

Risk Factors Comparison 2025-03-04 to 2024-03-11 Form: 10-K

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

If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and stockholders may lose some or all of their investment. Readers should not consider any descriptions of these factors to be a complete set of all potential risks that could affect us. Summary Risk Factors Risks Related to our Company, Business, and Operations • Our ability to grow our business is dependent upon our Manager's ability to source, acquire and finance a large volume of desirable **residential mortgage non-agency** loans and other target assets on attractive terms. • Disruptive, exogenous geopolitical or other macroeconomic events or large-scale conflicts, including warfare among countries could materially and adversely affect our business. • The mortgage loans we acquire or that underlie our RMBS expose us to significant credit risk that could negatively affect the value of those investments. • We engage in securitization transactions relating to residential mortgage loans which exposes us to potentially material risks. • Our Manager's due diligence of potential investments may be insufficient, which could lead to investment losses. • Our Manager's investment models may be incorrect **due to inaccurate models or incorrect third-party data**, which could lead to investment losses. • We operate in a highly competitive market. • We may experience periods of significant illiquidity for our assets, which could adversely impact our business. • Valuations of our investments may at times be unavailable or unreliable. • The outbreak of highly infectious or contagious diseases could adversely impact or cause disruption to our financial condition and results of operations. • Increases in interest rates could adversely affect the value of our investments and cause our interest expense to increase, which could negatively affect our profitability and our ability to make distributions. • ~~Failure of the U. S. federal government to avoid a government shutdown may negatively impact the economic environment and adversely impact our results of operations.~~ • We may be adversely affected by risks affecting borrowers or the asset or property types in which our investments may be concentrated at any given time, as well as from climate change or other unfavorable changes in the related geographic regions. • Climate change, climate change-related initiatives and regulation and ~~the increased focus on~~ environmental, social and governance (ESG) issues, may adversely affect our business and financial results and damage our reputation. • Cybersecurity risks may cause a disruption to our operations, a compromise or corruption of our confidential information, and / or damage to our business relationships, all of which could negatively impact our business. • The failure of servicers to effectively service the mortgage loans in our portfolio ~~and the MSRs in Arc Home's portfolio~~ may materially and adversely affect us, and market disruptions may make it more difficult for the loan servicers to perform a variety of services for us, which may adversely impact our business and financial results. • **If Arc Home's ability to sell loans in the secondary market is impaired** highly dependent upon programs administered by the GSEs, **it and changes in the GSEs' servicing or origination guidelines or overall operations could affect its volume and margins, which adversely affect its business and, in turn, would** have a **negative impact** material adverse effect on **our results** Arc Home's business. • Arc Home is subject to extensive licensing requirements and regulation, which could materially and adversely affect us. • An economic slowdown or a deterioration of the housing market could **negatively impact** increase both interest expense on **servicing advances and operating expenses and could cause a reduction in income from, and the value of, Arc Home's lending and servicing businesses portfolio.** • We may fail to realize all of the expected benefits of the WMC acquisition. Risks Related to our Investments • Our investments in non-agency residential mortgage loans, including Non-QM Loans in particular, subject us to legal, regulatory and other risks. • We invest in Agency-Eligible Loans, **which expose us to an increased risk of loss.** • We invest in Home Equity Loans and may invest in other second lien mortgage loans, which expose us to an increased risk of loss. • Changes in prepayment rates may adversely affect the return on our investments. • Prepayment rates are difficult to predict, and market conditions may disrupt the historical correlation between interest rate changes and prepayment trends. • Any credit ratings assigned to our investments will be subject to ongoing evaluations and revisions and we cannot assure you that those ratings will not be downgraded. • Our investment in lower rated Non-Agency RMBS resulting from the securitization of our assets or otherwise, exposes us to the first loss on the mortgage assets held by the securitization vehicle. Additionally, the principal and interest payments on Non-Agency RMBS are not guaranteed by any entity, including any government entity or GSE, and therefore are subject to increased risks, including credit risk. Risks Related to Legacy WMC Commercial Investments • Commercial real estate-related investments that are secured by commercial real property, which were