Risk Factors Comparison 2024-02-22 to 2023-02-21 Form: 10-K

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

Set forth below are the material risks and uncertainties that, if they were to occur, could materially and adversely affect our business, financial condition, results of operations and the trading price of our securities. Additional risks not presently known, or that we currently deem immaterial, also may have a material adverse effect on our business, financial condition, results of operations and trading price of our securities. Risk Factor Summary ~~Investing in our capital stock involves a high degree of risk. You should carefully consider all information in this Report before investing in our capital stock. These risks are discussed more fully in the section of this Report titled " Risk Factors. " These risks and uncertainties include, but are not limited to, risks related to the following: • the economic and operational impact of the COVID- 19 pandemic, including, but not limited to, the impact on the value, volatility, availability, financing and liquidity of target assets; • our business and investment strategy, including, but not limited to, the concentration of our investments, competition for our target assets and our use of repurchase financing and leverage; • our investment portfolio and expected investments, including, but not limited to, the risks inherent in various mortgage- related investments and the priority of our investments; • general volatility of financial markets and the effects of governmental responses, including actions and initiatives of the U. S. governmental agencies and changes to U. S. government policies in response to the COVID- 19 pandemic, mortgage loan forbearance and modification programs, interest rate fluctuations, increases in inflation, actions and initiatives of foreign governmental agencies and central banks, monetary policy actions of the Federal Reserve, including actions relating to its agency mortgage- backed securities portfolio, and our ability to respond to and comply with such actions, initiatives and changes; • the availability of financing sources, including our ability to obtain additional financing arrangements and the terms of such arrangements; • financing and advance rates for our target assets; • changes to our expected leverage; • our intention and ability to pay dividends; • the potential interest rate mismatches between our target assets and our borrowings used to fund such investments; • the adequacy of our cash flow from operations and borrowings, and our ability to maintain sufficient liquidity to meet our short- term liquidity needs; • the impact of changes in the credit rating of the U. S. government; • changes in interest rates and interest rate spreads and the market value of our target assets; • changes in prepayment rates on our target assets; • the impact of any deficiencies in loss mitigation of third parties and related uncertainty in the timing of collateral disposition; • our reliance on third parties in connection with services related to our target assets; • disruption of our information technology systems; • the impact of potential data security breaches or other cyber- attacks or other disruptions; • the effects of hedging instruments on our target assets, including, but not limited to, the degree to which our hedging strategies may or may not protect us from interest rate and foreign currency exchange rate volatility; • rates of default or decreased recovery rates on our target assets; • modifications to whole loans or loans underlying securities; • the degree to which derivative contracts expose us to contingent liabilities; • counterparty defaults; • our ability to comply with financial covenants in our financing arrangements; • changes in governmental regulations, including in response to the COVID- 19 pandemic, and changes in zoning, insurance, eminent domain and tax law and rates, and similar matters and our ability to respond to such changes; • our ability to maintain our qualification as a real estate investment trust for U. S. federal income tax purposes; • our ability to maintain our exception from the definition of " investment company " under the 1940 Act; • the availability of investment opportunities in mortgage- related, real estate- related and other securities; • the availability of U. S. Government Agency guarantees with regard to payments of principal and interest on securities; • the market price and trading volume of our capital stock; • the availability of qualified personnel from our Manager, and our Manager' s continued ability to find and retain such personnel; • our dependence upon, and the relationship with, our Manager; • our ability to continue to generate taxable income and our ability to continue to make distributions to our stockholders in the future; • the accuracy of our estimates relating to fair value of our target assets and interest income recognition; • our understanding of our competition; • the impact of changes to U. S. GAAP; • the adequacy of our disclosure controls and procedures and internal controls over financial reporting; and • market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy.~~ Risks Related to Our ~~Business The effects of health endemics, including the COVID- 19 pandemic, on economic conditions is uncertain and may adversely affect our business. Our business has been and could in the future be adversely affected by health epidemics, such as the COVID- 19 pandemic. The COVID- 19 pandemic has caused and may continue to cause significant disruptions to the U. S. and global economies, may further contribute to volatility and instability in financial markets, and may have material and adverse effects on our business, results of operations and financial performance. Our business may be adversely affected by unfavorable or changing economic, market, and political conditions. A return to a recessionary period, elevated inflation, adverse trends in employment levels, geopolitical instability or conflicts (including the hostilities between Russia and Ukraine), trade or supply chain disruptions, economic or other sanctions, uncertainty regarding the breach of the U. S. debt ceiling or a sustained capital market correction could have an adverse effect on our business, including on the value of our investments and collateral securing our financing, which can impact our liquidity. Any deterioration of the real estate market as a result of these conditions may cause us to experience losses related to our assets and to sell assets at a loss. Risks Related to Our~~ Investments **•** The U. S. Federal Reserve' s participation in the Agency RMBS market could have an adverse effect on our Agency RMBS investments. ~~While~~ **• We may lose profits if our assets experience periods of illiquidity. • Our investments may be concentrated and subject to risk of default. • There could be adverse impacts to our results and dividends resulting from fluctuations in interest rates and increases in interest rates. • Spread risk is inherent to our business as a levered investor in our target assets. • Premium securities may be subject to more risk than par value securities. • Prepayment rates may adversely affect the value of our investment portfolio. • Market**

conditions may upset the historical relationship between interest rate changes and prepayment trends, which would make it more difficult for us to analyze our investment portfolio. • The Federal conservatorship of and changes in laws affecting Fannie Mae and Freddie Mac may adversely affect our business. • Competition may limit our ability to acquire desirable investments. • There is risk of losses associated with our investments. • We are dependent on third- party service providers, whose actions we may not control. • A decline in the market value of our MBS may adversely affect our results of operations and financial condition. Risks Related to Financing and Hedging • We use leverage in executing our business strategy, which may adversely affect the return on our assets, reduce cash available for distribution to our stockholders and / or increase losses when economic conditions are unfavorable. • We depend on repurchase agreement financing to acquire our target assets, and our inability to access this funding on acceptable terms could have a material adverse effect on our results of operations, financial condition and business. • The inherent uncertainty of repurchase transactions, including counterparty credit risk, may cause us to incur a loss on our repurchase transactions. • The repurchase agreements and ~~the~~ **other financing arrangements that we use to finance our investments may require us to provide additional collateral and may restrict us from leveraging our assets as fully as desired. • A failure to comply with covenants in our repurchase agreements and other financing arrangements would have a material adverse effect on us. • Our use or future use of repurchase agreements to finance our target assets may give our lenders greater rights if either we or a lender files for bankruptcy. • We enter into hedging transactions that could expose us to contingent liabilities in the future. • Hedging may adversely affect our earnings, which could reduce our cash available for distribution to our stockholders. • We may enter into derivative contracts that expose us to risks and contingent liabilities, and those contingent liabilities may not appear on our balance sheet. • It may be uneconomical to " roll " Agency MBS TBA holdings, or we may be unable to meet margin calls on TBA contracts, which could negatively affect our financial condition and results of operations. Risks Related to Our Business • Our business may be adversely affected by unfavorable or changing economic, market, and political conditions. • Maintaining 1940 Act exclusions for our subsidiaries imposes limits on our operations, and failure to maintain an exclusion could have a material negative impact on our operations. • We are highly dependent on information systems and systems failures or cyber- attacks could significantly disrupt our business, which may, in turn, negatively affect the market price of our capital stock and our ability to pay dividends. • Our Manager utilizes quantitative models to support investment decisions and investment processes, including those related to our portfolio management and risk analysis, which may contain errors. • We may repurchase shares of our common stock and preferred stock from time to time, which may negatively impact our compliance with covenants in our financing agreements and regulatory requirements and our ability to invest in our target assets in the future. Risks Related to Accounting • There are risks associated with accounting estimates, judgments and assumptions in the preparation of our financial statements, and changes in the fair value of our derivatives may result in volatility in our U. S. GAAP earnings. • Our reported U. S. GAAP financial results differ from our REIT taxable income, which impacts our dividend distribution requirements. Therefore, our U. S. GAAP results may not be an accurate indicator of future taxable income and dividend distributions. Risks Related to Our Relationship with Our Manager • We are dependent on our Manager and its key personnel for our success. • There are conflicts of interest in our relationship with our Manager and Invesco, which could result in decisions that are not in the best interests of our stockholders. Risks Related to Our Capital Stock • We have not established a minimum dividend payment level, and we cannot assure our stockholders of our ability to pay dividends in the future. • Future offerings of debt or equity securities that would rank senior to our common stock may adversely affect the market price of our common stock. Risks Related to Our Organization and Structure • Certain provisions of Maryland law and in our organizational documents could inhibit changes in control. • We are the sole general partner of our Operating Partnership and could become liable for the debts and other obligations of our Operating Partnership. Tax Risks • Investment in our capital stock has various U. S. federal income tax risks, and there are risks involved with the requirements associated with our REIT qualification. General Risk Factors • Our business is subject to extensive regulation. • We may be adversely affected by the current and future economic, regulatory and other actions of government bodies and their agencies. • We may change any of our strategies, policies or procedures without stockholder consent. • We may enter into transactions and take certain actions in connection with such transactions, and there are certain other factors, that could affect the price of our common stock. The** U. S. Federal Reserve ~~, the U. S. government and~~ **' s or FDIC' s participation in** ~~other~~ -- **the** ~~governments~~ **Agency RMBS market could** have ~~implemented unprecedented financial support or relief measures in response to concerns surrounding the economic effects of the COVID- 19 pandemic, the ongoing results of such measures or the results of such measures ending, cannot be predicted and~~ - **an** ~~we cannot assure you that these programs will be effective or sufficient at addressing the~~ adverse **effect** ~~impacts of the pandemic or otherwise have a positive impact~~ on our **Agency RMBS investments** ~~business. Some of these measures have negatively impacted our business in the past and may do so in the future~~ . The U. S. Federal Reserve' s participation in the Agency RMBS market can materially impact the available supply, price and returns on Agency RMBS. In response to market disruptions resulting from the COVID- 19 pandemic, the U. S. Federal Reserve significantly increased its acquisition of Agency RMBS. Beginning in 2022, in response to inflation running well above its long- run target, the U. S. Federal Reserve then began a passive contraction of its balance sheet by ceasing reinvestments of proceeds from maturing Agency RMBS portfolio repayments. Given the U. S. Federal Reserve' s historic participation and the current scale of its balance sheet holdings, the effects of a shift in monetary policy may be material and are difficult to predict, and we may be unable to mitigate potentially adverse effects on our portfolio and financial condition. Furthermore, despite its stated preference for a passive balance sheet reduction, there is no guarantee the U. S. Federal Reserve will not conduct outright sales of Agency RMBS in the secondary market, which could significantly increase the pace of their balance sheet reduction and result in lower Agency RMBS valuations due to a widening of credit spreads. **At times, upon a financial institution' s distress or impending**

failure, the FDIC may take control of a significant portion of the Agency RMBS held by that institution. The FDIC' s actions with respect to those securities can also materially impact the available supply, price and returns on Agency RMBS. We cannot predict or control the impact future actions by the U. S. Federal Reserve **or the FDIC** will have on our business. Accordingly, future actions by the U. S. Federal Reserve **or FDIC** could have a material and adverse effect on our business, financial condition and results of operations. Because assets we acquire may experience periods of illiquidity, we may lose profits or be prevented from earning capital gains if we cannot sell mortgage- related assets at an opportune time. We bear the risk of being unable to dispose of our assets at advantageous times or in a timely manner because mortgage- related assets generally experience periods of illiquidity, particularly during times of market disruption. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which may cause us to incur losses. In addition, assets that comprise a portion of our investment portfolio may not be publicly traded. These securities may be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need or desire 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 investments. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which could adversely affect our results of operations and financial condition. Our investments may be concentrated and will be subject to risk of default. While we seek to diversify our portfolio of investments, we are not required to observe any specific diversification criteria, except as may be set forth in the investment guidelines and Investment Company Act of 1940 Compliance Policy adopted by our board of directors. Therefore, our investments in our target assets may at times be concentrated in certain types of securities, property types that are subject to higher risk of foreclosure or secured by properties concentrated in a limited number of geographic locations. To the extent that our portfolio is concentrated in any one region or type of security, downturns relating generally to such region or type of security may result in defaults on a number of our investments within a short time period, which may reduce our net income and the value of our capital stock and accordingly reduce our ability to pay dividends to our stockholders, which could have an adverse impact on our results of operations, financial condition and business. Fluctuations in interest rates could adversely affect the value of our investments and **derivative financial instruments and** cause our interest expense to increase, which could result in reduced earnings, decreased profitability and dividends, and diminished cash available for distribution to our stockholders. 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. As part of its effort to curb inflation, the Federal Reserve Open Markets Committee (FOMC) increased the target range for the federal funds rate 425 basis points in 2022, **and a further 100 basis points in 2023,** resulting in its highest level in ~~15~~ **23** years. Interest rate fluctuations present a variety of risks including the risk of a narrowing of the difference between asset yields and borrowing rates, a decline in the yield on adjustable- rate investments, and a detrimental impact on prepayment rates and may adversely affect our income and the value of our assets and capital stock. We may invest in RMBS, CMBS, mortgage loans and other financing arrangements that are subject to risks related to interest rate fluctuations. Fluctuations in short- or long- term interest rates could have adverse effects on our operations and financial condition, which may negatively affect cash available for distribution to our stockholders. Fluctuations in interest rates could impact us as follows: • If ~~long- term rates increased significantly, the market value of our fixed- rate investments in our target assets would decline, and the duration and weighted average life of the investments may increase. We could realize a loss if the securities were sold. Further, declines in market value may reduce our book value per common share and ultimately reduce earnings or result in losses to us. • An increase in~~ short- term interest rates ~~would~~ increase **significantly** the amount of interest owed on the repurchase agreements we enter into to finance the purchase of our investments **would increase, which may reduce our net income. • If long- term rates increase significantly, the market value of our fixed- rate investments would decline, and the duration and weighted average life of the investments may increase. We could realize a loss if the securities were sold. • If short- term or long- term interest rates fall, we may recognize losses on our derivative financial instruments that are not offset by gains on our investments, which may adversely affect our liquidity and financial position** . • If short- term interest rates rise disproportionately relative to longer- term interest rates (a flattening of the yield curve), our borrowing costs may increase more rapidly than the interest income earned on our ~~assets~~ **investments** . Because we expect our investments, on average, generally will bear interest based on longer- term rates than our borrowings, a flattening of the yield curve would tend to decrease our net income. Additionally, to the extent cash flows from investments that return scheduled and unscheduled principal are reinvested, the spread between the yields on the new investments and available borrowing rates may decline, which would likely decrease our net income. ~~•~~ If short- term interest rates **rise to the extent that they** exceed longer- term interest rates (a yield curve inversion), our borrowing costs may exceed our interest income and we could incur operating losses. ~~• If interest rates fall, we may recognize losses on our derivative financial instruments that are not offset by gains on our assets, which may adversely affect our liquidity and financial position.