. This could negatively affect the value of our common or preferred stock, the sustainability of our business model, and our ability to pay dividends to our stockholders. If we **were required to register as an investment company under the Investment Company Act, we would be subject to the restrictions imposed by the Investment Company Act, which would require us to make material changes to our strategy. If we** are deemed to be an investment company under the Investment Company Act, we would be required to materially restructure our activities or to register as an investment company under the Investment Company Act, which would have a material adverse effect on our business, financial condition, and results of operations. In connection with any such restructuring, we may be required to sell portfolio assets at a time we otherwise might not choose to do so, and we may incur losses in connection with such sales. Further, our Manager may unilaterally terminate the management agreement if we become regulated as an investment company under the Investment Company Act. Further, if it were established that we were **(or Arlington had been)** an unregistered investment company, there would be a risk that we would be subject to monetary penalties and injunctive relief in an action brought by the SEC, that we would be unable to enforce contracts with third parties and that third parties could seek to obtain rescission of transactions undertaken during the period it was established that we were an unregistered investment company. We strongly urge you to consult your tax advisor concerning the effects of U. S. federal, state, and local income tax law on an investment in our common and preferred stock and on your individual tax situation. We elected to be treated as a REIT for U. S. federal income tax purposes commencing with our taxable year ended December 31, 2019. While we believe that we operated and intend to continue to operate in a manner that will enable us to meet the requirements for taxation as a REIT commencing on January 1, 2019, we cannot assure you that we will remain qualified as a REIT. The U. S. federal income tax laws governing REITs are complex, and interpretations of the U. S. federal income tax laws governing qualification as a REIT are limited. Qualifying as a REIT requires us to meet various tests regarding the nature of our assets, our income and our earnings and profits, or" E & P" (calculated pursuant to Sections 316 and 857 (d) of the Code and the regulations thereunder), the ownership of our outstanding stock, and the amount of our distributions on an ongoing basis. Our ability to satisfy the **REIT** asset tests depends upon the characterization and fair market values of our assets, some of which are not precisely determinable, and for which we may not obtain independent appraisals. Our compliance with the REIT **asset and** income ~~and asset~~ tests and the accuracy of our tax reporting to stockholders also depend upon our ability to successfully manage the calculation and composition of our gross and net taxable income, our E & P and our assets on an ongoing basis. Even a technical or inadvertent mistake could jeopardize our REIT status. In addition, our ability to satisfy the requirements to maintain our qualification as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U. S. federal income tax purposes. Although we operated and intend to operate so as to maintain our qualification as a REIT, given the complex nature of the rules governing REITs, the ongoing importance of factual determinations, including the potential tax treatment of the investments we make, and the possibility of future changes in our circumstances, no assurance can be given that our actual results of operations for any particular taxable year will satisfy such requirements. We also own an entity that has elected to be taxed as a REIT under the U. S. federal income tax laws, or a" Subsidiary REIT." Our Subsidiary REIT is subject to the same REIT qualification requirements that are applicable to us. If our Subsidiary REIT were to fail to maintain its qualification as a REIT, then (i) that Subsidiary REIT would become subject to regular U. S. federal, state and local corporate income tax, (ii) our interest in such Subsidiary REIT would cease to be a qualifying asset for purposes of the REIT asset tests, and (iii) it is possible that we would fail certain of the REIT asset and / or income tests, in which event we also would fail to maintain our qualification as a REIT unless we could avail ourselves of certain relief provisions. While we believe that the Subsidiary REIT has qualified as a REIT under the Code, we have joined the Subsidiary REIT in filing a" protective" TRS election under Section 856 (l) of the Code for each taxable year in which we have owned an interest in the Subsidiary REIT. We cannot assure you that such" protective" TRS election would be effective to avoid adverse consequences to us. Moreover, even if the" protective" election were to be effective, the Subsidiary REIT would be subject to regular corporate income tax, dividends we receive from the Subsidiary REIT would not qualify as good income for our **REIT** 75 % gross income test, and we cannot assure you that we would not fail to satisfy the requirement that not more than 20 % of the value of our total assets may be represented by the securities of one or more TRSs. See" Our ownership of and relationship with our TRSs will be limited, and a failure to comply with the limits would jeopardize our REIT status and may result in the application of a 100 % excise tax ~~,~~ **.** " ~~below.~~ If we fail to maintain our qualification as a REIT in any calendar year, and do not qualify for certain statutory relief provisions, we would be required to pay U. S. federal income tax (and any applicable state and local taxes) on our taxable income at regular corporate rates, and dividends paid to our stockholders would not be deductible by us in computing our taxable income (although such dividends received by certain non- corporate U. S. taxpayers generally would be subject to a preferential rate of taxation). Further, if we fail to maintain our qualification as a REIT, we might need to borrow money or sell assets in order to pay any resulting tax. Our payment of income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to maintain our qualification as a REIT, we no longer would be required under U. S. federal tax laws to distribute substantially all of our REIT taxable income to our stockholders. Unless our failure to maintain our qualification as a REIT was subject to relief under the U. S. federal tax laws, we could not re- elect to qualify as a REIT until the fifth calendar year following the year in which we failed to qualify. **We could face adverse tax consequences if Arlington failed to qualify as a REIT prior to the Arlington Merger. In connection with the closing of the Arlington Merger, we received an opinion of counsel to the effect that Arlington qualified as a REIT for U. S. federal income tax purposes through the time of the Arlington Merger. However, we did not request a ruling from the IRS that Arlington qualified as a REIT. Notwithstanding the opinion of counsel, if the IRS successfully challenged Arlington' s REIT status or tax treatment of its transactions prior to the Arlington Merger, we could face adverse tax consequences, including succeeding to Arlington' s liability for U. S. federal income taxes at regular corporate rates for the periods in which Arlington failed to qualify as a REIT (without regard to the deduction for dividends paid for such periods), any excise or prohibited transaction tax, or any tax liability of Arlington' s TRS. These adverse tax consequences could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders.** To qualify as a REIT, we must continually satisfy various tests regarding the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our shares of beneficial interest. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, we may choose not to make certain types of investments that we made in prior years or pursue certain strategies that we pursued in prior years, which could include certain hedges that would otherwise reduce certain investment risks, or we could make such investments or pursue such strategies in a TRS. Any domestic TRS will be subject to regular U. S. federal, state and local corporate income tax, which may reduce the cash available to be distributed to our stockholders as compared with prior years. As a REIT, we may be required to pay dividends to stockholders at disadvantageous times or when we do not have funds readily available for distribution, and may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source of income or asset diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our investment performance. In particular, we must ensure that at the end of each calendar quarter, we satisfy the REIT 75 % asset test, which requires that at least 75 % of the value of our total assets consist of cash, cash items, government securities and qualified REIT real estate assets, including RMBS. The remainder of our investments in securities (other than government securities and qualified REIT real estate assets) generally cannot include more than 10 % of the outstanding voting securities of any one issuer or more than 10 % of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5 % of the value of our total assets (other than government securities, TRS securities and qualified REIT real estate assets) can consist of the securities of any one issuer, and no more than 20 % of the value of our total assets can be represented by securities of one or more TRSs. Generally, if we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and becoming subject to U. S. federal income tax and any applicable state and local taxes on all of our **taxable** income. In addition, we must also ensure that each taxable year we satisfy the REIT 75 % and 95 % gross income tests, which require that, in general, 75 % of our gross income come from certain real estate-related sources and 95 % of our gross income consist of gross income that qualifies for the **REIT** 75 % gross income test or certain other passive income sources. As a result of the requirement that we satisfy both the REIT 75 % asset test and the REIT 75 % and 95 % gross income tests, we may be required to liquidate from our portfolio otherwise attractive investments or contribute such investments to a TRS, in which event they would be subject to regular corporate U. S. federal, state and local taxes assuming that the TRS is organized in the United States. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders. Generally, if we fail to comply with these requirements at the end of any calendar year, we will lose our REIT qualification and may be subject to U. S. federal income tax and any applicable state and local taxes on all of our **taxable** income. Failure to make required distributions would subject us to tax, which would reduce the cash available for distribution to our stockholders. To qualify as a REIT, we must distribute to our stockholders each calendar year at least 90 % of our REIT taxable income (including certain items of non- cash income), determined excluding any net capital gains and without regard to the deduction for dividends paid. Distributions of our taxable income must generally occur in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for the year and if paid with or before the first regular dividend payment after such declaration. To the extent that we satisfy the **REIT** 90 % distribution requirement, but distribute less than 100 % of our taxable income, we will be subject to U. S. federal corporate income tax **(and any applicable state and local taxes)** on our undistributed income. In addition, we will incur a 4 % nondeductible excise tax on the amount, if any, by which our distributions in any calendar year (subject to specific timing rules for certain dividends paid in January) are less than the sum of: • 85 % of our REIT ordinary income for that year; • 95 % of our REIT capital gain net income for that year; and • any undistributed taxable income from prior years. We intend to distribute our taxable income to our stockholders in a manner intended to satisfy the **REIT** 90 % distribution requirement and to avoid the corporate income tax. These distributions will limit our ability to retain earnings and thereby replenish or increase capital from operations. However, there is no requirement that TRSs distribute their after- tax net income to their parent REIT. Our taxable income may substantially exceed our net income as determined based on GAAP, because, for example, realized capital losses will be deducted in determining our GAAP net income, but may not be deductible in computing our taxable income. Our Operating Partnership and certain of its subsidiaries have made an election under Section 475 (f) of the Code to mark their securities to market, which may cause us to recognize taxable gains for a taxable year with respect to such securities without the receipt of any cash corresponding to such gains. Additionally, E & P in our foreign TRSs are taxable to us, regardless of whether such earnings are distributed. **We intend to file consolidated U. S. income tax returns for our domestic TRSs, which means**

that ~~Losses~~ **losses in one domestic TRS can offset income in another domestic TRS. However, overall losses** in our TRSs will not reduce our **REIT** taxable income, and will generally not provide any tax benefit to us, except for being carried forward against future TRS taxable income in the case of a domestic TRS. Also, our ability, or the ability of our subsidiaries, to deduct interest may be limited under Section 163 (j) of the Code. In addition, we may invest in assets that generate taxable income in excess of economic income or in advance of the corresponding cash flow from the assets, or we may modify assets in a way that produces taxable income prior to or in excess of economic income. As a result of the foregoing, we may generate less cash flow than taxable income in a particular year. To the extent that we generate such non- cash taxable income in a taxable year or have limitations on our deductions, we may incur corporate income tax and the 4 % nondeductible excise tax on that income if we do not distribute such income to stockholders in that year. In that event, we may be required to use cash reserves, incur debt, sell assets, make taxable distributions of our shares or debt securities or liquidate non- cash assets at rates, at terms or at times that we regard as unfavorable, in order to satisfy the distribution requirement and to avoid corporate income tax and the 4 % nondeductible excise tax in that year **. Conversely, from time to time, we may generate less taxable income than our income for financial reporting purposes due to GAAP and tax accounting differences or, as mentioned above, due to the timing between the recognition of taxable income and the actual receipt of cash. In such circumstances we may make distributions according to our business plan that are within our wherewithal from an economic or cash management perspective, but that are labeled as return of capital for tax reporting purposes, as they are in excess of taxable income in that period. Utilizing net operating loss or net capital loss carryforwards may allow us to reduce our required distributions to stockholders or our income tax liability, which would allow us to retain future taxable income as capital. However, if we choose nonetheless to make distributions according to our business plan or if we do not generate sufficient taxable income of the appropriate tax character, such net operating loss or net capital loss carryforwards may not be fully utilized. To the extent that our net operating loss or net capital loss carryforwards expire unutilized, we may not fully realize the benefit of these tax attributes which could lead to higher annual distribution requirements or tax liabilities** . Determination of our REIT taxable income involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. If the IRS disagrees with our determination, it could affect our satisfaction of the distribution requirement. Under certain circumstances, we may be able to correct a failure to meet the distribution requirement for a year by paying" deficiency dividends" to our stockholders in a later year. We may include such deficiency dividends in our deduction for dividends paid for the earlier year. Although we may be able to avoid income tax on amounts distributed as deficiency dividends, we will be required to pay interest and a penalty to the IRS based upon the amount of any deduction we take for deficiency dividends. Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flows. Even if we qualify for taxation as a REIT, we may be subject to certain U. S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. In addition, our domestic TRSs will be subject to regular corporate U. S. federal, state and local taxes. Any of these taxes would decrease cash available for distributions to stockholders. The failure of MBS subject to a repurchase agreement to qualify as real estate assets would adversely affect our ability to maintain our qualification as a REIT. We have entered into repurchase agreements under which we nominally sell certain of our MBS to a counterparty and simultaneously enter into an agreement to repurchase the sold assets. We believe that, for U. S. federal income tax purposes, these transactions will be treated as secured debt and we will be treated as the tax owner of the MBS that are the subject of any such repurchase agreement, notwithstanding that such agreements may transfer record ownership of such assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could successfully assert that we do not own the MBS during the term of the repurchase agreement, in which case we could fail to maintain our qualification as a REIT. Uncertainty exists with respect to the treatment of our TBAs for purposes of the REIT asset and income tests. We purchase and sell Agency RMBS through TBAs and recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise, and may continue to do so in the future. While there is no direct authority with respect to the qualification of TBAs as real estate assets or U. S. Government securities for purposes of the REIT 75 % asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property or other qualifying income for purposes of the REIT 75 % gross income test, we treat the GAAP value of our TBAs under which we contract to purchase to- be- announced Agency RMBS (" long TBAs") as qualifying assets for purposes of the REIT 75 % asset test, and we treat income and gains from our long TBAs as qualifying income for purposes of the REIT 75 % gross income test, based on an opinion of Hunton Andrews Kurth LLP substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a long TBA should be treated as ownership of real estate assets, and (ii) for purposes of the REIT 75 % gross income test, any gain recognized by us in connection with the settlement of our long TBAs should be treated as gain from the sale or disposition of an interest in mortgages on real property. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that the opinion of counsel is based on various assumptions relating to our TBAs and is conditioned upon fact- based representations and covenants made by our management regarding our TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge the opinion of counsel, we could be subject to a penalty tax or we could fail to remain qualified as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs. The REIT provisions of the Code substantially limit our ability to hedge. Under these provisions, any income that we generate from transactions intended to hedge our interest rate or foreign currency risks will be excluded from gross income for purposes of the REIT 75 % and 95 % gross income tests if the instrument hedges (i) interest rate risk on liabilities incurred to carry or acquire real estate or (ii) risk of foreign currency fluctuations with respect to any item of income or gain that would be qualifying income under the REIT 75 % or 95 % gross income tests, and such instrument is properly identified under applicable Treasury Regulations. The requirements in the Treasury Regulations related to identifying hedging transactions are highly technical and complex for which only limited judicial and administrative authorities exist, and the IRS could disagree with and successfully challenge our treatment and identifications of such hedging transactions. Income from hedging transactions that are not properly identified or hedge different risks will generally constitute non- qualifying income for purposes of both the REIT 75 % and 95 % gross income tests and could cause us to fail to maintain our qualification as a REIT. Our aggregate gross income from such transactions, along with other gross income that does not qualify for the **REIT** 95 % gross income test, cannot exceed 5 % of our annual gross income. As a result, we might have to limit our use of advantageous hedging techniques, and we have implemented and may in the future implement certain hedges through a TRS. Any hedging income earned by a domestic TRS would be subject to U. S. federal, state and local income tax at regular corporate rates. This could increase the cost of our hedging activities or expose us to greater risks associated with interest rate changes or other changes than we would otherwise want to bear. In addition, losses in our TRSs will generally not provide any tax benefit, except for being carried forward against future TRS taxable income in the case of a domestic TRS. Even if the income from certain of our hedging transactions is excluded from gross income for purposes of the REIT 75 % and 95 % gross income tests, such income and any loss will be taken into account in determining our REIT taxable income and our distribution requirement **, and the GAAP value of our hedging assets will not be treated as qualified real estate assets for the REIT asset test** . If the IRS disagrees with our calculation of the amount or timing of recognition of gain or loss with respect to our hedging transactions, including the impact of our elections under Section 475 (f) of the Code and the treatment of hedging expense and losses under Section 163 (j) of the Code and Treasury Regulation Section 1. 446- 4, our distribution requirement could increase, which could require that we correct any shortfall in distributions by paying deficiency dividends to our stockholders in a later year ~~. Our ownership of and relationship with our TRSs will be limited, and a failure to comply with the limits would jeopardize our REIT status and may result in the application of a 100 % excise tax~~ . A REIT may own up to 100 % of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income for purposes of the REIT 75 % or 95 % gross income tests if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation (other than a REIT) of which a TRS directly or indirectly owns more than 35 % of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20 % of the value of a REIT' s total assets may consist of stock or securities of one or more TRSs. **The equity investments we make in loan originators, for example, are generally made in or contributed to TRSs. The surviving entity of the Arlington Merger, which is a wholly- owned subsidiary of the Operating Partnership is also a TRS. In addition,** ~~Many~~ **many** of the investments that we made and activities we undertook prior to our REIT election have been contributed to or will be made in one of our TRSs; thus, we hold a significant portion of our assets through, and derive a significant portion of our taxable income and gains in, TRSs. While we intend to manage our affairs so as to satisfy the requirement that no more than 20 % of the value of our total assets consists of stock or securities of our TRSs, as well as the requirement that taxable income from our TRSs plus other non- qualifying gross income not exceed 25 % of our total gross income, there can be no assurance that we will be able to do so in all market circumstances. Even if we are able to do so, compliance with these rules may reduce our flexibility in operating our business. In addition, the two rules may conflict with each other in that our ability to reduce the value of our TRSs below 20 % of our assets by causing a TRS to distribute a dividend to us may be limited by our need to comply with the REIT 75 % gross income test, which requires that, in general, 75 % of our gross income come from certain real estate- related sources (and TRS dividends are not qualifying income for such test). There can be no assurance that we will be able to comply with either or both of these tests in all market conditions. Our inability to comply with both of these tests could have a material adverse effect on our business, financial condition, liquidity, results of operations, qualification as a REIT and ability to make distributions to our stockholders. The TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100 % excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm' s- length basis. Our domestic TRSs will pay U. S. federal, state and local income tax on their taxable income (net of deductible interest expense) at regular corporate tax rates, and their after- tax net income will be available for distribution to us but is not required to be distributed to us. In certain circumstances, the ability to deduct interest expense by any TRS that we may form could be limited. In addition, losses in our domestic TRSs generally will not provide any tax benefit prior to liquidation, except for being carried forward against future TRS taxable income. **Although our domestic TRSs succeeded to certain net capital losses and net operating losses as a result of the Arlington Merger, our ability to use such losses against future TRS taxable income may be limited by Sections 382, 383, and 384 of the Code, and we may be unable to generate sufficient future taxable income to utilize the net capital losses and net operating losses in whole, in part, or at all.