acquired by us in the WMC acquisition, are subject to delinquency, foreclosure and loss, which could result in losses to us. Risks Related to U. S. Government Programs • 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. Risks Related to Financing Activities • We have a material amount of corporate indebtedness, which could have significant effects on our business. • Our business strategy involves the use of leverage, and we may become overleveraged or not achieve what we believe is optimal leverage, which may materially adversely affect our liquidity, results of operations or financial condition. • The securitization process ~~expose~~ **exposes** us to risks, which could result in losses to us. • Our financing arrangements contain restrictive operating covenants. • If a counterparty to ~~our a~~ repurchase ~~transaction~~ **agreement** defaults on its obligation to resell or return the underlying security back to us at the end of the transaction term, we may lose money on such financing arrangement. • Our rights under our repurchase agreements may be subject to the effects of the bankruptcy laws in the event of the bankruptcy or insolvency of us or our lenders under the financing arrangements, which may allow our lenders to repudiate our financing arrangements. • Pursuant to the terms of borrowings under our financing arrangements, we are subject to margin calls that could result in defaults or force us to sell assets under adverse market

resources to dedicate the appropriate time and attention needed for securitization transactions conducted by us and our competitors. Resources, including sufficient personnel resources, of third- party service providers may be negatively impacted by a variety of factors. To the extent that third- party service providers on which we rely are not able to dedicate sufficient resources to provide the necessary services to us, we may be delayed in completing, or unable to complete, securitization transactions on the pace anticipated in our business plan and our operating results may be materially and adversely impacted. Further, certain jurisdictions require a license to purchase, hold, enforce or sell residential mortgage loans. We may contribute our loans to entities, including one or more trusts whose trustee is a national bank, which rely on exemptions from state licensing requirements. Certain states have and others could seek to challenge such analysis and ultimately require us to obtain any necessary state license. There can be no assurance that the use of trusts will satisfy an exemption from licensing requirements because regulatory agencies may adopt a different interpretation of various laws. If a license is required, there can be no assurance that we will be able to obtain the requisite licenses in a timely manner or at all or in all necessary jurisdictions, or that the use of the trusts will reduce the requirement for licensing, any of which could limit our ability to invest in residential mortgage loans. Our failure to obtain and maintain required licenses may expose us to penalties or other claims and may affect our ability to acquire an adequate and desirable supply of mortgage loans to conduct our securitization program and, as a result, could harm our business. From time to time, tensions between countries may erupt into warfare and may adversely affect neighboring countries and those who conduct trade or foreign relations with those affected regions. Such acts of war may cause widespread and lingering damage on a global scale, including, but not limited to, (i) safety and cybersecurity, (ii) the economy, and (iii) global relations. The wars between Russia and Ukraine and **Hamas and Israel - the Middle East conflict** have and will continue to result in instability and adversely affect the global economy or specific markets. In addition, these geopolitical tensions can cause an increase in volatility in commodity and energy prices, creating supply chain issues, and causing instability in financial markets. Sanctions imposed by the United States and other countries in response to such conflict could further adversely impact the financial markets and the global economy, and any economic countermeasures by the affected countries or others, could exacerbate market and economic instability. Further, Russia has launched an onslaught of cyberwarfare against Ukraine as part of its ongoing invasion, targeting the country's critical infrastructure, government agencies, media organizations, and related think tanks in the U. S. and EU. The U. S. federal government has cautioned Americans on the possibility of Russia targeting the U. S. with cyber attacks in retaliation for sanctions that the U. S. has imposed and has urged both the public and private sectors to strengthen their cyber defenses and protect critical services and infrastructure. Additionally, President Biden directed government bodies to mandate cybersecurity and network defense measures within their respective jurisdictions and has initiated action plans to reinforce cybersecurity within the electricity, pipeline, and water sectors. The **current Biden** administration also launched joint efforts with Cybersecurity and Infrastructure Security Agency (CISA) through its "Shields Up" campaign to defend the U. S. against possible cyber attacks. CISA published advisories warning of Russian state- sponsored threat actors targeting "COVID- 19 research, governments, election