~~ In a period of rising interest rates, our operating results will depend in large part on the difference between the income from our ~~assets~~ **investments** and **borrowing** costs ~~of financing~~ . We anticipate that, in most cases, the income from such assets ~~will~~ **may** respond more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, changes in interest rates, particularly short- term interest rates, may significantly influence our net income. Increases in these rates will tend to decrease our net income and the market value of our assets and may negatively affect cash available for distribution to our stockholders. While we attempt to manage risk from changes in market interest rates, our hedging activities may not fully mitigate our interest rate risk, and a rapid increase or decrease in interest rates may have material and adverse effects on our business, results of operations and financial performance ~~. During the latter half of 2022, the market began to experience a yield curve inversion~~ . There can be no guarantee that our interest rate risk management will fully mitigate the yield curve **flattening and** inversion risks described above. In addition, market values of our investments may decline without any general increase in interest rates for a number of reasons, such as **widening of credit spreads,** increases or expected increases in defaults, or ~~increases~~ **changes** or expected ~~increases~~ **changes** in voluntary prepayments for those investments that are subject to prepayment risk ~~or widening of credit spreads~~, which may negatively affect cash available for distribution to our stockholders. An increase in interest rates may cause a decrease in the availability of certain of our target assets which could adversely affect our ability to acquire target assets that satisfy our investment objectives and to generate income and pay dividends. Rising **and elevated** interest rates, such as we have experienced in 2022 **and 2023**, 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 target assets available to us, which could adversely affect our ability to acquire assets that satisfy our investment objectives ~~. Rising interest rates may also cause our target assets that were issued before an interest rate increase to provide yields that are below prevailing market interest rates~~. If rising interest rates cause us to be unable to acquire a sufficient volume of our target assets with a yield that is above our borrowing cost, our ability to satisfy our investment objectives and to generate income and pay dividends may be materially and adversely affected. Spread risk is inherent to **investing** ~~our business as a levered investor~~ in ~~Agency RMBS~~ **MBS and other mortgage- related assets**. When the spread between the market yield on our mortgage assets and benchmark interest rates widens, our tangible net book value will typically decline. We refer to this as" spread risk" ~~. As a levered investor primarily in fixed- rate Agency RMBS, spread risk is an inherent component of our investment strategy~~. Although we use hedging instruments to attempt to protect against moves in interest rates, our hedges will typically not protect us against spread risk. Spreads may widen due to numerous factors, including changes in mortgage and fixed income markets due to actual or expected monetary policy actions by U. S. and foreign central banks, market liquidity or changes in investor return requirements and sentiment. Wider spreads can also occur independent of moves in interest rates. For example, actions by the Federal Reserve **in 2022 and 2023** to taper its purchases of Agency RMBS and to reduce its balance sheet resulted in a widening of credit spreads and lower Agency RMBS valuations, impacting our tangible net book value **. Our use of leverage creates the likelihood of greater book value and common stock dividend distribution volatility. Our use of leverage creates special risks for investors, including the likelihood of greater volatility of book value and the market price of, and dividend distributions on, our common stock. Leverage will typically magnify downside outcomes, including when the spread between the market yield on our mortgage assets and benchmark interest rates widen. We will pay any costs and expenses relating to our leverage**. A portion of our RMBS portfolio consists of premium securities. Premium securities may be subject to more risk than par value securities. Premium securities have market values that exceed their unpaid principal balance. We may purchase RMBS at a premium, which represent prices that we believe appropriately reflect the risks involved. Declining interest rates increase the premium level of our RMBS and generate unrealized holding gains. Because we carry our RMBS at fair value, unrealized holding gains are reflected in total stockholders' equity. RMBS premium is not guaranteed by the Agencies and rising interest rates tend to reduce premium values. Premium value will also erode over time as principal payments are made. ~~Prepayment rates may adversely affect the value of our investment portfolio.~~ Pools of residential mortgage loans underlie the RMBS that we acquire. In the case of residential mortgage loans, there are seldom any restrictions on borrowers' ability to prepay their loans. We generally receive prepayments of principal that are made on these underlying mortgage loans. When borrowers prepay their mortgage loans faster than expected, the prepayments on the RMBS are also faster than expected. Faster than expected prepayments could adversely affect our profitability, including in the following ways: • As described above, we may pay a premium over the par value to acquire a RMBS security. In accordance with U. S. GAAP, we may amortize this premium over the estimated term of the RMBS. If the RMBS is prepaid in whole or in part before its maturity date, however, we may be required to expense the premium that was prepaid at the time of the prepayment. • A substantial portion of our adjustable- rate RMBS may bear interest rates that are lower than their fully indexed rates, which are equivalent to the applicable index rate plus a margin. If an adjustable- rate RMBS is prepaid before or soon after the time of adjustment to a fully indexed rate, we will have held that RMBS while it was least profitable and lost the opportunity to receive interest at the fully indexed rate over the remainder of its expected life. • If we are unable to acquire new RMBS at similar yields to the prepaid RMBS, our financial condition, results of operations and cash flow would suffer. Prepayment rates generally increase when interest rates fall and decrease when interest rates rise, but changes in prepayment rates are difficult to predict. Prepayment rates also may be affected by conditions in the housing and financial markets, general economic conditions and the relative interest rates on FRMs and ARMs. While we seek to minimize prepayment risk to the extent practical, in selecting investments we must balance prepayment risk against other risks and the potential returns of each investment. No strategy can completely insulate us from prepayment risk. ~~Market conditions may upset the historical relationship between interest rate changes and prepayment trends, which would make it more difficult for us to analyze our investment portfolio.~~ Our success depends in part on our ability to analyze the impact of changing interest rates on prepayments of the mortgage loans that underlie our investments. Changes in interest rates and prepayments affect the market price of target assets. As part of our overall portfolio risk management, we analyze interest rate changes and prepayment trends separately and collectively to assess their effects on our investment portfolio. In conducting our analysis, we depend on certain assumptions based upon historical trends with respect to the relationship between interest rates and prepayments under normal market conditions. If dislocations in the mortgage market or other developments change the way that prepayment trends respond to interest rate changes, our ability to (1) assess the market value of our investment portfolio, (2) implement our hedging strategies, and (3) utilize techniques to reduce our prepayment rate volatility would be significantly affected, which could materially adversely affect our financial position and results of operations. The ~~discontinuance of LIBOR may adversely affect our dividends on our Series B preferred stock and Series C preferred stock. These changes may also impact the market liquidity and market value of our Series B and Series C preferred stock. The U. K. Financial Conduct Authority (" FCA "), which regulates LIBOR announced on March 5, 2021 that it will cease to publish the overnight, one- month, three- month, six- month and 12- month U. S. dollar (" USD ") LIBOR settings on July 1, 2023. The Alternative Reference Rates Committee (" ARRC "), the U. S. working group tasked with assisting in the industry wide transition away from LIBOR, has supported the FCA' s~~

~~announcement of USD LIBOR cessation and has recommended the market adopt SOFR. To accelerate the transition away from LIBOR, the Federal Reserve Board, Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency issued joint supervisory guidance to cease entering into new contracts referencing USD LIBOR after December 31, 2021 (note there are limited exceptions related to derivative product use). We, similar to the broader industry, are transitioning away from LIBOR to alternative risk- free rates, such as SOFR. We continue to actively monitor and adjust our LIBOR transition strategy and timeline as necessary. Switching existing financial instruments from LIBOR to SOFR requires calculations of a spread. There is no assurance that the calculated spread will be fair and accurate or that all financial instruments will use the same spread. Our 7. 75 % Fixed- to- Floating Series B Cumulative Redeemable Preferred Stock and our 7. 50 % Fixed- to- Floating Series C Cumulative Redeemable Preferred Stock each begin to pay a USD LIBOR- based rate at the time the stock becomes callable. On December 16, 2022, the Board of Governors of the Federal Reserve published a final rule to implement the Adjustable Interest Rate (LIBOR) Act. The final rule will become effective on February 27, 2023. The final rule establishes benchmark replacements for contracts governed by U. S. law that reference certain tenors of U. S. dollar LIBOR (the overnight and one-, three-, six- and 12- month tenors) and that do not have terms that provide for the use of a clearly defined and practiceable replacement benchmark rate following the first London banking day after June 20, 2023. Under the final rule, the USD LIBOR- based rate currently contemplated to be paid when our 7. 75 % Fixed- to- Floating Series B Cumulative Redeemable Preferred Stock and our 7. 50 % Fixed- to- Floating Series C Cumulative Redeemable Preferred Stock become callable, will instead pay a SOFR- based rate in accordance with the LIBOR Act. This change in rate may adversely affect the amount of dividends payable on our preferred stock. The~~ Federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U. S. Government, may adversely affect our business. The payments of principal and interest we receive on our Agency MBS, which depend directly upon payments on the mortgages underlying such securities, are guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae. Fannie Mae and Freddie Mac are U. S. Government- sponsored entities, or GSEs, but their guarantees are not backed by the full faith and credit of the United States (although the FHFA largely controls their actions through its conservatorship of the two GSEs). Ginnie Mae is part of a U. S. Government agency and its guarantees are backed by the full faith and credit of the United States. Although the U. S. Government has undertaken several measures to support the positive net worth of the GSEs since the **2008** financial crisis, there is no guarantee of continuing capital support, if such support were to become necessary. Despite the steps taken by the U. S. Government, GSEs could default on their guarantee obligations which would materially and adversely affect the value of our Agency MBS. Accordingly, if these government actions are inadequate in the future and the GSEs were to suffer losses, be significantly reformed, or cease to exist, our business, operations and financial condition could be materially and adversely affected. The future roles of the GSEs may be reduced (perhaps significantly) and the nature of their guarantee obligations could be limited relative to historical measurements. Alternatively, it is possible that the GSEs could be dissolved entirely or privatized, and, as mentioned above, the U. S. Government could determine to stop providing liquidity support of any kind to the mortgage market. Any changes to the nature of the GSEs or their guarantee obligations could redefine what constitutes an Agency MBS and could have broad adverse implications for the market and our business, operations and financial condition. If Fannie Mae or Freddie Mac were eliminated or their structures were to change, limiting or removing the guarantee obligation, we could be unable to acquire additional Agency MBS and our existing Agency MBS could be materially and adversely impacted. All of the foregoing could negatively affect the availability and value of Agency MBS; our ability to obtain financing on our Agency MBS; or our ability to maintain our compliance with the terms of any financing transactions, which could adversely impact our results of operations, financial condition and business. We operate in a highly competitive market for investment opportunities and competition may limit our ability to acquire desirable investments in our target assets and could also affect the pricing of these securities. We operate in a highly competitive market for investment opportunities. Our profitability depends, in large part, on our ability to acquire our target assets at attractive prices. We compete with a variety of institutional investors, including other REITs, and ~~many~~ **some** of our competitors are ~~substantially~~ larger and may have ~~considerably~~ greater financial, technical, marketing and other resources than we do. Some competitors may have a lower cost of funds and access to funding sources that may not be available to us. Many of our competitors are not subject to the operating constraints associated with REIT tax compliance or maintenance of an exemption from the 1940 Act. Furthermore, competition for investments in our target assets may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, desirable investments in our target assets may be limited in the future, and we may not be able to take advantage of attractive investment opportunities from time to time. We may acquire certain target assets that are subject to defaults, foreclosure timeline extension, fraud, residential and commercial price depreciation, and unfavorable modification of loan principal amount, interest rate and amortization of principal, which could result in losses to us. Mortgage- backed securities are secured by mortgage loans (primarily pools of single- family residential property loans for RMBS and single commercial mortgage loans or pools of commercial mortgage loans for CMBS). Our MBS investments are subject to all the risks of the respective underlying mortgage loans, including risks of defaults, foreclosure timeline extension, fraud, price depreciation and unfavorable modification of loan principal amount, interest rate and amortization of principal. A number of factors over which we have no control may impair a borrower' s ability to repay a mortgage loan secured by a residential property, including the income and assets of the borrower. As of December 31, ~~2022~~ **2023**, we do not hold any mortgage loans secured by residential property. Commercial mortgage loans are secured by multifamily or commercial property and are subject to risks of delinquency and foreclosure, and risks 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, which can be affected by a number of factors over which we have no control, 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. As of December 31, ~~2022~~ **2023** , we do not hold any commercial mortgage loans. In the event of any default under a mortgage loan held directly by us, we 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, which could have a material adverse effect on our cash flow from operations. In the event of defaults on the mortgage loans that underlie our investments and the exhaustion of any underlying or any additional credit support, we may not realize our anticipated return on our investments, and we may incur a loss on these investments causing an adverse impact on our results of operations, financial condition and business. Our ~~investments have and may include from time- to- time non- Agency RMBS collateralized by Alt- A and subprime mortgage loans, which are subject to increased risks. Our investments include non- Agency RMBS backed by collateral pools of mortgage loans known as " Alt- A mortgage loans, " or " subprime mortgage loans. " These loans have been originated using underwriting standards that are less restrictive than those used in underwriting " prime mortgage loans. " These include mortgage loans made to borrowers having imperfect or impaired credit histories, mortgage loans where the amount of the loan at origination is 80 % or more of the value of the mortgaged property, mortgage loans made to borrowers who have other debt that represents a large portion of their income and mortgage loans made to borrowers whose income is not required to be disclosed or verified. Due to economic conditions, a decline in home prices, and aggressive lending practices, many Alt- A and subprime mortgage loans originated before the 2008 financial crisis experienced rates of delinquency, foreclosure, bankruptcy and loss that were higher than those experienced by mortgage loans underwritten in a more traditional manner. Thus, because of the higher delinquency rates and losses associated with many Alt- A and subprime mortgage loans, the performance of non- Agency RMBS backed by Alt- A and subprime mortgage loans in which we invest could be correspondingly adversely affected, which could adversely impact our results of operations, financial condition and business. Our~~ subordinated MBS assets may be in the " first loss " position, subjecting us to greater risks of loss. We may invest in certain tranches of MBS that are only entitled to a portion of the principal and interest payments made on mortgage loans underlying the securities issued by the trust. In general, losses on a mortgage loan included in a RMBS trust will be borne first by the equity holder of the issuing trust if any, and then by the " first loss " subordinated security holder and then by the " second loss " subordinate holder and so on. For non- Agency CMBS assets, losses on a mortgaged property securing a mortgage loan included in a securitization will typically be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit, if any, then by the holder of a mezzanine 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 more senior security. We may acquire securities at every level of such a trust, from the equity position to the most senior tranche. In the event of default and the exhaustion of any classes of securities junior to those which we acquire, our securities will suffer losses as well. In addition, if we overvalue the underlying mortgage portfolio, or if the values subsequently decline and, as a result, less collateral is available to satisfy interest and principal payments due on the related MBS, the securities which we acquire may effectively become the " first loss " position ahead of the more senior securities, which may result in significant losses. The prices of lower credit quality securities are generally more sensitive to adverse economic downturns or individual issuer developments than more highly- rated securities. A projection of, or an actual, economic downturn could cause a decline in the value of lower credit quality securities because the ability of obligors of mortgages underlying MBS to make principal and interest payments may be impaired. In such an event, existing credit support in the securitization structure may be insufficient to protect us against loss of our principal on these securities. We may not control the special servicing of the mortgage loans included in CMBS in which we invest, and, in such cases, the special servicer may take actions that could adversely affect our interests. With respect to each series of CMBS in which we may invest, overall control over the special servicing of the related underlying mortgage loans is held by a " directing certificate holder " or a " controlling class representative, " which is appointed by the holders of the most subordinate class of CMBS in such series. Depending on the class of CMBS in which we invest, we may not have the right to appoint the directing certificate holder. In connection with the servicing of the specially serviced mortgage loans, the related special servicer may, at the direction of the directing certificate holder, take actions with respect to the specially serviced mortgage loans that could adversely affect our interests and have a negative impact on our results of operations, financial condition and business. Due diligence of potential assets may not reveal all of the liabilities associated with such assets and may not reveal other weaknesses in such assets, which could lead to losses. Before making an asset acquisition, we will assess the strengths and weaknesses of the originator or issuer of the asset as well as other factors and characteristics that are material to the performance of the asset. In making the assessment and otherwise conducting customary due diligence, we will rely on resources available to us, including third party loan originators and servicers. This process is particularly important with respect to newly formed originators or issuers because there may be little or no information publicly available about these entities and assets. There can be no assurance that our due diligence process will uncover all relevant facts or that any asset acquisition will be successful, which could lead