** We generally structure our foreign TRSs with the intent that their income and operations will not be subject to U. S. federal, state and local income tax. For example, the ~~Internal Revenue~~ Code and the Treasury Regulations promulgated thereunder specifically provide that a non- U. S. corporation is not a U. S. trade or business and therefore is not subject to U. S. federal income tax if it restricts its activities in the United States to trading in stock and securities (or any activity closely related thereto) for its own account irrespective of whether such trading (or such other activity) is conducted by such a non- U. S. corporation or its employees through a resident broker, commission agent, custodian or other agent. However, there is no assurance that our foreign TRSs will successfully operate so that they are not subject to federal, state and local income tax. If the IRS successfully challenged that tax treatment, it would reduce the amount that those foreign TRSs would have available to distribute to us. E & P in our foreign TRSs, including gains from securities marked to market for tax purposes, are taxable to us, and are not qualifying income for the purposes of the REIT 75 % gross income tests, regardless of whether such earnings are distributed to us. In addition, losses in our foreign TRSs generally will not provide any tax benefit prior to liquidation. We intend to monitor the value of and the income from our respective investments in our domestic and foreign TRSs for the purpose of ensuring compliance with TRS ownership limitations and the REIT 75 % gross income test. In addition, we will review all of our transactions with our TRSs to ensure that they are entered into on arm' s- length terms to avoid incurring the 100 % excise tax described above. There can be no assurance, however, that we will be able to comply with the 20 % limitation, the REIT 75 % gross income test or avoid application of the 100 % excise tax discussed above. **The failure of our excess servicing spread to qualify as real estate assets or the income from our excess servicing spread to qualify as mortgage interest could adversely affect our ability to qualify as a REIT. We believe that the excess servicing spread assets that we currently hold represent interests in mortgages on real property and thus are qualifying " real estate assets " for purposes of the REIT asset test, which generate income that qualifies as interest on obligations secured by mortgages on real property for purposes of the REIT income test. If our belief is incorrect, or if we acquire an excess servicing spread asset with terms that are different from the terms of our current excess servicing spread assets, the IRS could assert that such excess servicing spread assets do not qualify under the REIT asset and income tests, and if successful, we might fail to qualify as a REIT, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders. CLOs in which we invest could become subject to U. S. federal income tax or withholding requirements. The CLO issuers in which we invest will generally operate pursuant to investment guidelines intended to ensure that the CLO is not treated for U. S. federal income tax purposes as engaged in a U. S. trade or business. If a CLO issuer fails to comply with the investment guidelines, or if the Internal Revenue Service otherwise successfully asserts that the CLO should be treated as engaged in a U. S. trade or business, such CLO could be subject to U. S. federal income tax, which could reduce the amount available to distribute to mezzanine debt and equity holders in such CLO, including us. The U. S. Foreign Account Tax Compliance Act provisions of the Code impose a withholding tax of 30 % on certain U. S. source periodic payments, including interest and dividends, to certain non- U. S. entities, including certain non- U. S. financial institutions and investment funds, unless such non- U. S. entity complies with certain reporting requirements regarding its U. S. account holders and its U. S. owners. Most CLOs in which we invest will be treated as non- U. S. financial entities for this purpose, and therefore will be required to comply with these reporting requirements to avoid the 30 % withholding. If a CLO in which we invest fails to properly comply with these reporting requirements, certain payments received by such CLO may be subject to the 30 % withholding tax, which could reduce the amount available to distribute to equity and mezzanine debt holders in such CLO, including us.** Our ownership limitation may restrict change of control or business combination opportunities in which our stockholders might receive a premium for their common shares. In order for us to maintain our qualification as a REIT, no more than 50 % in value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year." Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. In order to help us qualify as a REIT, among other purposes, our certificate of incorporation provides that no person may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9. 8 %, in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock. The ownership limitation and other restrictions could have the effect of discouraging a takeover or other transaction in which holders of our common shares might receive a premium for their common shares over the then- prevailing market price or which holders might believe to be otherwise in their best interests. Dividends payable by REITs do not qualify for the reduced tax rates available for" qualified dividend income." Qualified dividend income payable to U. S. investors that are individuals, trusts, and estates is subject to the reduced maximum tax rate applicable to long- term capital gains. Common and preferred dividends payable by REITs, however, generally are not eligible for the reduced rates on qualified dividend income. Rather, for taxable years beginning prior to January 1, 2026, non- corporate taxpayers may deduct up to 20 % of certain pass- through business income, including" qualified REIT dividends" (generally, dividends received by a REIT stockholder that are not designated as capital gain dividends or qualified dividend income), subject to certain limitations. To qualify for this deduction, the ~~shareholder~~ **stockholder** receiving such dividend must hold the dividend- paying REIT shares for at least 46 days (taking into account certain special holding period rules) of the 91- day period beginning 45 days before the shares become ex- dividend, and cannot be under an obligation to make related payments with respect to a position in substantially similar or related property. However, even if a domestic ~~shareholder~~ **stockholder** qualifies for this deduction, the effective rate for such REIT dividends still remains higher than the top marginal rate applicable to " qualified dividend income " received by U. S. individuals. Although the reduced U. S. federal income tax rate applicable to qualified dividend income does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends and the reduction in the corporate tax rate under the TCJA could cause investors who are taxed at individual rates and regulated investment companies to perceive investments in the stocks of REITs to be relatively less attractive than investments in the stocks of non- REIT corporations that pay dividends treated as qualified dividend income, which could adversely affect the value of the stock of REITs, including our common stock. We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock. At any time, the U. S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. We cannot predict when or if any new U. S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U. S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. Changes