organizations, healthcare and pharmaceutical, defense, energy, video gaming, nuclear, commercial facilities, water, aviation, and critical manufacturing" sectors in the U. S. and other Western nations. While we have not experienced such cyber attacks and have not detected activity that would indicate a planned cyber attack, to date, it is yet unknown whether Russia would be successful in breaching our network defenses or, more broadly, those within the areas listed above, which, if successful, may cause disruptions to critical infrastructure required for our operations and livelihoods, or those of borrowers of our loans or underlying our investments and service providers. Disruption, instability, volatility, and decline in economic activity, regardless of where it occurs, whether caused by acts of war, other acts of aggression, or terrorism, could in turn also cause higher interest rates, inflation, **tariffs** or general economic uncertainty, which could negatively impact borrowers of our loans or underlying our investments, service providers, or otherwise adversely impact the value of our assets. The subsequent disposition or sale of such impacted assets could further affect our future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale. These risks may be more pronounced for investments with significant credit risk, as discussed above. If we experience a decline in the fair value of our investments, it could materially and adversely affect our business, results of operations, financial condition and ability to make distributions to our stockholders. As of December 31, **2023-2024**, our residential loan portfolio was our predominant asset class, and we expect to continue to seek investment opportunities primarily focused on residential whole loans. We are exposed to significant credit risk primarily through direct investments in residential real estate mortgage loans and the ownership of RMBS. Investors in residential mortgage assets assume the risk that the related borrowers may default on their obligations to make full and timely payments of principal and interest, as well as the risks discussed below, among other risks. No U. S. Government Guarantee or Structural Credit Enhancement. We acquire residential mortgage loans primarily within the non- agency segment of the housing market, including agency- eligible loans **and home equity loans**, and also own re / non- performing loans (the borrower is or at one time was severely delinquent), all of which are subject to significant risk of loss. Unlike Agency RMBS, residential mortgage loans generally are not guaranteed by the U. S. government or any government- sponsored enterprise such as Fannie Mae and Freddie Mac. Agency- eligible loans are underwritten in accordance with guidelines defined by GSEs and are primarily secured by investment properties, but such loans are not guaranteed by a GSE. Additionally, by directly acquiring residential mortgage loans, we do not receive the structural credit enhancements that benefit senior tranches of RMBS. A residential mortgage loan is directly exposed to losses resulting from a default by the borrower. Therefore, the value of the underlying property, the creditworthiness and financial position of the borrower, and the priority and enforceability of the lien will significantly impact the value of such mortgage loan. In the event of a foreclosure, we may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may not be sufficient to recover our cost basis in the loan, and any cost or delay involved in the foreclosure or liquidation process may increase losses. The value of residential mortgage loans is also subject to property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property

insurance policies and to a reduction in a borrower's mortgage debt by a bankruptcy court. In addition, claims may be assessed against us because of our position as a mortgage holder or property owner, including assignee liability, environmental hazards, tax and other liabilities. In some cases, these claims may lead to losses exceeding the purchase price of the related mortgage or property. Enhanced Non- QM Loan Risks. **The majority** A significant portion of our residential loan portfolio is comprised of Non- QM Loans. Non- QM Loans are generally loans to finance (or refinance) one- to four- family residential properties that are not considered to meet the definition of a " Qualified Mortgage" in accordance with guidelines adopted by the Consumer Financial Protection Bureau, or CFPB, and may be considered to be lower credit quality. The ownership of Non- QM Loans will also subject us to legal, regulatory and other risks, including those arising under federal consumer protection laws and regulations designed to regulate residential mortgage loan underwriting and originators' lending processes, standards, and disclosures to borrowers. Failure of residential mortgage loan originators or servicers to comply with the ability- to- repay laws and regulations could subject us, as an assignee or purchaser of these loans (or as an investor in securities backed by these loans), to monetary penalties assessed by the CFPB and by mortgagors, including by recoupment or setoff of finance charges and fees collected, and could result in rescission of the affected residential mortgage loans. See the Risk Factor captioned " — Risks Related to our Investments — Our investments in non- agency residential mortgage loans, including