to losses in the value of our portfolio. We depend on third- party service providers, including mortgage servicers, for a variety of services related to our RMBS. We are, therefore, subject to the risks associated with third- party service providers. We depend on a variety of services provided by third- party service providers related to our RMBS. We rely on the mortgage servicers who service the mortgage loans backing our RMBS to, among other things, collect principal and interest payments and administer escrow accounts on the underlying mortgages and perform loss mitigation services. If a servicer is not vigilant in seeing that borrowers make their required monthly payments, borrowers may be less likely to make these payments, resulting in a higher frequency of default. If a servicer takes longer to liquidate non- performing mortgages, our losses related to those loans may be higher than originally anticipated. Any failure by servicers to service these mortgages and / or to competently manage and dispose of properties could negatively impact the value of these investments and our financial performance. Further, the foreclosure process, especially in judicial foreclosure states such as New York, Florida and New Jersey, can be lengthy and expensive, and the delays and costs involved in completing a foreclosure and liquidating such property through sale may materially increase any related loss. ~~Commercial loans held- for- investment may include investments that involve greater risks of loss than senior loan assets secured by income- producing properties. We have acquired in the past and may acquire in the future mezzanine loans, which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or the entity that owns the interest in the entity owning the property. These types of assets involve a higher degree of risk than long- term senior mortgage lending secured by income- producing real property because the loan may become unsecured as a result of foreclosure by the senior lender. When an entity providing the pledge of its ownership interests as security goes bankrupt, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some or all of our initial expenditure. In addition, mezzanine loans may have higher loan- to- value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. In addition, we may acquire commercial loans structured as preferred equity investments. These investments involve a higher degree of risk than conventional debt financing due to a variety of factors, including their non- collateralized nature and subordinated ranking to other loans and liabilities of the entity in which such preferred equity is held. Accordingly, if the issuer defaults on our investment, we would only be able to proceed against such entity in accordance with the terms of the preferred security, and not against any property owned by such entity. Furthermore, in the event of bankruptcy or foreclosure, we would only be able to recoup our investment after all lenders to, and other creditors of, such entity are paid in full. As a result, we may lose all or a significant part of our investment, which could result in significant losses. We may acquire B- Notes, mortgage loans typically (i) secured by a first mortgage on a single large commercial property or group of related properties and (ii) subordinated to an A- Note secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for B- Note holders after payment to the A- Note holders. Further, B- Notes typically are secured by a single property and reflect the risks associated with significant concentration. Significant losses related to our commercial loans held for investment would result in operating losses for us and may limit our ability to pay dividends to our stockholders. As of December 31, 2022, we do not hold any commercial loans held- for- investment.~~ A decline in the market value of our mortgage- backed securities may adversely affect our results of operations and financial condition. All of our mortgage- backed securities are reported at fair value. **Their value may fluctuate due to a number of factors including, among others, market volatility, geopolitical events and changes in credit spreads, spot and forward interest rates, and actual and anticipated prepayments. They may also fluctuate in value due to increased or reduced demand. The level of demand may be impacted by, among other things, interest rates, capital flows, economic conditions, and government policies and actions, such as purchases and sales by the Federal Reserve.** Changes in the market values of these assets impact our stockholders' equity ~~,~~ and declines in market value adversely affect our book value per common share. For a discussion of how we determine our provision for credit losses, see Note 2- " Summary of Significant Accounting Policies " of our consolidated financial statements in Part IV of this Report. The fair value of certain of our investments may fluctuate over short periods of time, and our determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed. The value of our common stock and preferred stock, results of operations, our financial condition and business could be adversely affected if our determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon their disposal. **We have at times** ~~During the year ended December 31, 2020, we~~ experienced ~~a~~ significant ~~decline~~ **declines** in the fair value of our investments as a result of market **volatility** ~~conditions resulting from the COVID- 19 pandemic~~. If we experience a decline in the fair value of our investments as a result of future uncertain market conditions, it could materially and adversely affect our business, results of operations, financial condition, stock price **, liquidity** and ability to make distributions to our stockholders. ~~If our Manager underestimates the collateral loss on our investments, we may experience losses.~~ Our ~~Manager values our potential investments based on loss- adjusted yields, taking into account estimated future losses on the mortgage loans that collateralize the investments, and the estimated impact of these losses on expected future cash flows. Our Manager' s loss estimates may not prove accurate, as actual results may vary from estimates. If our Manager underestimates losses relative to the price we pay for a particular investment, we may experience losses or a lower yield than expected. If we foreclose on an asset, we may come to own and operate the property securing the loan, which would expose us to the risks inherent in that activity. When we foreclose on an asset, we may take title to the property securing that asset, and if we do not or cannot sell the property, we would then come to own and operate it as " real estate owned. " Owning and operating real property involves risks that are different (and in many ways more significant) than the risks faced in owning an asset secured by that property. In addition, we may end up owning a property that we would not otherwise have decided to acquire directly at the price of our original investment or at all. We may not manage these properties as well as they might be managed by another owner, and our returns to investors could suffer. If we foreclose on and come to own property, our financial performance and returns to stockholders could suffer. Liability relating to environmental matters may impact the value of properties that we may acquire or foreclose on and may impact the owner' s ability to make payments on loans related to the property. If we acquire or foreclose on properties with respect to which we have extended mortgage loans, we may be subject to environmental liabilities arising from such foreclosed properties. Under various U. S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of hazardous substances may adversely affect an owner' s ability to sell real estate or use real estate as collateral when borrowing. To the extent that an owner of a property underlying one of our debt investments becomes liable for removal costs, the ability of the owner to make payments to us may be reduced, which in turn may adversely affect the value of the relevant mortgage asset held by us and our ability to pay dividends to our stockholders. If we acquire any properties, the presence of hazardous~~

~~substances on a property may adversely affect our ability to sell the property and we may incur substantial remediation costs, thus harming our financial condition. The discovery of material environmental liabilities attached to such properties could have a material adverse effect on our results of operations and financial condition and our ability to pay dividends to our stockholders. Risks Related to Financing and Hedging We use leverage in executing our~~ business strategy **is dependent upon** ~~, which may adversely affect the return on our assets, reduce cash available for distribution to our stockholders and / or~~ **our ability to** ~~increase losses when economic conditions are unfavorable. We~~ use leverage to finance our assets through borrowings from repurchase agreements and other secured and unsecured forms of borrowing. The amount of leverage we may deploy for particular assets will depend upon **market conditions and** our Manager' s assessment of the credit and other risks of those assets and is limited by our debt covenants. Our access to financing depends upon a number of factors over which we have little or no control, including: • general market conditions; • the lender' s view of the quality of our assets, valuation of our assets and our liquidity ~~; • the lender' s perception of our growth potential~~ ; • regulatory requirements; • our current and potential future earnings and cash distributions; and • the market price of the shares of our capital stock. Any weakness or volatility in the financial markets, the residential and commercial mortgage markets or the economy generally could adversely affect the factors listed above. In addition, such weakness or volatility could adversely affect one or more of our lenders and could cause one or more of our lenders to be unwilling or unable to provide us with financing or to increase the costs of that financing. Some of our target assets may be more difficult to finance than others and the market for such financing can change based on many factors over which we have little or no control. To the extent that market conditions prevent us from leveraging our assets **in line with our business strategy** or cause the cost of our financing to increase relative to the income that can be derived from the assets acquired, the return on our assets and cash available for distribution to our stockholders may be reduced. Our financing costs will reduce cash available for distributions to stockholders. We may not be able to meet our financing obligations, and, to the extent that we cannot, we risk the loss of some or all of our assets to liquidation or sale to satisfy the obligations. We ~~depend on repurchase agreement financing to acquire our target assets, and our inability to access this funding on acceptable terms could have a material adverse effect on our results of operations, financial condition and business. We~~ use repurchase agreement financing as a strategy to increase the return on our assets ~~. As a result of market disruptions from the COVID- 19 pandemic, investors and financial institutions that lend in the securities repurchase market tightened lending standards in response to the difficulties and changed economic conditions that materially adversely affected the RMBS market. These market disruptions were most pronounced in the non- Agency RMBS and non- Agency CMBS markets, but the impact also extended to Agency RMBS, which has made the value of these assets unstable and relatively illiquid compared to prior periods. These market disruptions could potentially increase our financing costs and reduce our liquidity~~ . Our ability to fund our target assets may be impacted by our ability to secure repurchase agreement financing on acceptable terms. We can provide no assurance that lenders will be willing or able to provide us with sufficient financing. In addition, because repurchase agreements are short- term commitments of capital, lenders may respond to market conditions in a manner that makes it more difficult for us to renew or replace, on a continuous basis, maturing short- term financings, and have and may continue to impose less favorable conditions when rolling such financings. If we are not able to renew or roll our repurchase agreements or arrange for new financing on terms acceptable to us, or if we default on our financial covenants, are otherwise unable to access funds under our financing arrangements, or if we are required to post more collateral or face larger haircuts on our financings, we may have to dispose of assets at significantly lower prices and at inopportune times, which could cause significant losses, and may also force us to limit our asset acquisition activities. During market disruptions, such as during the COVID- 19 pandemic, lenders have and may curtail their willingness to provide financing. This may require us to liquidate collateral to satisfy funding requirements. In addition, if major market participants were to exit the repurchase agreement financing business, the value of our portfolio could be negatively impacted, thus reducing our stockholders' equity, or book value per common share. In addition, if the regulatory capital requirements imposed on our lenders change, they may be required to significantly increase the cost of the financing that they provide to us. Our lenders also may revise their eligibility requirements for the types of assets they are willing to finance or the terms of such financings, based on, among other factors, the regulatory environment and their management of perceived risk, particularly with respect to assignee liability. ~~The inherent uncertainty of repurchase transactions, including counterparty credit risk, may cause us to incur a loss on our repurchase transactions.~~ When we engage in repurchase transactions, we generally sell securities to lenders (repurchase agreement counterparties) and receive cash from these lenders. The lenders are obligated to resell the same securities back to us at the end of the term of the transaction. Because the cash we receive from the lender when we initially sell the securities to the lender is less than the value of those securities (this difference is the haircut), if the lender defaults on its obligation to resell the same securities back to us we may incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). As of December 31, ~~2022~~ **2023** , no counterparty held collateral that exceeded the amounts borrowed under the related repurchase agreements by more than $ ~~40~~ **39** . ~~2~~ **1** million, or 5 % of our stockholders' equity. We may incur a loss on a repurchase transaction if the value of the underlying securities has declined as of the end of the transaction term, as we would have to repurchase the securities for their initial value but would receive securities worth less than that amount. Further, if we default on one of our obligations under a repurchase transaction, the lender can terminate the transaction and refrain from entering into any other repurchase transactions with us. Some of our repurchase agreements contain cross- default provisions, so that if a default occurs under any one agreement, the lenders under our other agreements could also declare a default. Any losses we incur on our repurchase transactions could adversely affect our earnings and thus our cash available for distribution to our stockholders. The ~~repurchase agreements and other financing arrangements that we use to finance our investments may require us to provide additional collateral and may restrict us from leveraging our assets as fully as desired. The~~ amount of financing we receive, or may in the future receive, under our repurchase agreements and other financing arrangements, is directly related to the lenders' valuation of the assets that secure the outstanding borrowings. Lenders under our repurchase agreements typically have the absolute right to reevaluate the market value of the assets that secure outstanding borrowings at any time. If a lender determines in its sole discretion that the value of the assets has decreased, it has the right to initiate a margin call or increase collateral requirements, even if we believe that the decrease in value is temporary including as a result of market volatility. Either decision would require us to transfer additional assets to such lender without any advance of funds from the lender or to repay a portion of the outstanding borrowings. Any such margin call or increased collateral requirements could have a material adverse effect on our results of operations, financial condition, business, liquidity and ability to pay dividends to our stockholders, and could cause the value of our capital stock to decline. We may be forced to sell assets at significantly depressed prices to meet such margin calls and to maintain adequate liquidity, which could cause us to incur losses. Moreover, to the extent we are forced to sell assets at such time, given market conditions, we may be selling at the same time as others facing similar pressures, which could exacerbate a difficult market environment, and which could result in our incurring significantly greater losses on our sale of such assets. In an extreme case of market duress, a market may not even be present for certain of our assets at any price. Such a situation would likely result in a rapid deterioration of our financial condition and possibly necessitate a filing for bankruptcy protection. Further, financial institutions providing the repurchase facilities may require us to maintain a certain amount of cash uninvested or to set aside non- levered assets sufficient to maintain a specified liquidity position which would allow us to satisfy our collateral obligations. As a result, we may not be able to leverage our assets as fully as desired, which could reduce our return on stockholders' equity. If we are unable to meet these collateral obligations, our financial condition could deteriorate rapidly. A failure to comply with covenants in our repurchase agreements and other financing arrangements would have a material adverse effect on us, and any future financings may require us to provide additional collateral or pay down debt. We are subject to various covenants contained in our existing financing arrangements and may become subject to additional covenants in connection with future financings. Many of our master repurchase agreements require us to maintain compliance with various financial covenants, including a minimum tangible net worth, specified financial ratios (such as total debt to total assets) and financial information delivery obligations. These covenants may limit our flexibility to pursue certain investments or incur additional debt. If we fail to meet or satisfy any of these covenants, we would be in default under these agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral and / or enforce their interests against existing collateral. We may also be subject to cross- default and acceleration rights and, with respect to collateralized debt, the posting of additional collateral and foreclosure rights upon default. Further, this could also make it difficult for us to satisfy the distribution requirements necessary to maintain our status as a REIT for U. S. federal income tax purposes. Our ~~use or future use of repurchase agreements to finance our target assets may give our lenders greater rights if either we or a lender files for bankruptcy. Our~~ borrowings or future borrowings under repurchase agreements for our target assets may qualify for special treatment under the U. S. Bankruptcy Code. This would give our lenders the ability to avoid the automatic stay provisions of the U. S. Bankruptcy Code and to take possession of and liquidate the assets that we have pledged under their repurchase agreements, without delay, if we file for bankruptcy. Furthermore, the special treatment of repurchase agreements under the U. S. Bankruptcy Code may make it difficult for us to recover our pledged assets if a lender party to such agreement files for bankruptcy ~~. We enter into hedging transactions that could expose us to contingent liabilities in the future~~ . Part of our investment and financing strategy involves entering into hedging transactions that could require us to fund cash payments in certain circumstances (such as the early termination of the hedging instrument caused by an event of default or the decision by a counterparty to request margin securities it is contractually owed under the terms of the hedging instrument). The amount due would be equal to the unrealized loss of the open positions with the respective counterparty and could also include other fees and charges. Such economic losses would be reflected in our results of operations, and our ability to fund these obligations would depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely impact our financial condition ~~. Hedging may adversely affect our earnings, which could reduce our cash available for distribution to our stockholders~~ . We pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates on our liabilities and currency exchange rates. Our hedging activity varies in scope based on the level and volatility of interest rates, currency exchange rates, the type of assets held and other changing market conditions. Hedging may fail to protect or could adversely affect our earnings because, among