to the tax laws, with or without retroactive application, could significantly and negatively affect our stockholders or us. Several recent proposals have been made that would make substantial changes to the U. S. federal income tax laws. We cannot predict the long- term effect of any future changes on REITs or assure our stockholders that any such changes will not adversely affect the taxation of a stockholder. We and our stockholders could be adversely affected by any such change in, or any new, U. S. federal income tax law, regulation or administrative interpretation. Our recognition of" phantom" income may reduce a stockholder' s after- tax return on an investment in our common stock. We may recognize phantom income, which is taxable income in excess of our economic income, in the earlier years that we hold certain investments or in the year that we modify certain loan investments, and we may only experience an offsetting excess of economic income over our taxable income in later years, if at all. As a result, stockholders at times may be required to pay U. S. federal income tax on distributions taxable as dividends that economically represent a return of capital rather than a dividend. Taking into account the time value of money, this acceleration or increase of U. S. federal income tax liabilities may reduce a stockholder' s after- tax return on his or her investment to an amount less than the after- tax return on an investment with an identical before- tax rate of return that did not generate phantom income. Liquidation of our assets may jeopardize our REIT qualification or may be subject to a 100 % tax. To maintain our qualification as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our assets to repay obligations to our lenders or for other reasons, we may be unable to comply with these requirements, thereby jeopardizing our qualification as a REIT, or we may be subject to a 100 % tax on any resultant gain if we sell assets that are treated as inventory or property held primarily for sale to customers in the ordinary course of business. The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of securitizing MBS, that would be treated as sales of dealer property for U. S. federal income tax purposes. A REIT' s net income from prohibited transactions is subject to a 100 % tax with no offset for losses. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including mortgage loans, held primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we dispose of or securitize mortgage loans or MBS in a manner that was treated as dealer activity for U. S. federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales or securitization structures, even though the transactions might otherwise be beneficial to us. Alternatively, in order to avoid the prohibited transactions tax, we may choose to implement certain transactions through a TRS, including by contributing or selling the assets to a TRS. Although we expect to avoid the prohibited transactions tax by conducting the sale of property that may be characterized as dealer property through a TRS, such TRS will be subject to federal, state and local corporate income tax and may incur a significant tax liability as a result of those sales conducted through the TRS. No assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can satisfy certain safe- harbor provisions of the Code that would prevent such treatment. Moreover, no assurance can be given that the IRS will respect the transaction by which property that may be characterized as dealer property is contributed to the TRS. If any property sold is treated as property held for sale to customers or if the contribution of property is not respected, then we may be treated as having engaged in a prohibited transaction, and our net income therefrom would be subject to a 100 % tax. Our Operating Partnership and certain other subsidiaries have made a mark- to- market election under Section 475 (f) of the Code. If the IRS challenges our application of that election, it may jeopardize our REIT qualification. Our Operating Partnership, our subsidiary REIT and certain other subsidiaries have made elections under Section 475 (f) of the Code to mark their securities to market. There are limited authorities under Section 475 (f) of the Code as to what constitutes a trader for U. S. federal income tax purposes. Under other sections of the Code, the status of a trader in securities depends on all of the facts and circumstances, including the nature of the income derived from the taxpayer' s activities, the frequency, extent and regularity of the taxpayer' s securities transactions, and the taxpayer' s investment intent. There can be no assurance that our Operating Partnership and these subsidiaries will continue to qualify as a trader in securities eligible to make the mark- to- market election. We have not received, nor are we seeking, an opinion from counsel or a ruling from the IRS regarding our or our subsidiaries' qualification as a trader. If the qualification for, or our application of, the mark- to- market election were successfully challenged by the IRS, in whole or in part, it could, depending on the circumstances, result in retroactive (or prospective) changes in the amount or timing of gross income we recognize. Furthermore, the law is unclear as to the treatment of mark- to- market gains and losses under the various REIT tax rules, including, among others, the prohibited transaction and qualified liability hedging rules. While there is limited analogous authority, we treat any mark- to- market gains as qualifying income for purposes of the **REIT** 75 % gross income test to the extent that the gain is recognized with respect to a qualifying real estate asset, based on an opinion of Hunton Andrews Kurth LLP substantially to the effect that any such gains recognized with respect to assets that would produce qualifying income for purposes of the **REIT** 75 % and / or 95 % gross income test, as applicable, if they were actually sold should be treated as qualifying income to the same extent for purposes of the **REIT** 75 % and / or 95 % gross income test, as applicable, and any such gains should not be subject to the prohibited transaction tax. If the IRS were to successfully treat our mark- to- market gains as subject to the prohibited transaction tax or to successfully challenge the treatment or timing of recognition of our mark- to- market gains or losses with respect to our qualified liability hedges, we could owe material federal income or penalty tax or, in some circumstances, even fail to maintain our qualification as a REIT. Finally, mark- to- market gains and losses could cause volatility in the amount of our taxable income. For instance, the mark- to- market election could generate losses in one taxable year that we are unable to use to offset taxable income, followed by mark- to- market gains in a subsequent taxable year that force us to make additional distributions to our stockholders. Hence, the mark- to- market gains and losses could cause us to distribute more dividends to our stockholders in a particular period than would otherwise be desirable from a business perspective. The interest apportionment rules may affect our ability to comply with the REIT asset and gross income tests. Most of the distressed mortgage loans that we have acquired were acquired by us at a discount from their outstanding principal amount, because our pricing was generally based on the value of the underlying real estate that secures those mortgage loans. Treasury Regulation Section 1. 