other things: • interest rate and / or currency hedging can be expensive, particularly during periods of volatile markets; • available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought; • the duration of the hedges may not match the duration of the liabilities; • the amount of income that a REIT may earn from hedging transactions (other than hedging transactions that satisfy certain requirements of the Internal Revenue Code or that are done through a taxable REIT subsidiary (" TRS ")) to offset interest rate losses is limited by U. S. federal tax provisions governing REITs; • the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and • the hedging counterparty owing money in the hedging transaction may default on its obligation to pay. In addition, the enforceability of agreements underlying hedging transactions may depend on compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. Any actions taken by regulators could constrain our investment strategy and could increase our costs, either of which could materially and adversely impact our results of operations. We may enter into derivative contracts that expose us to contingent liabilities, and those contingent liabilities may not appear on our balance sheet. We may invest in synthetic securities, credit default swaps, and other credit derivatives, which expose us to additional risks. We have entered into, and may again in the future enter into, derivative contracts that could require us to make cash payments in certain circumstances. Potential payment obligations would be contingent liabilities and may not appear on our balance sheet. Our ability to satisfy these contingent liabilities depends on the liquidity of our assets and our access to capital and cash. The need to fund these contingent liabilities could adversely impact our financial condition. We may invest in synthetic securities, credit default swaps, and other credit derivatives that reference other real estate securities or indices. These investments may present risks in excess of those resulting from the referenced security or index. These investments are typically a contractual relationship with counterparties and not an acquisition of a referenced security or other asset. In these types of investments, we have no right to directly enforce compliance with the terms of the referenced security or other assets and we have no voting or other consensual rights of ownership with respect to the referenced security or other assets. In the event of insolvency of a counterparty, we will be treated as a general creditor of the counterparty and will have no claim of title with respect to the referenced security. The markets for these types of investments may not be liquid. Many of these investments incorporate " pay as you go " credit events. For example, the terms of credit default swaps are still evolving and may change significantly, which could make it more difficult to assign such an instrument or determine the " loss " under the underlying agreement. In a credit default swap, the party wishing to " buy " protection will pay a premium. When interest rates, spreads or the prevailing credit premiums on credit default swaps change, the amount of the termination payment due could change by a substantial amount. In an illiquid market, the determination of this change could be difficult to ascertain and, as a result, we may not achieve the desired benefit of entering into this contractual relationship. As of December 31, ~~2022~~ **2023** , we have no outstanding credit default swaps. We may over time enter into these types of investments as the market for them evolves and during times when ~~acquiring~~ **we attempt to hedge some of** ~~other~~ -- **the risks** ~~real estate loans and securities may be difficult. We may find credit default swaps and other forms~~ of **our** ~~synthetic securities to be a more efficient method of providing exposure to target~~ investments **, to enhance returns, to serve as a substitute for an underlying asset, to reduce transaction costs or preserve capital** . Our efforts to manage the risk associated with these investments, including counterparty risks, may prove to be insufficient in enabling us to generate the returns anticipated ~~. It may be uneconomical to " roll " Agency MBS TBA holdings, or we may be unable to meet margin calls on TBA contracts, which could negatively affect our financial condition and results of operations~~ . We invest in Agency MBS TBA securities as an alternate means of gaining exposure to the Agency MBS market. A TBA contract is an agreement to purchase or sell, for future delivery, an Agency MBS with a specified issuer, term and coupon. A TBA dollar roll is a transaction where two TBA contracts with the same terms but different settlement dates are simultaneously bought and sold. The price difference between those two contracts is commonly referred to as the " drop " and is a reflection of the expected net interest income from an investment in similar Agency mortgage- backed securities, net of an implied financing cost, which would be foregone as a result of settling the contract in the later month rather than in the earlier month. Accordingly, TBA dollar roll income generally represents the economic equivalent of the net interest income earned on the underlying Agency mortgage- backed security less an implied financing cost. Consequently, dollar roll transactions and such forward purchases of Agency securities represent a form of off- balance sheet financing and increase our " at risk " leverage. The economic return of a TBA dollar roll generally equates to interest income on a generic TBA- eligible security less an implied financing cost, and there may be situations in which the implied financing cost exceeds the interest income, resulting in negative carry on the position. If we roll our TBA dollar roll positions when they have a negative carry, the positions would decrease net income and amounts available for distributions to stockholders. There may be situations in which we are unable or unwilling to roll our TBA dollar roll positions. The TBA transaction could have a negative carry or otherwise be uneconomical, we may be unable to find counterparties with whom to trade in sufficient volume, or we may be required to collateralize the TBA positions in a way that is uneconomical. Because TBA dollar rolls represent implied financing, an inability or unwillingness to roll has effects similar to any other loss of financing. If we do not roll our TBA positions before the settlement date, we would have to take delivery of the underlying securities and settle our obligations for cash. We may not have sufficient funds or alternative financing sources available to settle such obligations. Counterparties may also make margin calls as the value of a generic TBA- eligible security (and therefore the value of the TBA contract) declines. Margin calls on TBA positions, or failure to roll TBA positions, could have the effects described in the liquidity risks described above. ~~Risks Related to Our Company Maintaining 1940 Act exclusions~~ **Elevated inflation, interest rate volatility, a recessionary period, adverse trends in employment levels, pandemics** ~~for~~ - **or endemics, geopolitical instability** ~~our~~ - **or conflicts, trade** ~~subsidiaries imposes limits on our~~ - **or** ~~operations~~ **supply chain disruptions** , ~~and failure to maintain an exclusion~~ **economic or other sanctions, uncertainty regarding the breach of the U. S. debt ceiling or a sustained capital market correction** could have ~~a material negative~~ **an adverse effect on our business, including on the value of our investments and collateral securing our financing, which can** impact ~~on~~ our ~~operations~~ **liquidity. Any deterioration of the real estate market as a result of these conditions may cause us to experience losses related to our assets and to sell assets at a loss** . We conduct our operations so that neither we, nor our operating partnership, IAS Operating Partnership LP (the " Operating Partnership "), nor the subsidiaries of the Operating Partnership are required to register as an investment company under the 1940 Act. Section 3 (a) (1) (A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. We believe neither we nor our Operating Partnership will be considered an investment company under Section 3 (a) (1) (A) of the 1940 Act. Rather, through our Operating Partnership' s wholly owned or majority- owned subsidiaries, we and our Operating Partnership will be primarily engaged in the non- investment company businesses of these subsidiaries, namely the business of purchasing or otherwise acquiring real property, mortgages and other interests in real estate. Section 3 (a) (1) (C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40 % of the value of the issuer' s total assets (exclusive of U. S. government securities and cash items) on an unconsolidated basis, which we refer to as the 40 % test. Excluded from the term " investment securities, " among other things, are U. S. government securities and securities issued by majority- owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3 (c) (1) or Section 3 (c) (7) of the 1940 Act. We are a holding company that conducts business through the Operating Partnership and the Operating Partnership' s wholly owned or majority- owned subsidiaries. Both we and the Operating Partnership conduct our operations so that we comply with the 40 % test. Accordingly, the securities issued by these subsidiaries that are excepted from the definition of “ investment company ” under Section 3 (c) (1) or Section 3 (c) (7) of the 1940 Act, together with any other investment securities the Operating Partnership may own, may not have a value in excess of 40 % of the value of the Operating Partnership' s total assets (exclusive of U. S. government securities and cash items) on an unconsolidated basis. Compliance with the 40 % test limits the types of businesses in which we are permitted to engage through our subsidiaries. Furthermore, certain of the Operating Partnership’ s current subsidiaries and subsidiaries that we may form in the future intend to rely upon an exception from the definition of investment company under Section 3 (c) (5) (C) of the 1940 Act, which is available for entities “ primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. ” This exception generally requires that at least 55 % of a subsidiary’ s portfolio must be comprised of qualifying assets and at least 80 % of its portfolio must be comprised of qualifying assets and real estate- related assets (and no more than 20 % comprised of miscellaneous assets). In analyzing a subsidiary' s compliance with Section 3 (c) (5) (C) of the 1940 Act, we classify investments based in large measure on SEC staff guidance, including no- action letters, and, in the absence of SEC guidance, on our view of what constitutes a qualifying real estate asset and a real estate- related asset. Qualification for an exception from the definition of investment company under the 1940 Act limits our ability to make certain investments. Therefore, the Operating Partnership’ s subsidiaries may need to adjust their respective assets and strategy from time- to- time to continue to rely on the exception from the definition of investment company under Section 3 (c) (5) (C) of the 1940 Act. Any such adjustment in assets or strategy is not expected to have a material adverse effect on our business or strategy. There can be no assurance that we will be able to maintain this exception from the definition of investment company for the Operating Partnership’ s subsidiaries intending to rely on Section 3 (c) (5) (C) of the 1940 Act. We may in the future organize one or more subsidiaries that seek to rely on other exceptions from being deemed an investment company under the 1940 Act. Any such subsidiary would need to be structured to comply with any guidance that may be issued by the SEC staff, including no- action letters, and, in the absence of SEC guidance, on our view of what constitutes a qualifying real estate asset and a real estate- related asset. There can be no assurance that the laws and regulations governing the 1940 Act status of REITs will not change in a manner that adversely affects our operations or inhibits our ability to pursue our strategies. Any issuance of more specific or different guidance relating to the relevant exemptions and exceptions from the definition of an investment company under the 1940 Act could similarly affect or inhibit our operations. If we, the Operating Partnership or its subsidiaries fail to maintain an exemption from the 1940 Act, we could, among other things, be required to (a) change the investments that we hold or the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company. Any of these events could cause us to incur losses and negatively affect the value of our capital stock, the sustainability of our business model, and our ability to pay dividends, which could have an adverse effect on our business and the market price for our shares of capital stock. In addition, if it were established that we were an unregistered investment company, there would be a risk that we would be subject to monetary penalties or injunctive relief imposed by the SEC. We are highly dependent on information **technology, and any and failures of or damage to, attack on or unauthorized access to our Manager’ s information technology** systems ~~and systems failures~~ **or facilities, or those of third parties with which we do business or that facilitate** ~~or~~ **our business activities, including as a result of** cyber- attacks **,** could **result in** ~~significantly~~ -- **significant limits on** ~~disrupt our business, which may, in turn, negatively affect the market price of our capital stock and~~ our ability to ~~pay dividends~~ **conduct our operations and activities, costs and reputational damage** . **We are** ~~Our business is~~ highly dependent on **the use of various** third ~~parties’~~ **- party** information **and security technology and other technology** systems **to operate our business** , including those of our Manager and other service providers. **We are also dependent on the effectiveness of our Manager’ s information and cyber security infrastructure, policies, procedures and capabilities to protect our technology and digital systems and the data that reside on or are transmitted through them. In recent years, several financial services firms suffered cyber- attacks launched both domestically and from abroad, resulting in the disruption of services to clients, loss or misappropriation of confidential data, litigation and regulatory enforcement actions and reputational harm. Cyber security incidents and cyber- attacks have been occurring globally at a more frequent and severe level. Our Manager’ s status as a global financial institution and the nature of its client base may enhance the risk that it is targeted by such cyber threats, which could impact us.** Although our Manager **takes protective measures, including measures to effectively secure information through system security technology,** has ~~implemented~~ **many controls** , **processes, digital backup and recovery processes in place, and seeks to continually monitor and develop its systems to protect its and our technology infrastructure and data from misappropriation or corruption, our Manager’ s technology systems may still be vulnerable to unauthorized access as a result of** ~~and~~ - **an external attack, actions by its employees or vendors with access to its systems, computer malware or** other **events that have a security impact and that result in the disclosure or release of confidential information inadvertently or through malfeasance, or result in the loss (temporarily or permanently) of data, applications or systems. The third parties with which we or our Manager do business or which facilitate our business activities, including financial intermediaries and technology infrastructure, data storage and** service providers ~~may implement~~ , ~~various measures~~ **are also susceptible** to ~~manage~~ **the foregoing** risks ~~relating to~~ **(including** ~~these~~ **those related** ~~types of systems, such measures could prove~~ to **the third parties with which they are similarly interconnected or on which they otherwise rely), and our or their business operations and activities may therefore** be ~~inadequate and~~ **adversely affected** , ~~if compromised~~ **perhaps materially** , **by failures, terminations, errors or malfeasance by, or attacks or constraints on, one or more financial, technology or infrastructure institutions or intermediaries with whom we or** ~~the~~ **they are interconnected** ~~systems could become inoperable for~~ - **or conduct business** ~~extended periods of time, cease to function properly or fail to adequately secure confidential information~~ . We do not control the cyber security plans and systems put in place by our Manager and third- party service providers, and such service providers may have limited indemnification obligations to us or our Manager. ~~Any failure~~ **A breach of** ~~or~~ **our**

~~interruption of such~~ **Manager' s technology** systems ~~or cyber- attacks or security breaches~~ could **damage our reputation and** cause delays or other problems in our securities trading activities and financial, accounting and other data processing activities **; breach and termination of client contracts; liability for stolen assets, information or identity; remediation costs to repair damage caused by the breach, including damage to systems and recovery of lost data; additional security costs to mitigate against future incidents; regulatory actions (including fines and penalties** , which **could be material) and litigation costs resulting from the incident. These consequences** could have a material adverse effect on our operating results and negatively affect the market price of our capital stock and our ability to pay dividends to our stockholders. In addition, ~~we also face the risk of operational failure, termination or capacity constraints of~~ any ~~of the third parties with which we do business or that facilitate our business activities, including clearing agents or other financial intermediaries we use to facilitate our securities transactions. Computer malware, viruses and computer hacking and phishing attacks have become more prevalent and severe in our industry and may occur on our Manager' s and other service providers' systems in the future. Cyber- attacks and other security threats could originate from a wide variety of sources, including cyber criminals, nation state hackers, hacktivists and other outside parties. There has been an increase in the frequency and sophistication of the cyber and security threats our Manager faces, with attacks ranging from those common to businesses generally to those that are more advanced and persistent, which may target our Manager due to the confidential and sensitive information it holds about its investors, funds, and potential investments. It is difficult to determine what, if any, negative impact may directly result from any specific interruption or cyber- attacks or security breaches of such networks or systems or any failure to maintain the performance, reliability and security of our technical infrastructure. As a result, any computer malware, viruses and computer hacking and phishing attacks may disrupt our normal business operations and expose us to reputational damage and lost business, revenues and profits. Any~~ insurance we maintain against the risk of this type of loss may not be sufficient to cover all actual losses or may not apply to circumstances relating to any particular breach or other cyber ~~event~~ **incident** . Our Manager utilizes quantitative models to support investment decisions and investment processes, including those related to our portfolio management and risk analysis ~~, which may contain errors. Our Manager utilizes quantitative models to support investment decisions and investment processes, including those related to our portfolio management and risk analysis~~ . Any errors in the underlying models or model assumptions could have unanticipated and adverse consequences on our business and reputation **. If our Manager underestimates losses relative to the price we pay for a particular investment, we may experience losses or a lower yield than expected** . We may repurchase shares of our common stock and preferred stock from time to time. Share repurchases may negatively impact our compliance with covenants in our financing agreements and regulatory requirements (including maintaining exclusions from the requirements of the 1940 Act and qualification as a REIT). Any compliance failures associated with share repurchases could have a material negative impact on our business, financial condition and results of operations. Share repurchases also may negatively impact our ability to invest in our target assets in the future. As of December 31, ~~2022~~ **2023** , 1, 816, 398 shares of common stock were available under our Board- authorized share repurchase program. In May 2022, our board of directors approved a share repurchase program for our Series B and Series C Preferred Stock. During the year ended December 31, ~~2022~~ **2023** , we repurchased and retired ~~1~~ **151** , **637** ~~662, 366~~ shares of our Series B Preferred Stock and ~~3~~ **271** , **031** ~~683, 530~~ shares of our Series C Preferred Stock. As of December 31, ~~2022~~ **2023** , we had authority to purchase 1, ~~337~~ **185** , ~~634~~ **997** additional shares