856- 5 (c) (the" interest apportionment regulation") provides that if a mortgage is secured by both real property and other property, a REIT is required to apportion its annual interest income to the real property security based on a fraction, the numerator of which is the value of the real property securing the loan, determined when the REIT commits to acquire the loan, and the denominator of which is the highest" principal amount" of the loan during the year. If a mortgage is secured by both real property and personal property and the value of the personal property does not exceed 15 % of the aggregate value of the property securing the mortgage, the mortgage is treated as secured solely by real property for this purpose. Revenue Procedure 2014- 51 interprets the" principal amount" of the loan to be the face amount of the loan, despite the Code requiring taxpayers to treat any market discount, that is the difference between the purchase price of the loan and its face amount, for all purposes (other than certain withholding and information reporting purposes) as interest rather than principal. The interest apportionment regulation applies only if the debt in question is secured both by real property and personal property. We believe that most of the mortgage loans that we acquire at a discount under the circumstances contemplated by Revenue Procedure 2014- 51 are secured only by real property (including mortgage loans secured by both real property and personal property where the value of the personal property does not exceed 15 % of the aggregate value of the property securing the mortgage). Accordingly, we believe that the interest apportionment regulation generally does not apply to our loans. Nevertheless, if the IRS were to assert successfully that such mortgage loans were secured by property other than real estate, that the interest apportionment regulation applied for purposes of our REIT testing, and that the position taken in Revenue Procedure 2014- 51 should be applied to our portfolio, then depending upon the value of the real property securing our loans and their face amount, and the sources of our gross income generally, we might not be able to meet the REIT 75 % gross income test, and possibly the **REIT** asset tests ~~applicable to REITs~~. If we did not meet these tests, we could potentially either lose our REIT status or be required to pay a tax penalty to the IRS. With respect to the REIT 75 % asset test, Revenue Procedure 2014- 51 provides a safe harbor under which the IRS will not challenge a REIT' s treatment of a loan as being a real estate asset in an amount equal to the lesser of (1) the greater of (a) the current value of the real property securing the loan or (b) the fair market value of the real property securing the loan determined as of the date the REIT committed to acquire the loan or (2) the fair market value of the loan on the date of the relevant quarterly REIT asset testing date. This safe harbor, if it applied to us, would help us comply with the REIT asset tests following the acquisition of distressed debt if the value of the real property securing the loan were to subsequently decline. If we did not meet one or more of the REIT asset tests, then we could potentially either lose our REIT status or be required to pay a tax penalty to the IRS. Generally, our investments in residential transition loans, or" RTLs," and occasionally, our investments in small balance commercial mortgage loans, or" SBCs," will require us to make estimates about the fair value of land improvements that may be challenged by the IRS. Generally, our investments in RTLs, and occasionally our investments in SBCs, are short term loans secured by a mortgage on real estate assets where the proceeds of the loan will be used, in part, to renovate the property. The interest from these investments will be qualifying income for purposes of the REIT income tests, provided that the loan value of the real property securing the investment is equal to or greater than the highest outstanding principal amount of the loan during any taxable year. Under the REIT provisions, where improvements will be constructed with the proceeds of the loan, the loan value of the real property is the fair value of the land and existing real property improvements plus the reasonably estimated cost of the improvements or developments (other than personal property) that will secure the loan and that are to be constructed from the proceeds of the loan. There can be no assurance that the IRS would not challenge our estimate of the loan value of the real property. The failure of a mezzanine loan or similar debt to qualify as a real estate asset could adversely affect our ability to maintain our qualification as a REIT. We may invest in mezzanine loans or similar debt. The IRS has provided a safe harbor for mezzanine loans but not rules of substantive law. Pursuant to the safe harbor, if a mezzanine loan meets certain requirements, it will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying income for purposes of the REIT 75 % gross income test. We may acquire mezzanine loans or similar debt that meet most but do not meet all of the requirements of this safe harbor, and we may treat such loans as real estate assets for purposes of the REIT asset and income tests. In the event that we own a mezzanine loan or similar debt that does not meet the safe harbor, the IRS could challenge such loan' s treatment as a real estate asset for purposes of the REIT asset and income tests and, if such a challenge were sustained, we could fail to maintain our qualification as a REIT. Our qualification as a REIT and exemption from U. S. federal income tax with respect to certain assets may be dependent on the accuracy of legal opinions or advice rendered or given or statements by the issuers of assets that we acquire, and the inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate- level tax. When purchasing securities, we may rely on opinions or advice of counsel for the issuer of such securities, or statements made in related offering documents, for purposes of determining whether such securities represent debt or equity securities for U. S. federal income tax purposes, the value of such securities, and also to what extent those securities constitute qualified real estate assets for purposes of the REIT asset tests and produce income which qualifies under the REIT 75 % gross income test. The inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate- level tax. Additionally, counsel is generally under no obligation to update any such opinions after they are issued. Hence, subsequent changes to the purchased securities or in the applicable law may cause such opinions to become inaccurate or outdated despite being accurate when issued and may also adversely affect our REIT qualification and result in significant corporate- level tax. ~~General Risk Factors~~ We, Ellington, or its affiliates may be subject to adverse legislative or regulatory changes. At any time, U. S. federal, state, local, or foreign laws or regulations that impact our business, or the administrative interpretations of those laws or regulations, may be enacted or amended. We cannot predict when or if any new law, regulation, or administrative interpretation, including those related to the Dodd- Frank Wall Street Reform and Consumer Protection Act, or the" Dodd- Frank Act.", or any amendment to or repeal of any existing law, regulation, or administrative interpretation, will be adopted or promulgated or will become effective. Additionally, the adoption or implementation of any new law, regulation, or administrative interpretation, or any revisions in or repeals of these laws, regulations, or administrative interpretations, including those related to the Dodd- Frank Act, could cause us to change our portfolio, could constrain our strategy, or increase our costs. We, Ellington, or its affiliates may be subject to regulatory inquiries and proceedings, or other legal proceedings. At any time, industry- wide or company- specific regulatory inquiries or proceedings can be initiated and we cannot predict when or if any such regulatory inquiries or proceedings will be initiated that involve us or Ellington or its affiliates, including our Manager. We believe that the heightened scrutiny of the financial services industry increases the risk of inquiries and requests from regulatory or enforcement agencies. For example, as discussed under the caption Item 3. Legal Proceedings, over the years, Ellington and its affiliates have received, and we expect in the future that we and they may receive, inquiries and requests for documents and information from various federal, state, and foreign regulators. We can give no assurances that, whether the result of regulatory inquiries or otherwise, neither we nor Ellington nor its affiliates will become subject to investigations, enforcement actions, fines, penalties or the assertion of private litigation claims. If any such events were to occur, we, or our Manager' s ability to perform its obligations to us under the management agreement between us and our Manager, or Ellington' s ability to perform its obligations to our Manager under the services agreement between Ellington and our Manager, could be materially adversely impacted, which could ~~in turn have a material~~ **materially** ~~adverse~~ **adversely** ~~effect~~ **affect** ~~on~~ our business, financial condition and results of operations, and our ability to pay dividends to our ~~shareholders~~ **stockholders** . The market for our common stock and our preferred stock may be limited **and** ~~, which may adversely affect~~ the price ~~at which~~ **and trading volume of** our common stock and ~~our~~ preferred stock **may be volatile** ~~trade and make it difficult to sell our common stock or our preferred stock~~ . While our common stock and preferred stock are listed on the NYSE, such listing does not provide any assurance as to ~~: •~~ whether **or not** the market ~~prices~~ **price** ~~of our common stock and / or our preferred stock will reflect~~ **reflects** our actual financial performance **,** ~~; •~~ the liquidity of our **stock, a holder' s ability to sell our stock and / or at what price such holder could sell our stock. Market prices for our** common and ~~our~~ preferred stock ~~; • the ability of any holder to sell our common stock or our preferred stock; or • the prices that~~ may be **volatile** ~~obtained for our common stock or our preferred stock. The market price~~ and **subject to wide fluctuations, including as a result of the** trading volume ~~of our common stock and our preferred stock may be volatile. The market prices of our common stock and our preferred stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our common stock and our preferred stock may fluctuate and cause significant price variations to occur~~ . We cannot assure you that the market price of our common stock or our preferred stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect our common stock price, our preferred stock price, or result in fluctuations in the price or trading volume of our common stock and / or our preferred stock include: • actual or anticipated variations in our **dividends or** quarterly operating results ~~or dividends~~ ; • changes in our earnings estimates, failure to meet earnings or operating results expectations of public market analysts and investors, or publication of research reports about us or the real estate specialty finance industry; • increases in market interest rates that lead purchasers of our common stock or our preferred stock to demand a higher yield; • repurchases and issuances by us of our common stock or our preferred stock; • passage of legislation, changes in applicable law, court rulings, enforcement actions, or regulatory developments that adversely affect us or our industry; • changes in government policies or changes in timing of implementation of government policies, including with respect to Fannie Mae, Freddie Mac, and Ginnie Mae; • changes in market valuations of similar companies; • adverse market reaction to any increased indebtedness we incur in the future; • additions or departures of key management personnel; • actions by stockholders; • speculation in the press or investment community; • adverse changes in global, national, regional and local economic and market conditions, including those relating to pandemics, such as the COVID-19 pandemic, **high unemployment, elevated inflation, volatile interest rates,** concerns regarding a recession ~~and~~ **,** geopolitical conflicts, ~~such as the war in Ukraine~~ **social unrest, or civil disturbances** ; • our inclusion in, or exclusion from, various stock indices; • our operating performance and the performance of other similar companies; and • changes in accounting principles **. Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common and preferred stock** . In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities, including commercial paper, medium- term notes, senior or subordinated notes, convertible securities, and additional classes of preferred stock. If we decide to issue additional senior securities in the future, it is likely that they will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Holders of senior securities may be granted specific rights, including the right to hold a perfected security interest in certain of our assets, the right to accelerate payments due under an indenture, rights to restrict dividend payments, and rights to require approval to sell assets. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences, and privileges more favorable than those of our then- outstanding securities and could dilute our existing stockholders. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Upon liquidation, holders of our debt securities and preferred stock, and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings, including offerings of our common or preferred stock or other securities convertible into our common stock, may dilute the holdings of our existing stockholders or reduce the market price of our existing equity securities, or both. We cannot predict the effect, if any, of future sales of our common or preferred stock or other securities convertible into our common stock, or the availability of such securities for future sales, on the market price of our common stock. Sales of substantial amounts of our common or preferred stock or other securities convertible into our common stock, or the perception that such sales could occur, may adversely affect the prevailing market price for our common stock. Our preferred stock has a preference on liquidating distributions and a preference on dividend payments that could limit our ability to make a dividend distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of our future offerings. Thus, holders of our securities bear the risk of our future offerings reducing the market price of our securities and, in the case of holders of our equity securities, diluting their holdings. Certain provisions of Delaware law may inhibit potential acquisition bids that stockholders may consider favorable, and the market price of our common stock may be lower as a result. We are a Delaware corporation, and Section 203 of the Delaware General Corporation Law applies to us. In general, Section 203 prevents an" interested stockholder" (as defined below) from engaging in a" business combination" (as defined in the statute) with us for three years following the date that person becomes an interested stockholder unless one or more of the following occurs: • before that person became an interested stockholder, our board of directors approved the transaction in which the interested stockholder became an interested stockholder or approved the business combination; • upon completion of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owned at least 85 % of our voting stock outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) stock held by directors who are also officers of our company and by employee stock plans that do not provide employees with the right to determine confidentially whether shares held under the plan will be tendered in a tender or exchange offer; and • following the transaction in which that person became an interested stockholder, the business combination is approved by our board of directors and authorized at a meeting of stockholders by the affirmative vote of the holders of at least two- thirds of our outstanding voting stock not owned by the interested stockholder. The statute defines" interested stockholder" as any person that is the owner of 15 % or more of our outstanding voting stock or is an affiliate or associate of us and was the owner of 15 % or more of our outstanding voting stock at any time within the three- year period immediately before the date of determination. These provisions may delay, deter or prevent a change in control of our company, even if a proposed transaction is at a premium over the then current market price for our common stock. Further, these provisions may apply in instances where some stockholders consider a transaction beneficial to them. As a result, our stock price may be negatively affected by these provisions. Failure to procure adequate funding and capital would adversely affect our results and may, in turn, negatively affect the value of our common shares and our ability to pay dividends to our stockholders. We depend upon the availability of adequate funding and capital for our operations. To maintain our status as a REIT, we are required to distribute to our stockholders at least 90 % of our REIT taxable income annually, determined excluding any net capital gains and without regard to the deduction for dividends paid. As a result, we are not able to retain much or any of our earnings for new investments. We cannot assure you that any, or sufficient, funding or capital will be available to us in