of our Series B Preferred Stock and 1, ~~316~~ **045** , ~~470~~ **439** additional shares of our Series C Preferred Stock under the current share repurchase program. We may engage in share repurchases from time- to- time through open market purchases, including block purchases or privately negotiated transactions, or under any trading plan that may be adopted in accordance with Rules 10b5- 1 and 10b- 18 of the Exchange Act. Certain of our financing agreements have financial covenants, including covenants related to maintaining a certain level of stockholders' equity, that may be impacted by our share repurchases. In addition, we generally fund share repurchases with interest income or income from the sale of our assets. The sale of assets to fund share repurchases could impact the allocation of our portfolio for purposes of maintaining an exclusion from the requirements of the 1940 Act and could impact our ability to comply with income and asset tests required to qualify as a REIT. The failure to comply with covenants in our financing agreements, to maintain our exemption from the 1940 Act or to qualify as a REIT could have a material negative impact on our business, financial condition and results of operations. In addition, our decision to repurchase shares of our common stock or other securities and reduce our stockholders' equity could adversely affect our competitive position and could negatively impact our ability in the future to invest in assets that have a greater potential return than the repurchase of our common stock. ~~Risks Related to Accounting~~ The preparation of our financial statements involves use of estimates, judgments and assumptions, and our financial statements may be materially affected if our estimates prove to be inaccurate. Financial statements prepared in accordance with U. S. GAAP require the use of estimates, judgments and assumptions that affect the reported amounts. Different estimates, judgments and assumptions reasonably could be used that would have a material effect on the financial statements, and changes in these estimates, judgments and assumptions are likely to occur from period to period in the future. Significant areas of accounting requiring the application of management' s judgment include, but are not limited to, determining the fair value of investment securities and interest income recognition. These estimates, judgments and assumptions are inherently uncertain, and, if they prove to be wrong, we face the risk that charges to income will be required. Any such charges could significantly harm our business, financial condition, results of operations and the price of our securities. Refer to Item 7. " Management' s Discussion and Analysis of Financial Condition and Results of Operations- Critical Accounting Policies and Estimates " in Part II of this Report for a discussion of the accounting estimates, judgments and assumptions that we believe are the most critical to an understanding of our business, financial condition and results of operations. Changes in the fair value of our derivatives may result in volatility in our U. S. GAAP earnings. We enter into derivative transactions to reduce the impact that changes in interest rates will have on our net interest margin. Changes in the fair value of our derivatives are recorded in our consolidated statement of operations as " gain (loss) on derivative instruments, net " and may result in volatility in our U. S. GAAP earnings. The total changes in fair value may exceed our consolidated net income in any period or for a full year. Volatility in our net income may adversely affect the price of our capital stock. ~~Our reported U. S. GAAP financial results differ from our REIT taxable income, which impacts our dividend distribution requirements. Therefore, our U. S. GAAP results may not be an accurate indicator of future taxable income and dividend distributions.~~ Generally, the cumulative net income we report over the life of an asset will be the same for U. S. GAAP and tax purposes, although the timing of this income recognition over the life of the asset could be materially different. Differences exist in the accounting for U. S. GAAP net income and REIT taxable income, which can lead to significant variances in the amount and timing of when income and losses are recognized under these two measures. Due to these differences, our reported U. S. GAAP financial results could materially differ from our determination of REIT taxable income, which impacts our dividend distribution requirements. Therefore, our U. S. GAAP results may not be an accurate indicator of future REIT taxable income and dividend distributions. Capital gains and losses in a period may impact REIT taxable income and impact the dividend paid in future periods ~~. Risks Related to Our Relationship with Our Manager We are dependent on our Manager and its key personnel for our success~~ . We have no separate facilities and are completely reliant on our Manager. We do not have any employees. Our executive officers are employees of our Manager or one of its affiliates. Our Manager has significant discretion as to the implementation of our investment and operating policies and strategies. Accordingly, we believe that our success depends to a significant extent upon the efforts, experience, diligence, skill and network of business contacts of the executive officers and key personnel of our Manager. The executive officers and key personnel of our Manager evaluate, negotiate, close and monitor our investments; therefore, our success depends on their continued service. The departure of any of the executive officers or key personnel of our Manager who provide management services to us could have a material adverse effect on our performance. In addition, we offer no assurance that our Manager will remain our investment manager or that we will continue to have access to our Manager' s professionals. The initial term of our management agreement with our Manager expired on July 1, 2011. The agreement automatically renews for successive one- year terms, and the management agreement is currently in a renewal term. If the management agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our business plan. Moreover, our Manager is not obligated to dedicate certain of its personnel exclusively to us nor is it obligated to dedicate any specific portion of its time to our business ~~. There are conflicts of interest in our relationship with our Manager and Invesco, 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 Invesco and our Manager. Specifically, each of our officers and certain members of our board of directors are employees of our Manager or one of its affiliates. Our Manager and our executive officers may have conflicts between their duties to us and their duties to, and interests in, Invesco. We compete for investment opportunities directly with other client accounts and funds managed by our Manager or Invesco and its subsidiaries. A substantial number of client accounts and funds managed by our Manager have exposure to our target assets. In addition, in the future our Manager may have additional clients or fund products that compete directly with us for investment opportunities. Our Manager and our executive officers may choose to allocate favorable investments to other clients of Invesco instead of to us. Further, when there are turbulent conditions in the mortgage markets, distress in the credit markets or other times when we will need focused support and assistance from our Manager, Invesco or entities for which our Manager also acts as an investment manager will likewise require greater focus and attention, placing our Manager' s resources in high demand. In such situations, we may not receive the level of support and assistance that we may have received if we were internally managed or if our Manager did not act as a manager for other entities. Our Manager has investment allocation policies in place where appropriate intended to enable us to share equitably with the other clients and fund products of our Manager or Invesco and its subsidiaries. There is no assurance that our Manager' s allocation policies that address some of the conflicts relating to our access to investment and financing sources will be adequate to address all of the conflicts that may arise. Therefore, we may compete for investment or financing opportunities sourced by our Manager and, as a result, we may either not be presented with the opportunity or have to compete with other clients and fund products of our Manager or clients and fund products of Invesco and its subsidiaries to acquire these investments or have access to these sources of financing. Our Manager would have a conflict in recommending our participation in any equity investment it manages. Our Manager has a conflict of interest in recommending our participation in any equity investment it manages because the fees payable to it may be greater than the fees payable by us under the management agreement. With respect to equity investments , we have made in partnerships managed by an affiliate of our Manager, our Manager has agreed to waive base management fees at the equity investment level to avoid duplication of fees. To address any potential conflict of interest, we require the terms of any equity investment managed by our Manager to be approved by our audit committee consisting of our independent directors. However, there can be no assurance that all conflicts of interest will be eliminated. 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 it may be costly and difficult to terminate. Our executive officers and certain members of our board of directors are employees of our Manager or one of its affiliates. 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. Termination of the management agreement with our Manager without cause is difficult and costly. Our independent directors review our Manager' s performance and the management fees annually, and the management agreement may be terminated annually upon the affirmative vote of at least two- thirds of our independent directors based upon: (1) our Manager' s unsatisfactory performance that is materially detrimental to us, or (2) a determination that the management fees payable to our Manager are not fair, subject to our Manager' s right to prevent termination based on unfair fees by accepting a reduction of management fees agreed to by at least two- thirds of our independent directors. Additionally, upon such a termination, the management agreement provides that we will pay our Manager a termination fee equal to three times the sum of our average annual management fee during the 24- month period before termination, calculated as of the end of the most recently completed fiscal quarter. These provisions may increase the cost of terminating the management agreement and may adversely affect our ability to terminate our Manager without cause. If the management agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our business plan. Under the management agreement, our Manager does not assume any responsibility other than to render the services called for thereunder and is not responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Our Manager maintains a contractual, as opposed to a fiduciary, relationship with us. Under the terms of the management agreement, our Manager, its officers, stockholders, members, managers, partners, directors and personnel, any person controlling or controlled by our Manager and any person providing sub- advisory services to our Manager will not be liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary' s stockholders or partners for acts or omissions performed in accordance with and pursuant to the management agreement, except because of acts constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their duties under the management agreement, as determined by a final non- appealable order of a court of competent jurisdiction. We have agreed to indemnify our Manager, its officers, stockholders, members, managers, directors and personnel, any person controlling or controlled by our Manager and any person providing sub- advisory services to our Manager with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our Manager not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of duties, performed in good faith in accordance with and pursuant to the management agreement. Our board of directors approved very broad investment guidelines for our Manager and does not approve each investment and financing decision made by our Manager. Our Manager is authorized to follow very broad investment guidelines. Our board of directors will periodically review our investment guidelines and our investment portfolio but does not, and is not required to, review all of our proposed investments, except that an investment in a security structured or issued by an entity managed by Invesco must be approved by our Audit Committee before such investment may be made. In addition, in conducting periodic reviews, our board of directors may rely primarily on information provided to them by our Manager. Our Manager has great latitude within the broad parameters of our investment guidelines in determining the types and amounts of target assets and financing arrangements it may decide are attractive investments for us, which could result in investment returns that are substantially below expectations or that result in losses, which would materially and adversely affect our business operations and results. ~~Risks Related to Our Capital Stock We have not established a minimum dividend payment level, and we cannot assure our stockholders of our ability to pay dividends in the future.~~ We pay quarterly dividends to our stockholders in an amount such that we distribute all or substantially all of our REIT taxable income in each year, subject to certain adjustments. We have not established a minimum dividend payment level, and our ability to pay dividends may be adversely affected by a number of factors, including the risk factors described in this Report. All dividends will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, debt covenants, maintenance of our REIT qualification, applicable provisions of Maryland law and other factors as our board of directors may deem relevant from time to time. We believe that a change in any one of the following factors and other factors described in the risk factors in this Report could adversely affect our results of operations and impair our ability to pay dividends to our stockholders: • our ability to make profitable investments; • margin calls or other expenses that reduce our cash flow; • defaults in our asset portfolio or decreases in the value of our portfolio; and • the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates. We cannot assure our stockholders that we will achieve investment results that will allow us to make a specified level of cash distributions or increases in cash distributions in the future. In addition, some of our distributions may include a return of capital ~~. Future offerings of debt or equity securities that would rank senior to our common stock may adversely affect the market price of our common stock~~ . We have shares of Series B Preferred Stock and Series C Preferred Stock issued and outstanding. If we decide to issue debt or equity securities in the future that would rank senior to our common stock, it is likely that they will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. For example, our preferred shares have a preference on liquidating distributions and a preference on dividend payments that could limit our ability to make a distribution to the holders of our common stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity 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. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Thus, holders of our common stock will bear the risk of our future offerings reducing the market price of our common stock and diluting the value of their stock holdings in us. In addition, future issuances and sales of preferred stock on parity to our Series B Preferred Stock or the Series C Preferred Stock, or the perception that such issuances and sales could occur, may also cause prevailing market prices for the Series B Preferred Stock, Series C Preferred Stock and our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us. ~~Risks Related to Our Organization and Structure~~ Certain provisions of Maryland law could inhibit changes in control. Certain provisions of the Maryland General Corporation Law (the " MGCL ") may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then- prevailing market price of our common stock. Under the MGCL, certain " business combinations " between us and an " interested stockholder " (defined generally as any person who beneficially owns **, directly or indirectly,** 10 % or more of ~~our then~~ - **the** ~~-~~**voting power of the** outstanding voting ~~capital~~ stock **of the corporation or an affiliate or associate of the corporation who, at any time within the two- year period immediately prior to the date in question, was the beneficial owner, directly or indirectly, of 10 % or more of the voting power of the then outstanding stock of the corporation**) or an affiliate thereof are prohibited for five years after the most recent date on which the stockholder becomes an interested stockholder. **Thereafter, the MGCL imposes two super- majority stockholder voting requirements on these business combinations.** Under the statute, our board of directors has, by resolution, exempted business combinations between us and any other person, provided that such business combination is first approved by our board of directors (including a majority of our directors who are not affiliates or associates of such person). The " control share " provisions of the MGCL provide that " control shares " of a Maryland corporation **(defined as voting shares of stock that, if aggregated with all other shares of stock owned or controlled by the acquirer, would entitle the acquirer to exercise one of three increasing ranges of voting power in electing directors) acquired in a " control share acquisition " (defined as the direct or indirect acquisition of issued and outstanding control shares)** have no voting rights except to the extent approved by ~~our~~ stockholders by the affirmative vote of at least two- thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquiror of control shares, ~~our~~ officers **of the corporation** and ~~our~~ employees **of the corporation** who are also ~~our~~ directors. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. There can be no assurance that this provision will not be amended or eliminated at any time in the future. ~~The~~ **Additionally, Title 3, Subtitle 8 of the MGCL (** " ~~unsolicited takeover~~ **Subtitle 8** " **)** ~~provisions of the MGCL permit~~ **permits** our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement ~~takeover defenses~~ **certain corporate governance provisions** , some of which (for example, a classified board) we do not yet have **. Our charter contains a provision whereby we have elected to be subject to the provision of Subtitle 8 relating to the filling of vacancies on our board of directors. Through provisions in our charter and bylaws unrelated to Subtitle 8, we vest in our board of directors the exclusive power to fix the number of directorships, require the affirmative vote of stockholders entitled to cast not less than two- thirds of the votes entitled to be cast generally in the election of directors to remove any director from our board of directors, which removal will be allowed only for cause, and require the written request of stockholders entitled to cast at least a majority of all the votes entitled to be cast on any matter in order to call a special meeting to act on such matter** . These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under circumstances that otherwise could provide the holders of shares of common stock with the opportunity to realize a premium over the then- current market price. ~~Our charter also contains a provision whereby we have elected to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our board of directors.~~ Ownership limitations may restrict change of control ~~of~~ **or** business combination opportunities in which our stockholders might receive a premium for their shares. For us to qualify as a REIT, no more than 50 % in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals **at any time** during the last half of any calendar year. To preserve our REIT qualification, among other purposes, our charter generally prohibits any person from directly or indirectly owning more than 9. 8 % in value or in number of shares, whichever is more restrictive, of the outstanding shares of our capital stock or more than 9. 8 % in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock. This ownership limitation could have the effect of discouraging a takeover or other transaction in which holders of our common stock might receive a premium for their shares over the then- prevailing market price or which holders might believe to be otherwise in their best interests. Our authorized but unissued shares of capital stock may prevent a change in our control. Our charter authorizes us to issue additional authorized but unissued shares of common **stock** or preferred stock. In addition, our board of directors may, without stockholder approval, amend our charter **from time to time** to increase **or decrease** the aggregate number of ~~our~~ shares of stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common **stock** or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board of directors may establish a **class or** series of shares of common **stock** or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for ~~our~~ shares of **our** common stock or otherwise be in the best ~~interest~~ **interests** of our stockholders. The change of control conversion feature of our Series B Preferred Stock and Series C Preferred Stock may make it more difficult for a party to acquire us or discourage a party from acquiring us. The change of control conversion feature of our Series B Preferred Stock and Series C Preferred Stock may have the effect of discouraging a third party from making an acquisition proposal for us or of delaying, deferring or preventing certain change of control transactions under circumstances that otherwise could provide the holders of our common stock, Series B Preferred Stock and Series C Preferred Stock with the opportunity to realize a premium over the then- current market price of such stock or that stockholders may otherwise believe is in their best interests. ~~We~~ **Our rights and the rights of our stockholders to take action against our directors and officers** are **limited. Maryland law provides that a director has no liability in the capacity as a director if** ~~the~~ - **he** ~~sole general~~ **or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in the corporation' s best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. As permitted by the MGCL, our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from: • actual receipt of an improper benefit or profit in money, property or services; or • a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated. In addition, our bylaws require us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former director or officer and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity or (b) any individual who, while a director or officer and at our request, serves or has served as a director, officer,** partner ~~of our~~ - **or** ~~Operating~~ **trustee of another corporation, real estate investment trust,** ~~Partnership~~ **partnership** ~~and could become liable~~ **, joint venture, trust, employee benefit plan, limited liability company** ~~for~~ - **or** ~~the debts and~~ other ~~obligations of~~ **enterprise and who is made** ~~our~~ - **or** ~~Operating Partnership~~ **threatened to be made a party to the proceeding by reason of his or her service in that capacity. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law** . We are the sole general partner of our Operating Partnership and directly or indirectly conduct all of our business activities through the Operating Partnership and its subsidiaries. As the sole general partner, we are liable for our Operating Partnership' s debts and other obligations. Therefore, if our Operating Partnership is unable to pay its debts and other obligations, we will be liable for such debts and other obligations. These obligations could include unforeseen contingent liabilities and could materially adversely affect our financial condition, operating results and ability to pay dividends to our stockholders. **Risks Related to our REIT Status and Certain Other** Tax ~~Risks Investment in our capital stock~~ **Items If we do not qualify to be taxed** ~~has~~ - **as** ~~various U. S. federal income~~ **a REIT, we will be subject to** tax ~~risks. This summary of certain~~ **as a regular corporation and could face a substantial** tax **liability** ~~risks is limited to the U. S. federal tax risks addressed below. Additional risks or issues may exist that are not addressed in this Report and could affect the U. S. federal income tax treatment of us or our stockholders~~ . We **have operated** ~~strongly urge you to seek advice based on your particular circumstances from an~~ **and expect to continue to operate so as** ~~independent tax advisor concerning the effects of U. S. federal, state and local income tax law on an investment in our capital stock and on your individual tax situation. Our failure~~ to qualify **to be taxed** as a REIT **under** ~~would subject us to U. S. federal income tax and potentially increased state and local taxes, which would reduce~~ the **Code** ~~amount of cash available for distribution to our stockholders. We believe that we have been organized and operated, and we intend to continue to operate, in a manner that enables us to qualify as a REIT for U. S. federal income tax purposes~~ . However, qualification as a REIT involves the application of highly technical and complex ~~Internal Revenue~~ Code provisions for which only a limited number of judicial ~~and~~ **or** administrative interpretations exist. ~~Even~~ **Notwithstanding the availability of cure provisions in the Code, various compliance requirements could be failed** ~~an~~ **and** ~~inadvertent or technical mistake~~ could jeopardize our REIT status. **Furthermore** ~~Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Moreover~~ , new **tax** legislation, **administrative guidance or** court decisions ~~or administrative guidance~~ , in each **instance potentially** ~~case, possibly~~ with retroactive effect, ~~may~~ **could** make it more difficult or impossible for us to qualify as a REIT. **If** ~~Thus, while~~ we ~~intend~~ **fail** to ~~operate so that we will~~ qualify as a REIT ~~, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes~~ in ~~our circumstances, no assurance can be given that we will so qualify for~~ any ~~particular~~ **tax** year ~~. If we fail to qualify as a REIT in any taxable year~~ , **then: •** ~~and we do not qualify for certain statutory relief provisions,~~ we would be ~~required~~ **taxed as a regular domestic corporation, which under current laws would result in, among other things, means being unable** to ~~pay U. S.~~ **deduct dividends paid to stockholders in computing taxable income and being subject to** federal **and applicable state and local** income tax **on our taxable income** at regular corporate income tax rates **; • any resulting tax liability could be substantial and could have a material adverse effect** on our ~~taxable income~~ **book value; • unless we were entitled to relief under applicable statutory provisions** , ~~which~~ **we** would be **required** ~~determined without a deduction for dividends distributed to our stockholders. In such a case, we might need to borrow money or sell assets~~ to pay ~~our~~ taxes **, and therefore,** ~~. Our payment of income tax would decrease the amount of~~ our ~~income~~ **cash** available for distribution to ~~our~~ stockholders ~~or~~ **would be reduced** for **each** ~~investment and could have a significant adverse effect on the value~~ of **the years during which** ~~our stockholders' equity. Furthermore, if~~ we **did not qualify** ~~fail to maintain our qualification~~ as a REIT **and** ~~, the distribution requirements~~ for ~~REIT qualification~~ **which we had taxable income; and • we generally** would ~~no~~ **not** ~~longer~~ be ~~relevant and could affect our distribution decisions. In addition, unless we were~~ eligible **to** ~~for certain statutory relief provisions, we could not~~ re- elect to ~~qualify~~ **be taxed** as a REIT ~~until~~ **for** the ~~fifth calendar~~ **subsequent four full taxable** ~~year~~ **years** ~~following the year in which we failed to qualify~~ . **We may be subject to adverse** ~~Legislative~~ **legislative** ~~,~~ **or** regulatory **tax changes that could increase** ~~or~~ **our tax liability, reduce our operating flexibility and reduce the price of our stock. In recent years, numerous legislative, judicial and** administrative changes ~~could adversely affect us or our stockholders~~ **have been made in the provisions of U** . **S. federal income tax laws applicable to investments similar to** ~~Legislative, regulatory or administrative changes could be enacted or promulgated at any~~ - **an investment in shares of** ~~time, with either prospective or~~ **our stock** ~~retroactive effect, and may adversely affect us and / or our stockholders~~ . **The** ~~On December 22,~~ 2017 ~~,~~ tax **reform** legislation commonly referred to as the Tax Cuts and Jobs Act ~~was signed into law~~ **has resulted in fundamental changes to the Code, with many of the changes applicable to individuals applying only through December 31, 2025** . ~~The~~ **Federal legislation intended to ameliorate the economic impact of the COVID- 19 pandemic, the Coronavirus Aid, Relief and Economic Security Act made technical corrections to, or modified on a temporary basis, certain of the provisions of the** Tax Cuts and Jobs Act ~~made significant changes~~ **. Although REITs generally receive certain tax advantages compared** to ~~the~~ **entities taxed as regular corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate assets and / or mortgage loans to elect to be treated for** U. S. federal income tax **purposes as a** ~~rules for taxation of individuals and corporations~~ - **corporation. As a result, our charter authorizes our board of directors to revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines** that ~~may affect our stockholders and may directly or indirectly affect us. Most of the~~ changes ~~applicable~~ to **U. S. federal** ~~individuals are temporary and apply only to taxable years beginning before January 1, 2026, including the 20 % deduction generally available to non- corporate taxpayers with respect to REIT dividends that are not capital gain dividends or qualified dividend~~ income ~~. Future changes to the~~ tax laws **and regulations or** ~~are possible. In particular, the~~ **other** ~~federal~~ **considerations mean it is no longer in our best interests to qualify as a REIT. There can be no assurance that future tax law changes will not increase** income **tax rates** ~~taxation of REITs may be modified~~ , ~~possibly with retroactive~~ **impose new limitations on deductions, credits or other tax benefits, or make other changes that may adversely** ~~effect~~ **affect** ~~, by legislative, administrative or~~ **our** ~~judicial action at any time~~ **business, cash flows or financial performance or a stockholder' s investment in us** . You are urged to consult with your tax advisor with respect to **the impact of these legislative changes on your investment in our shares and the status of** legislative, regulatory or administrative developments and proposals and their potential effect on **an** investment in our ~~stock~~ **shares** . ~~Complying~~ **To maintain our REIT status, we may have to borrow funds on a short- term basis during unfavorable market conditions. To qualify as a REIT, we generally must distribute annually to our stockholders dividends equal to a minimum of 90 % of our net taxable income, determined without regard to the dividends- paid deduction and excluding net capital gains. We will be subject to regular corporate income taxes on any undistributed REIT taxable income, including undistributed net capital gain, each year. Additionally, we will be subject to a 4 % nondeductible excise tax on any amount by which dividends paid by us in any calendar year are less than the sum of 85 % of our ordinary income, 95 % of our capital gain net income and 100 % of our undistributed income from previous years. Payments we make to our stockholders under our share repurchase plan generally will not be taken into account for purposes of these distribution requirements. If we do not have sufficient cash to make distributions necessary to preserve our REIT status for any year or to avoid taxation, we may be forced to borrow funds or sell assets even if the market conditions at that time are not favorable for these borrowings or sales. These options could increase our costs or reduce our equity. Compliance** with REIT requirements may **cause us to forgo otherwise attractive opportunities, which may hinder or delay our ability to meet our investment objectives and reduce your overall return. To qualify as a REIT, we are required at all times to satisfy tests relating to, among other things, the sources of our income, the nature and diversification of our assets, the ownership of our stock and the amounts we distribute to our stockholders. Compliance with the REIT requirements may impair our ability to operate solely on the basis of maximizing profits. For example, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Compliance with REIT requirements may** force us to liquidate **or restructure** otherwise attractive investments. To qualify as a REIT, ~~we generally must ensure that~~ at the end of each calendar quarter **,** at least 75 % of the value of our ~~total~~ assets **must** ~~consists~~ - **consist** of cash, cash items, government securities ~~,~~ and ~~qualifying~~ **qualified** real estate assets ~~, including certain MBS and certain mortgage loans~~ . The remainder of our investments in securities (other than **qualified** ~~government securities, securities of our TRSs and qualifying~~ real estate assets **, government securities and securities of our taxable REIT subsidiaries**) 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, no~~ more than ~~5 % of the value of our assets can consist of the securities of~~ any one issuer (other than **securities that qualify for the straight- debt safe harbor) unless we and such issuer jointly elect for such issuer to be treated as a " taxable REIT subsidiary " under the Code. Debt will generally meet the " straight debt " safe harbor if the debt is a written unconditional promise to pay on demand or on a specified date a certain sum of money, the debt is not convertible, directly or indirectly, into stock, and the interest rate and the interest payment dates of the debt are not contingent on the profits, the borrower' s discretion, or similar factors. Additionally, no more than 5 % of the value of our assets (other than** government securities, **qualified** ~~securities of our TRSs and qualifying~~ real estate assets **and securities of our taxable REIT subsidiaries**) **can consist of the securities of any one issuer** , no more than 20 % of the value of our **assets may** ~~total securities can~~ be represented by securities of one or more ~~TRSs~~ **taxable REIT subsidiaries** , and no more than 25 % of the value of our assets may consist of " nonqualified publicly offered REIT debt instruments. " If we fail to comply with these requirements at the end of any **calendar** quarter, we must ~~correct the failure~~ **dispose of a portion of our assets** within 30 days after the end of ~~such~~ **the** calendar quarter or qualify for certain statutory relief provisions **in order** to avoid losing our REIT qualification and suffering adverse tax consequences. ~~As~~ **In order to satisfy these requirements and maintain our qualification as** a ~~result~~ **REIT** , we may be ~~required~~ **forced** to ~~dispose of~~ **liquidate assets from our portfolio or not make** otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders. **Our charter does not permit any person or group to own more than 9. 8 % of our outstanding common stock or of our outstanding capital stock of all classes or series, and attempts to acquire our common stock or our capital stock of all other classes or series in excess of these 9. 8 % limits would not be effective without an exemption from these limits by our board of directors. For us to qualify as a** REIT **under the Code, not more than 50 % of the value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (including certain entities treated as individuals for this purpose) during the last half of a taxable year other than the first taxable year in which we are taxed as a REIT. For the purpose of assisting our qualification as a REIT for U. S. federal income tax purposes, our charter prohibits beneficial or constructive ownership by any person or group of more than a certain percentage, which is expected to be 9. 8 %, by value or by number of shares, whichever is more restrictive, of the outstanding shares of our common stock or of our capital stock of all classes or series, which we refer to as the " Ownership Limits. " The constructive ownership rules under the Code and our charter are complex and may cause shares of the outstanding common stock or capital stock owned by a group of related persons to be deemed to be constructively owned by one person. As a result, the acquisition of less than 9. 8 % of our outstanding common stock or our capital stock by a person could cause another person to be treated as owning in excess of 9. 8 % of our outstanding common stock or our capital stock, respectively, and thus violate the Ownership Limits. There can be no assurance that our board of directors, as permitted in the charter, will not decrease these Ownership Limits in the future. Any attempt to own or transfer shares of our common stock or capital stock in excess of the Ownership Limits without the consent of our board of directors will result either in the shares in excess of the limit being transferred by operation of our charter to a charitable trust, and the person who attempted to acquire such excess shares not having any rights in such excess shares, or in the transfer being void. The Ownership Limits may have the effect of precluding a change in control of us by a third party, even if such change in control would be in the best interests of our stockholders or would result in receipt of a premium to the price of our common stock (and even if such change in control would not reasonably jeopardize our REIT status). Any exemptions to the Ownership Limits granted in the future may limit our board of directors' power to increase the Ownership Limits or grant further exemptions. Non- U. S. stockholders may be required** to file U. S. federal income tax returns and pay U. S. federal income tax upon their receipt of certain distributions from us or upon their disposition of shares of our stock. In addition to any potential withholding tax on ordinary dividends, a non- U. S. stockholder, other than a " qualified shareholder " or a " qualified foreign pension fund, " as each is defined in Section 897 of the Code, that disposes of a " United States real property interest " (" USRPI ") (which includes shares of stock of a U. S. corporation whose assets consist principally of USRPIs), or that receives a distribution from a REIT that is attributable to gains from such a disposition, is generally subject to U. S. federal income tax under the Foreign Investment in Real Property Tax Act of 1980, as amended (" FIRPTA "), on the amount received from (or, in the case of a distribution, to the extent attributable to gains from) such disposition. FIRPTA gains must be reported on U. S. federal income tax returns and are subject to tax at regular U. S. federal income tax rates. Such tax does not apply, however, to gain on the disposition of stock in a REIT that is " domestically controlled. " Generally, a REIT is domestically controlled if less than 50 % of its stock, by value, has been owned directly or indirectly by non- U. S. persons during a continuous five- year period ending on the date of disposition or, if shorter, during the entire period of the REIT' s existence. We cannot assure you that we will qualify as a domestically controlled REIT. If we were to fail to so qualify, amounts received by a non- U. S. stockholder on certain dispositions of shares of our stock would be subject to tax under FIRPTA, unless (1) our shares of stock were regularly traded on an established securities market and (2) the non- U. S. stockholder did not, at any time during a specified testing period, hold more than 10 % of our stock. We expect our shares to be regularly traded on an established securities market. Furthermore, even if we are domestically controlled, distributions by us that are attributable to gains from dispositions of USRPIs will be subject to tax under FIRPTA and special withholding rules unless the conditions in clauses (1) and (2) of the immediately preceding sentence are satisfied, subject to certain exceptions. Proposed Treasury Regulations issued on December 29, 2022 (the " Proposed Regulations ") would modify the existing Treasury Regulations relating to the determination of whether we are a domestically controlled REIT by providing a look through rule for our stockholders that are non- publicly traded partnerships, REITs, regulated investment companies or domestic " C " corporations owned 25 % or more directly or indirectly by foreign persons (" foreign owned domestic corporations ") and by treating " qualified foreign pension funds " as foreign persons for this purpose. Although the Proposed Regulations are intended to be effective after they are finalized, the preamble to the regulations state that the IRS may challenge contrary positions that are taken before the Proposed Regulations are finalized. Moreover, the Proposed Regulations would apply to determine whether a REIT was domestically controlled for the entire five- year testing period prior to any disposition of our stock, rather than applying only to the portion of the testing period beginning after the Proposed Regulations are finalized. The Proposed Regulations relating to foreign owned domestic corporations is inconsistent with prior tax guidance. We cannot predict if or when or in what form the Proposed Regulations will be finalized or what our composition of investors that are treated as domestic under these final regulations will be at the time of enactment. Please consult your tax advisor. Investments outside the United States may subject us to additional taxes and could present additional complications to our ability to satisfy the REIT