the future on terms that are acceptable to us. In the event that we cannot obtain sufficient funding and capital on acceptable terms, there may be a negative impact on the value of our shares of common stock and our ability to pay dividends to our stockholders, and you may lose part or all of your investment. Climate change has the potential to impact the properties underlying our investments. Currently, it is not possible to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions will impact the properties underlying our investments. However, any such future laws and regulations imposing reporting obligations, limitations on greenhouse gas emissions, or additional taxation of energy use could require the owners of properties to make significant expenditures to attain and maintain compliance. Any new legislative or regulatory initiatives related to climate change could adversely affect our business. The physical impact of climate change could also have a material adverse effect on the properties underlying our investments. Physical effects of climate change such as increases in temperature, sea levels, the severity of weather events and the frequency of natural disasters, such as hurricanes, tropical storms, tornadoes, wildfires, floods and earthquakes, among other effects, could damage the properties underlying our investments. The costs of remediating or repairing such damage, or of investments made in advance of such weather events to minimize potential damage, could be considerable. Additionally, such actual or threatened climate change related damage could increase the cost of, or make unavailable, insurance on favorable terms on the properties underlying our investments. Such repair, remediation or insurance expenses could reduce the net operating income of the properties underlying our investments which may in turn adversely affect us. We are subject to risks related to corporate social responsibility. Our business faces public scrutiny related to environmental, social and governance (" ESG ") activities. We risk damage to our reputation if we or affiliates of our Manager are viewed as failing to act responsibly in a number of areas, such as diversity and inclusion, environmental stewardship, support for local communities, corporate governance and transparency and considering ESG factors in our investment processes. Investors are increasingly taking into account ESG factors in determining whether to invest in companies. However, regional and investor specific sentiment often differ in what constitutes a material positive or negative ESG corporate practice. Our corporate social responsibility practices will not uniformly fit investors' definitions, particularly across geographies and investor types, of best practices for all ESG considerations. Adverse incidents with respect to ESG activities could impact the cost of our operations and relationships with investors, all of which could adversely affect our business and results of operations. Additionally, there is a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors in order to allow investors to validate and better understand sustainability claims **, and we are subject to changing rules and regulations promulgated by a number of governmental and self- regulatory organizations, including the SEC, the NYSE and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity and many new requirements have been created in response to laws enacted by Congress, making compliance more difficult and uncertain. Further, new and emerging regulatory initiatives in the U. S. related to climate change and ESG could adversely affect our business. On March 21, 2022, the SEC issued a proposed rule regarding the enhancement and standardization of mandatory climate- related disclosures for investors. The proposed rule would mandate extensive disclosure of climate- related data, risks, and opportunities, including financial impacts, physical and transition risks, related governance and strategy and greenhouse gas emissions, for certain public companies. Although the ultimate date of effectiveness and the final form and substance of the proposed rule are not yet known and the ultimate scope and impact on our business is uncertain, compliance with the proposed rule, if finalized, may result in increased legal, accounting and financial compliance costs, make some activities more difficult, time- consuming and costly, and place strain on our Manager' s personnel, systems and resources** . In **addition, in** 2021 the SEC established an enforcement task force to look into ESG practices and disclosures by public companies and investment managers and has started to bring enforcement actions based on ESG disclosures not matching actual investment processes. **Growing interest** ~~In addition, the SEC has also announced that it is working~~ on ~~proposals~~ **the part of investors and regulators in ESG factors and increased demand** for ~~mandatory disclosure~~ **, and scrutiny** of ~~certain~~ **,** ESG- related ~~matters~~ **disclosures** , ~~including~~ **have also increased the risk that companies could be perceived as, or accused of, making inaccurate or misleading statements regarding their ESG efforts or initiatives, or greenwashing. Such perception or accusation could**

damage our reputation, result in litigation or regulatory actions and adversely impact our ability to raise capital. Relatedly, certain investors have also begun to use ESG data, third- party benchmarks and ESG ratings to allow them to monitor the ESG impact of their investments. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with **or meeting** ~~respect carbon emissions, board diversity, and human capital management. At this time, there is uncertainty regarding the scope of~~ such ~~proposals~~ **regulations and expectations. If we fail** or ~~when they~~ **are perceived to fail to comply with applicable rules, regulations and stakeholder expectations, it** ~~would~~ **could negatively impact our reputation and our business results. Further, our business could** become ~~effective (if at all)~~ **subject to additional regulations, penalties and / or risks of regulatory scrutiny and enforcement in the future. We cannot guarantee that our current ESG practices will meet future regulatory requirements, reporting frameworks or best practices, increasing the risk of related enforcement** . Compliance with ~~any~~ new ~~laws or regulations~~ **requirements may lead to** ~~increases~~ **increased management** ~~our regulatory burden~~ **burdens** and **costs. Generally, we expect investor demands and the prevailing legal environment to require us to devote additional resources to ESG matters in our review of prospective investments and management of existing investments, which** could **increase our** ~~make compliance more difficult and expensive~~ -- **expenses** ~~, affect the manner in which we conduct our business and adversely affect our profitability~~ . We are largely dependent on external sources of capital in order to grow. In order to maintain our qualification as a REIT, we generally will have to distribute to our stockholders 90 % of our REIT taxable income. As with other mortgage REITs, the vast majority of our income is expected to constitute REIT taxable income, and therefore we expect to have to distribute, and not retain, the vast majority of our income. As a result, any material growth in our equity capital base must largely be funded by external sources of capital. Our access to external capital will depend upon a number of factors, including the market price of our common and preferred stock, the market' s perception of our financial condition and potential future earnings, and general market conditions. Periods of heightened inflation could adversely impact our financial results. Due to various economic and monetary policy factors, including low unemployment, **high** ~~pent- up~~ consumer and corporate demand, supply- chain issues, geopolitical conflicts, and quantitative easing, inflation has been elevated in recent periods. High inflation may undermine the performance of our investments by reducing the value of such investments and / or the income received from such investments. In addition, actions that the Federal Reserve has taken, and could continue to take, to combat inflation could have an adverse impact on our financial results. **See" — Risks Related To Our Business — Certain actions by the Federal Reserve could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders."**