qualification requirements . Non- U. S. investments may subject us to various non- U. S. tax liabilities, including withholding taxes. In addition, operating in functional currencies other than the U. S. dollar and in environments in which real estate transactions are typically structured differently than they are in the United States or are subject to different legal rules may present complications to our ability to structure non- U. S. investments in a manner that enables us to satisfy the REIT qualification requirements. Even if we maintain our status as a REIT, entities through which we hold investments in assets located outside the United States may be subject to income taxation by jurisdictions in which such assets are located or in which our subsidiaries that hold interests in such assets are located. Any such taxes could adversely affect our ~~ability to execute our~~ business ~~plan and may require us to incur debt~~ , results ~~sell assets or take other actions to make such distributions. To qualify as a REIT, we must distribute dividends equal to at least 90 %~~ of operations, ~~our REIT taxable income (including certain items of non-~~ cash ~~income) to our stockholders each calendar year, determined without regard to the deduction for dividends paid and excluding net capital gains. To the extent that we satisfy the 90 % distribution requirement, but distribute less than 100 % of our taxable income, including our net capital gain, we will be subject to U. S. federal corporate income tax on our undistributed taxable income. In addition, we will incur a 4 % nondeductible excise tax on the amount, if any, by which our distributions in any calendar year are less than a minimum amount specified under U. S. federal income tax laws. We intend to distribute sufficient dividends to our stockholders to satisfy the 90 % distribution requirement and to avoid both corporate income tax and the 4 % nondeductible excise tax. Our taxable income may be substantially different from our cash flow~~ flows ~~. Differences in timing between the recognition of taxable income and the actual receipt of cash may occur. For -~~ or ~~example, we may invest in debt instruments that require us to accrue original issue discount (" OID ") or recognize market discount income that generate taxable income in excess of economic income or in advance of the corresponding cash flow. We may also acquire distressed debt investments that are subsequently modified by agreement with the borrower. If amendments to the outstanding debt are " significant modifications " under applicable Treasury Regulations, the modified debt may be considered to have been reissued to us in a debt- for- debt exchange with the borrower, with a gain recognized by us to the extent that the principal amount of the modified debt exceeds our cost of purchasing it before modification. Under the Tax Cuts and Jobs Act, we may be required to take certain amounts in income no later than the time such amounts are reflected on certain~~ financial condition ~~statements. Finally~~ , and our ~~we may be required under the terms of the indebtedness that we incur, to use cash received from interest payments to make principal payments on that indebtedness, all with the effect that we will recognize income but will not have a corresponding amount of~~ cash available for distribution to our stockholders ~~. As a result of the~~ will be reduced by any such ~~foregoing~~ --- foreign ~~, we~~ income taxes. We may ~~find it difficult~~ incur tax liabilities that would reduce ~~or~~ our ~~impossible~~ cash available for distribution to you. Even if we qualify and maintain our status as a REIT, we may become subject to U. S. federal income taxes and related state and local

taxes. For example, net income from the sale of properties or assets that are " dealer " properties or assets sold by a REIT (a " prohibited transaction " under the Code) will be subject to a 100 % tax. We may not make sufficient distributions to avoid excise taxes applicable to REITs. If we were to fail either gross income test (and did not lose our REIT status because such failure was due to reasonable cause and not willful neglect), we would be subject to tax on the income that does not meet **the gross income test requirements. We also may decide to retain net capital gain we earn from the sale or other disposition of our investments and pay income tax directly on such income. In that event, we could elect to cause our stockholders to be treated as if they earned that income and paid the tax we paid. However, stockholders that are tax- exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability unless they file U. S. federal income tax returns and thereon seek a refund of such tax. We also may be subject to state and local taxes on our income or property, including franchise, payroll, mortgage recording and transfer taxes, either directly or at the level of the other companies through which we indirectly own our assets, such as our domestic taxable REIT subsidiaries, which are subject to full U. S. federal, state, local and foreign corporate- level income taxes. Any taxes we pay directly or indirectly will reduce our cash available for distribution to you. Restrictions on the deduction of all of our interest expense could prevent us from satisfying** the REIT distribution requirements ~~in~~ **and avoiding the incurrence of income or excise taxes. Under Section 163 (j) of the Code, the deduction for business interest expense may be limited to the amount of the taxpayer' s business interest income plus 30 % of the taxpayer' s " adjusted taxable income " unless the taxpayer' s gross receipts do not exceed $ 25 million per year during the applicable testing period or the taxpayer qualifies to elect and elects to be treated as an " electing real property trade or business. " A taxpayer' s adjusted taxable income will start with its taxable income and add back items of non- business income and expense, business interest income and business interest expense, net operating losses, and any deductions for " qualified business income. " A taxpayer that is exempt from the interest expense limitations as an electing real property trade or business is ineligible for** certain ~~circumstances~~ **expensing benefits and is subject to less favorable depreciation rules for real property** . ~~In such circumstances,~~ **The rules for business interest expense will apply to us and at the level of each entity in which or through which** we ~~may~~ **invest that is not a disregarded entity for U. S. federal income tax purposes. To the extent that our interest expense is not deductible, our taxable income will** be **increased** ~~required to (1) sell assets in adverse market conditions~~ , **as will** ~~(2) borrow on unfavorable terms, (3) distribute amounts that would otherwise be invested or~~ **our** ~~used to repay debt, or (4) make a taxable distribution of our shares of common stock to comply with the~~ REIT distribution requirements **and** ~~. Thus, compliance with~~ the **amounts we need to distribute to avoid incurring income and excise taxes. Our board of directors is authorized to revoke our** REIT **election without stockholder approval** ~~distribution requirements may hinder our ability to grow~~ , which **may cause adverse consequences to our stockholders. Our charter authorizes our board of directors to revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to qualify as a REIT. Our board of directors has fiduciary duties to us and our stockholders and** could ~~adversely affect~~ **only cause such changes in our tax treatment if it determines in good faith that such changes are in our best interests and in** the ~~value~~ **best interests of our stockholders. In this event, we would become subject to U. S. federal income tax on our taxable income, and we would no longer be required to distribute most of our net income to our stockholders, which may cause a reduction in the total return to our stockholders. We may choose to pay dividends in a combination of cash and shares** of our common stock ~~. We may choose to pay dividends in our own stock~~ , in which case ~~our~~ stockholders may be required to pay income taxes in excess of the cash dividends **they** ~~received~~ - **receive. We may choose to pay dividends in a combination of cash and shares of our common stock** . Under IRS Revenue ~~Procedure~~ **Procedures** 2017- 45, as a publicly offered REIT, we may give stockholders a choice, subject to various limits and requirements, of receiving a dividend in cash or in **our** common stock ~~of the REIT~~ . As long as at least 20 % of the total dividend is available in cash and certain other requirements are satisfied, the IRS will treat the stock distribution as a dividend (to the extent applicable rules treat such distribution as being made out of **our** ~~the REIT' s~~ earnings and profits). ~~Taxable~~ **As a result, U. S.** stockholders ~~receiving stock will be required to include in income, as a dividend, the full value of such stock to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, a U. S. stockholder~~ may be required to pay income taxes with respect to such dividends in excess of the cash dividends **they** ~~received~~ - **receive** . **In** ~~If a U. S. stockholder sells~~ the **case** ~~stock it receives as a dividend to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price~~ of ~~our stock at the time of the sale. Furthermore, with respect to~~ non- U. S. stockholders, we ~~may~~ **generally will** be required to withhold ~~U. S.~~ tax with respect to **the entire dividend, which withholding tax may exceed the amount of cash** such **non- U. S. stockholder would otherwise receive. Generally, ordinary** dividends ~~, including in respect of all~~ **payable by REITs do not qualify** ~~or~~ **for** ~~a portion of such~~ **reduced U. S. federal income tax rates. Currently, the maximum tax rate applicable to qualified** dividend ~~that~~ **income payable to certain non- corporate U. S. stockholders** is ~~payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock. Our ownership of and relationship with any TRS that we may form or acquire is subject to limitations, and a failure to comply with the limits could jeopardize our REIT qualification 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 if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. Overall, no more than~~ 20 % ~~of~~ **(excluding** the **3** ~~value of a REIT' s assets may consist of stock or securities of one or more TRSs at the end of any calendar quarter~~ . **8** ~~In addition, the TRS rules impose a 100~~ % ~~excise~~ **Medicare** tax **). Dividends payable by** ~~on certain transactions between a TRS and its parent REIT~~ **REITs** ~~that~~ **, however,** are not ~~conducted~~ **eligible for the reduced rate except to the extent designated as capital gain dividends or qualified dividend income. Although this does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified**

dividends could cause certain ~~on~~ **non** ~~an arm' s length basis. There can~~ **- corporate investors to perceive investments in REITs to** be **relatively less attractive than investments in the stocks of** ~~no~~ **non** ~~assurance~~ **- REIT corporations** that ~~we will~~ **pay dividends, which could adversely affect the value of the shares of REITs, including our stock. However, for taxable years through the taxable year ending December 31, 2025, non- corporate U. S. taxpayers may** be ~~able~~ **entitled** to **claim a deduction in determining** ~~comply with the TRS limitations or to avoid application of the 100 % excise tax discussed above. Our domestic TRSs would pay U. S. federal, state and local income tax on~~ their taxable income **of up to 20 % of " qualified REIT dividends " (dividends not designated as capital gain dividends or qualified dividend income)** , ~~and their after-~~ **subject to certain limitations. You are urged to consult with your** tax **advisor regarding the effect of this change** ~~net income would be available for distribution to us but would not be required to be distributed to us. If we were to organize a TRS as a non~~ - **on your effective** **-** ~~U. S. corporation (or non- U. S. entity treated as a corporation for U. S. federal income~~ tax **rate** ~~purposes), we may generate income inclusions relating to the earnings of the non- U. S. TRS. Dividends from TRSs and deemed inclusions from non- U. S. TRSs, together~~ with **respect** ~~other income that is not treated as qualifying income for purposes of the 75 % gross income test, cannot exceed 25 % of our gross income in any year. Liquidation of our assets~~ to ~~repay obligations to our lenders may jeopardize our~~ REIT ~~qualification~~ **dividends** . ~~To~~ **The failure of a mezzanine loan to** qualify as a ~~REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT. Characterization of the repurchase agreements we enter into to finance our investments as sales for tax purposes rather than as secured borrowing transactions, or the failure of our mezzanine loans to qualify as~~ real estate ~~assets~~ - **asset** ~~,~~ could adversely affect our ability to qualify as a REIT. We ~~have entered into repurchase agreements with a variety of counterparties to finance assets in which we invest. When we enter into a repurchase agreement, we generally sell assets to our counterparty to the agreement and receive cash from the counterparty. The counterparty is obligated to resell the assets back to us at the end of the term of the transaction. We believe that, for U. S. federal income tax purposes, we will be treated as the owner of the assets that are the subject of repurchase agreements and that the repurchase agreements will be treated as secured borrowing transactions notwithstanding that such agreements~~ may ~~transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could successfully assert that we did not own these assets during the term of the repurchase agreements, in which case we could fail to qualify as a REIT. In addition, we have owned in the past and may in the future~~ acquire mezzanine loans **,** ~~that are secured by an equity interest in a partnership or~~ **for which** ~~an entity disregarded as separate from its owner that directly owns real property. In Revenue Procedure 2003- 65,~~ the IRS **has** provided a safe harbor ~~under which~~ **but not rules of substantive law. Pursuant to the safe harbor, if** a mezzanine loan **meets certain requirements** , ~~if~~ it ~~meets each of the requirements contained in the Revenue Procedure,~~ will be treated by the IRS as a real estate asset for purposes of the ~~REIT~~ asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the 75 % gross income test. ~~Although the Revenue Procedure provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law.~~ We may acquire ~~or originate~~ mezzanine loans that do not meet all of the requirements of this safe harbor. ~~The~~ **In the event we own a mezzanine loan that does not meet the safe harbor, the** IRS could challenge **such loan' s** treatment ~~of such loans~~ as **a** real estate ~~assets~~ - **asset** for purposes of the REIT asset and gross income tests ~~,~~ and **,** if such a challenge were sustained, we could fail to qualify as a REIT. ~~The~~ **Our taxable REIT subsidiaries are subject to special rules that may result in increased** ~~tax~~ **taxes . We may conduct** ~~on prohibited transactions will limit our ability to engage in~~ certain ~~transactions, including certain methods of securitizing mortgage loans,~~ **activities or invest in assets through one or more taxable REIT subsidiaries. A taxable REIT subsidiary is a corporation other than a REIT in** which ~~would~~ **a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to** be treated as ~~sales~~ **a taxable REIT subsidiary. Other than some activities relating to hotel and health care properties, a taxable REIT subsidiary may generally engage in any business, including the provision of services to tenants of its parent REIT. A taxable REIT subsidiary is subject to U. S. federal income tax as a regular C corporation, including any applicable corporate alternative minimum tax. No more than 20 % of the value of our total assets may consist of stock or securities of one or more taxable REIT subsidiaries. This requirement limits the extent to which we can conduct our activities through taxable REIT subsidiaries. The values of some of our assets, including assets that we hold through taxable REIT subsidiaries, may not be subject to precise determination, and values are subject to change in the future. Furthermore, if a REIT lends money to a taxable REIT subsidiary, the taxable REIT subsidiary may be unable to deduct all or a portion of the interest paid to the REIT, which could increase the tax liability of the taxable REIT subsidiary. In addition, as a REIT, we must pay a 100 % penalty tax on certain payments that we receive if the economic arrangements between us and any of our taxable REIT subsidiaries are not comparable to similar arrangements between unrelated parties. We intend to structure transactions with any taxable REIT subsidiary on terms that we believe are arm' s length to avoid incurring the 100 % excise tax described above; however, the IRS may successfully assert that the economic arrangements of any of our inter- company transactions are not comparable to similar arrangements between unrelated parties. If the Operating Partnership failed to qualify as a partnership or is not otherwise disregarded** for **U. S.** federal income tax purposes ~~. A~~ **, we would cease to qualify as a** REIT ~~' s net income from prohibited transactions is subject to a 100 % tax~~ . **If** ~~In general, prohibited transactions are sales or other~~ -- **the** ~~dispositions of property,~~ **IRS were to successfully challenge** ~~other~~ -- **the** ~~than foreclosure property, held primarily~~ **status of the Operating Partnership as a partnership or disregarded entity** for **U** ~~sale to customers in the ordinary course of business~~ . **S.** ~~We might be subject to this tax if we were to dispose of or securitize loans in a manner that was treated as a sale of the loans for~~ federal income tax purposes ~~. Therefore~~ , ~~to avoid~~ **it would be taxable as a corporation. In** the ~~prohibited transactions~~ **event that this occurs, it would reduce the amount of distributions that the Operating Partnership could make to us. This would also result in our failing to qualify as a REIT and becoming subject to a corporate- level** tax **on our income** , ~~we may choose~~

~~not~~ **which would substantially reduce our cash available** to **pay distributions** ~~engage in certain sales of loans at the REIT level~~ and ~~may limit~~ the **yield on** ~~structures we utilize for our~~ **your investment** ~~securitization transactions, even though the sales or such structures might otherwise be beneficial to us~~. Complying with REIT requirements may limit our ability to hedge effectively **and may cause us to incur tax liabilities** . The REIT provisions of the ~~Internal Revenue~~ Code **may** limit our ability to ~~enter into~~ **hedge our assets and operations. Under these provisions, any income that we generate from** hedging transactions ~~. To qualify as a~~ **will be excluded from gross income for purposes of the 75 % and 95 %** REIT ~~, we must satisfy two~~ gross income tests ~~annually.~~ **if: (1) the instrument (A) hedges interest rate risk** ~~For~~ **or** ~~these purposes~~ **foreign currency exposure on liabilities used to carry or acquire real estate assets** , ~~income~~ **(B) hedges risk of currency fluctuations** with respect to ~~certain~~ **any item of income or gain that would be qualifying income under the 75 % or 95 % gross income tests or (C)** hedges ~~of interest- rate risk on~~ **a position entered into pursuant to clause (A)** ~~our~~ **or (B) after the extinguishment of such** ~~liabilities~~ **liability** or ~~certain foreign currency risks will be disregarded~~ **disposition of the asset producing such income; and (2) such instrument is properly identified under applicable Treasury Regulations** . Income from ~~other hedges~~ **hedging transactions that do not meet these requirements** will ~~be~~ **generally constitute** non- qualifying income for purposes of both **the 75 % and 95 %** gross income tests. As a result **of these rules** , we ~~might~~ **may** have to limit our use of ~~advantageous~~ hedging techniques **that might otherwise be advantageous** or implement those hedges through a ~~TRS~~ **taxable REIT subsidiary** . This could increase the cost of our hedging activities **because our taxable REIT subsidiary would be subject to tax on gains** or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear **. In addition, losses in our taxable REIT subsidiary will generally not provide any tax benefit, except for being carried forward against future taxable income in the taxable REIT subsidiary. The " taxable mortgage pool " rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations. Securitizations could result in the creation of taxable mortgage pools for U. S. federal income tax purposes. As a REIT, so long as we own 100 % of the equity interests in a taxable mortgage pool, we generally would not be adversely affected by the characterization of the securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax- exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. Because we hold substantially all of our assets through the Operating Partnership, the foregoing rules would not apply if the Operating Partnership was treated as a partnership for U. S. federal income tax purposes and was, or owned an equity interest in, a taxable mortgage pool, and any such taxable mortgage pool would be treated as a corporation for U. S. federal income tax purposes and could prevent us from qualifying as a REIT. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions. Similarly, if we acquire REMIC residual interests (or equity interests in taxable mortgage pools in a manner consistent with our REIT qualification) and generate " excess inclusion income, " a portion of our dividends received by a tax- exempt stockholder will be treated as unrelated business taxable income. The excess inclusion income would also be subject to adverse U. S. federal income tax rules in the case of U. S. taxable stockholders and non- U. S. stockholders. Liquidation of our assets to repay obligations to our lenders may jeopardize our REIT qualification. To qualify as a REIT, we must comply with requirements regarding our assets and sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualifications as a REIT** . Purchases of mortgages at a discount may affect our ability to satisfy the REIT asset and gross income tests. Whether our loan holdings are treated as real estate assets and interest income thereon is treated as qualifying income for purposes of the 75 % gross income test depends on whether the loans are adequately secured by real property. If a mortgage loan is secured by both real property and personal property, the value of the personal property exceeds 15 % of the value of all property securing such loan, and the value of the real property at the time the REIT commits to make or acquire the loan is less than the highest principal amount (i. e., the face amount) of the loan during the year, interest earned on the loan will be treated as qualifying income only in proportion to the ratio of the value of the real property at the time the REIT commits to make or acquires the loan to the highest principal amount of the loan during the year. Our qualification as a REIT could be jeopardized as a result of our interests in joint ventures or investment funds. We ~~currently~~ **may** own **or** ~~, and may continue to~~ acquire ~~,~~ interests in partnerships or limited liability companies that are joint ventures or investment funds. We may not have timely access to information from such partnerships and limited liability companies related to monitoring and managing our REIT qualification. If a partnership or limited liability company in which we own an interest but do not control takes or expects to take actions that could jeopardize our REIT qualification or require us to pay tax, we may be forced to dispose of our interest in such entity. It is possible that a partnership or limited liability company could take an action which could cause us to fail a REIT gross income or asset test and that we would not become aware of such action in time to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless we are able to qualify for a statutory REIT " savings " provision, which may require us to pay a significant penalty tax to maintain our REIT qualification. We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them. We **may** acquire debt instruments in the secondary market for less than their face amount. The discount at which such debt instruments are acquired may reflect doubts about their ultimate collectability rather than current market interest rates. The amount of such discount will nevertheless generally be treated as " market discount " for federal income tax purposes. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions. Some of the debt instruments that we acquire may have been issued with original issue discount. We will be required to report such original issue discount based on a constant yield method and will be taxed based on the assumption that all future projected payments due on such debt instruments will be made. If such debt instruments turn out not to be fully collectible, an offsetting loss deduction will become available only in the later year that uncollectability is provable. In addition, we may acquire debt instruments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding instrument are " significant modifications " under the applicable Treasury Regulations, the modified instrument will be considered to have been reissued to us in a debt- for- debt exchange with the borrower. In that event, we may be required to recognize taxable gain to the extent the principal amount of the modified instrument exceeds our adjusted tax basis in the unmodified instrument, even if the value of the instrument or the payment expectations have not changed. Following such a taxable modification, we would hold the modified loan with a cost basis equal to its principal amount for federal tax purposes. Finally, if any debt instruments acquired by us are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income as it accrues, despite doubt as to its ultimate collectability. Similarly, we may be required to accrue interest income with respect to debt instruments at its stated rate regardless of whether corresponding cash payments are received or are ultimately collectible. In each case, while we would, in general, ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectible, the utility of that deduction could depend on our having taxable income in that later year or thereafter. ~~Even if we~~ **The failure of assets subject to repurchase agreements to** qualify as **real** ~~a REIT, we may face tax liabilities that reduce our cash flow. Even if we qualify as a REIT, we may be subject to certain U. S. federal, state~~ **estate** ~~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, franchise, property and transfer taxes, including mortgage- related taxes. In addition, our domestic TRSs will be subject to federal corporate income tax on their taxable incomes. Dividends paid by REITs do not qualify for the reduced tax rates that apply to other corporate dividends. The maximum tax rate for " qualified dividends " paid by corporations to individuals is currently 20 %. Dividends paid by REITs, however, generally are not " qualified dividends " and generally are treated as ordinary income. For taxable years beginning before January 1, 2026, non- corporate taxpayers generally will be entitled to a 20 % deduction for ordinary REIT dividends received that, combined with the current top individual tax rate of 37 %, results in a maximum tax rate of 29. 6 % on ordinary REIT dividends. The more favorable rates applicable to qualified dividends could cause potential investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non- REIT corporations that pay qualified dividends, which~~ could adversely affect ~~the value of the stock of~~ **our ability to remain qualified as a** ~~REITs~~ - **REIT** ~~, including our capital stock~~ . ~~Dividends paid~~ **We enter into certain financing arrangements that are structured as sale and repurchase agreements pursuant to which we nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings that are secured** by ~~REITs may~~ **the assets sold pursuant thereto, and we treat them as such for U. S. federal income tax purposes. We believe that we would** be **treated for REIT asset and income test purposes as the owner of the assets that are the** subject **of any such sale and repurchase agreement notwithstanding that such agreement may transfer record ownership of the assets** to ~~Medicare~~ **the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we could fail to remain qualified as a REIT. The** tax on **prohibited transactions** ~~net investment income. High- income U. S. individuals, estates, and trusts~~ will **limit** ~~be subject to an additional 3. 8 % tax on net investment income. For these purposes, net investment income includes dividends and gains from sales of stock. In the case of an individual, the tax will be 3. 8 % of the lesser of the individuals' net investment income or~~ **our ability to engage** ~~the excess of the individuals' modified adjusted gross income over $ 250, 000~~ in **certain transactions** ~~the case of a married individual filing a joint return or a surviving spouse~~ , ~~$ 125, 000 in the case of a married individual filing a separate return, or $ 200, 000 in the case of a single individual. The 20 % deduction for qualified REIT dividends is not taken into account for these purposes. Tax- exempt stockholders may realize unrelated business taxable income if we generate excess inclusion~~ - **including certain methods of securitizing** ~~income. If we acquire REMIC residual interests or equity interests in taxable~~ mortgage **loans** ~~pools (in a manner consistent with our REIT qualification) and generate " excess inclusion income~~ , **which would** ~~" a portion of our dividends received by a tax- exempt stockholder will~~ be treated as **sales for** ~~unrelated business taxable income. Excess inclusion income would also be subject to adverse~~ federal income tax ~~rules in~~ **purposes. A REIT' s net income from prohibited transactions is subject to a 100 % tax. In general, prohibited transactions are sales or** ~~the~~ **other** ~~case~~ **dispositions** of **property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we were to dispose of or securitize loans in a manner that was treated as a sale of the loans for** U. S. **federal income tax purposes** ~~taxable stockholders and non- U~~ . ~~S. stockholders~~ **Therefore, to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans at the REIT level and may limit the structures we utilize for our securitization transactions, even though the sales or such structures might otherwise be beneficial to us** . Changing the nature of our assets may complicate our ability to satisfy the REIT gross income and asset tests. We have large holdings of RMBS that are qualifying assets for purposes of the REIT asset tests and generate interest income that is qualifying income for purposes of the REIT gross income tests, but substantially decreased such holdings in 2020. The REIT asset tests do not require that all assets be qualifying assets, nor do the REIT gross income tests require that all income be qualifying income. Our substantial RMBS holdings have given us room to make investments that may not qualify, all or in part, as real estate assets or that may generate income that may not qualify, all or in part, under one or both of the gross income tests. Reductions in our RMBS holdings have reduced our room for non- qualifying assets and income. In addition, if the market value or income potential of real estate- related investments declines as a result of increased interest rates, prepayment rates or other factors, we may need to increase our real estate investments and gross income therefrom and / or liquidate our ~~non- qualifying~~ **nonqualifying** assets to maintain our REIT qualification or exemption from the 1940 Act. If the decline in real estate asset values and / or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of certain assets that we may own. We may have to make investment decisions that we otherwise would not make absent the REIT qualification requirements and Investment Company Act considerations. Furthermore, we may make investments in which the proper application of the REIT gross income and assets tests may not be clear. Mistakes in classifying assets or income for REIT purposes or in projecting the amount of qualifying and non- qualifying income could cause us to fail ~~to qualify as a REIT. Our qualification as a REIT may depend upon the accuracy of legal opinions or advice rendered or given or statements by the issuers of assets we acquire. 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, among other things, whether such securities represent debt or equity securities for U. S. federal income tax purposes, the value of such securities, and the extent to which those securities constitute qualified real estate assets for purposes of the REIT asset tests and produce qualified income for purposes of the 75 % gross income test. The inaccuracy of any such opinions, advice or statements may adversely affect our ability~~ to qualify as a REIT. Uncertainty exists with respect to the treatment of our TBAs for purposes of the REIT asset and income tests. 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 75 % asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property (including interests in real property and interests in mortgages on real property) or other qualifying income for purposes of the 75 % gross income test, we treat our TBAs under which we contract to purchase to- be- announced Agency MBS (~~"~~“ 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 75 % gross income test, based on an opinion of counsel substantially to the effect that (i) for purposes of the REIT asset tests, our long TBAs should be treated as “ real estate assets, ” and (ii) for purposes of the 75 % gross income test, any gain recognized by us in connection with the disposition of our long TBAs by offset, including in dollar roll transactions, should be qualifying income. 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. ~~General Risk Factors Our business is subject to extensive regulation.~~ Our business is subject to extensive regulation by federal and state governmental authorities, self- regulatory organizations, and securities exchanges. We are required to comply with numerous federal and state laws. The laws, rules and regulations comprising this regulatory framework change frequently, as can the interpretation and enforcement of existing laws, rules, and regulations. From time to time, we may receive requests from federal and state agencies for records, documents, and information regarding our policies, procedures, and practices regarding our business activities. We may incur significant ongoing costs to comply with these government regulations. These requirements can and do change as statutes and regulations are enacted, promulgated, amended, and interpreted, and the recent trends among federal and state lawmakers and regulators have been toward increasing laws, regulations, and investigative proceedings concerning the mortgage industry generally. Although we believe that we have structured our operations and investments to comply with existing legal and regulatory requirements and interpretations, changes in regulatory and legal requirements, including changes in their interpretation and enforcement by lawmakers and regulators, could materially and adversely affect our business and our financial condition, liquidity, and results of operations ~~. We may be adversely affected by the current and future economic, regulatory and other actions of government bodies and their agencies~~ . The U. S. government, Federal Reserve, U. S. Treasury, SEC and other U. S. and foreign governmental and regulatory bodies have taken a number of economic actions and regulatory initiatives from time- to- time designed to stabilize and stimulate the economy and the financial markets, and additional actions and initiatives may occur in the future. While our current exposure to transactions in foreign currencies is limited, uncertainties regarding geopolitical developments can produce volatility in global financial markets, which could have a negative impact on our business in the future. There can be no assurance that, in the long term, actions that governments and regulatory bodies or central banks have taken in the past or may take in the future will improve the efficiency and stability of mortgage or financial markets. To the extent the financial markets do not respond favorably to any of these actions or such actions do not function as intended, our business may be harmed. In addition, because the programs are designed, in part, to improve the markets for certain of our target assets, the establishment of these programs may result in increased competition for attractive opportunities in our target assets or, in the case of government- backed refinancing and modification programs, may have the effect of reducing the revenues associated with certain of our target assets. We cannot predict whether or when additional actions or initiatives to stabilize and stimulate the economy and the financial markets may occur, and such actions could have an adverse effect on our business, results of operations and financial condition. We may change any of our strategies, policies or procedures without stockholder consent and make investment decisions with which our stockholders may not agree and / or fail to meet our investment criteria. We may change any of our strategies, policies or procedures with respect to investments, acquisitions, growth, operations, indebtedness, capitalization and distributions at any time without the consent of our stockholders, which could result in an investment portfolio with a different risk profile. Our stockholders will be unable to evaluate the manner in which we invest or the economic merit of our expected investments and, as a result, we may make investment decisions with which our stockholders may not agree. We can provide no assurance that we will be able to identify and make investments that are consistent with our investment objectives. A change in our investment strategy may increase our exposure to interest rate risk, default risk, real estate market fluctuations, rules, regulations and governmental actions. Furthermore, a change in our asset allocation could result in us making investments in asset categories different from those described in this Report. The failure of our management to make investments that meet our investment criteria could cause a material adverse effect on our business, financial condition, liquidity, results of operations and ability to pay dividends to our stockholders and could cause the value of our capital stock to decline. We may enter into transactions and take certain actions in connection with such transactions that could affect the price of our common stock. We may conduct transactions (including acquisitions) that would offer business and strategic opportunities. In the event of such transactions, we could: • use a significant portion of our available cash; • issue equity securities, which would dilute the current percentage ownership of our stockholders; • incur substantial debt; • incur or assume contingent liabilities, known or unknown; and • incur amortization expenses related to intangibles. Any such actions by us could harm our business, financial condition, results of operations, or prospects and could adversely affect the market price of our common stock. The market price and trading volume of our capital stock may be volatile. The market price of our capital stock may be highly volatile and be subject to wide fluctuations. In addition, the trading volume in our capital stock may fluctuate and cause significant price variations to occur. If the market price of our capital stock declines significantly, our stockholders may be unable to resell their shares at or above the price our stockholders paid for their shares. We cannot assure you that the market price of our capital stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our capital stock are included in the risk factors described in this Report. Common stock eligible for future sale may have adverse effects on our share price. We cannot predict the effect, if any, of future sales of our common stock, or the availability of shares for future sales, on the market price of our common stock. Further, certain stock change of ownership tests may limit our ability to raise significant amounts of equity capital or could limit our future use of tax losses to offset income tax obligations, which may adversely affect us or our stockholders. Sales of substantial amounts of common stock or the perception that such sales could occur may adversely affect the prevailing market price for our common stock. Also, we may issue additional shares in public offerings or private placements to make new investments or for other purposes. We are not required to offer any such shares to existing stockholders on a preemptive basis. Therefore, it may not be possible for existing stockholders to participate in such future share issuances, which may dilute existing stockholders' interests in us. Investing in our capital stock may involve a high degree of risk. The investments we make in accordance with our investment objectives may carry a high amount of risk when compared to alternative investment options and may lead to volatility or loss of principal. Our investments may be highly speculative and aggressive, and therefore an investment in our capital stock may not be suitable for someone with lower risk tolerance. A change in market interest rates may cause a material decrease in the market price of our capital stock. One of the factors that investors may consider in deciding whether to buy or sell shares of our capital stock is our distribution rate as a percentage of our share price relative to market interest rates. If the market price of our capital stock is based primarily on the earnings and return that we derive from our investments and income with respect to our investments and our related distributions to stockholders, and not from the market value of the investments themselves, then interest rate fluctuations and capital market conditions are likely to adversely affect the market price of our capital stock. For instance, if market rates rise without an increase in our distribution rate, the market price of our capital stock could decrease as potential investors may require a higher distribution yield or seek other securities paying higher distributions or interest.