Non- QM Loans in particular, subject us to legal, regulatory and other risks " in this Annual Report for more details. Greater General Credit Risks. In addition, credit losses on residential mortgage loans can occur for many reasons (many of which are beyond our control), including: fraud; poor underwriting; poor servicing practices; weak economic conditions; increases in payments required to be made by borrowers; declines in the value of homes; earthquakes, the effects of climate change (including flooding, drought, wildfire and severe weather), and other natural disaster events; uninsured property loss; borrower over- leveraging; costs of remediation of environmental conditions, such as indoor mold; changes in zoning or building codes and the related costs of compliance; acts of war or terrorism; pandemics; changes in legal protections for borrowers and other changes in law or regulation; and personal events affecting borrowers, such as reduction in income and job loss. Linger concerns about the real estate market, interest rate levels remaining higher for longer, inflation, energy costs and geopolitical issues may contribute to increased volatility and uncertainty about the economy and markets. All of the risks discussed above could negatively impact the value of our investments and have a material adverse effect on our business. These risks may be more pronounced during times of market volatility and negative economic conditions , such as those being experienced currently . A significant part of our business and growth strategy is to engage in securitization transactions to finance newly- acquired residential mortgage loans. Engaging in securitization transactions and other similar transactions generally requires us to accumulate loans or other assets prior to securitization. If demand for investing in securitization transactions weakens, we may be unable to complete the securitization of loans accumulated for that purpose, and we may finance such assets on repurchase facilities or other similar financing arrangements for a prolonged period of time, which would reduce our target returns and continue to subject us to the risk associated with mark- to- market recourse financing for such investments. Pursuant to the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010 (the " Dodd- Frank Act ") and related laws and regulations relating to credit risk retention for securitizations (the " Risk Retention Rules"), when we sponsor a residential mortgage loan securitization, we are required to retain at least 5 % of the fair value of the mortgage- backed securities issued in the securitization. We may also co- sponsor a securitization where we are the party obligated to comply with the Risk Retention Rules. We can retain either an " eligible vertical interest " (which consists of at least 5 % of each class of securities issued in the securitization), an " eligible horizontal residual interest " (which is the most subordinate class of securities with a fair value of at least 5 % of the aggregate credit risk) or a combination of both totaling 5 % (the " Required Credit Risk"). We are required to hold the Required Credit Risk until the later of (i) the fifth anniversary of the securitization closing date and (ii) the date on which the aggregate unpaid principal balance of the mortgage loans in such securitization has been reduced to 25 % of the aggregate unpaid principal balance of the mortgage loans as of the securitization closing date, but no longer than the seventh anniversary of the closing date (such date, the " Sunset Date"). In addition, before the Sunset Date, we may not engage in any hedging transactions if payments on the hedge instrument are materially related to the Required Credit Risk and the hedge position would limit our financial exposure to the Required Credit Risk. Also, we may not pledge our interest in any Required Credit Risk as collateral for any financing unless such financing is full recourse to us. If we pledge our interest in Required Credit Risk as collateral on financing that is full recourse to us, which we generally seek to do, and the lender takes possession of the underlying collateral, we may not be in compliance with the Risk Retention Rules and it is uncertain as to what the consequences may be. Our Required Credit Risk could subject us to the first losses on our securitizations and is illiquid, which may make it more difficult to meet our liquidity needs, which may materially and adversely affect our business and financing condition. Thus, the Risk Retention Rules materially limit our ability to sell and hedge a portion of our RMBS that we acquire through our securitizations and subjects us to the credit risk related to the retained RMBS that we otherwise may have sold. Additional risks include: Risks relating to repurchase agreements. Our inability to securitize these loans would require us to secure financing in the form of repurchase agreements. Repurchase agreements may be shorter term in nature as compared to the financing term achieved by way of securitization and will subject us to the risk of margin calls and the risk that we may not be able to refinance these repurchase agreements when they mature. These risks may have an adverse impact on our business and our liquidity. See the Risk Factor captioned " — Risks Related to Financing Activities — Pursuant to the terms of borrowings under our financing arrangements, we are subject to margin calls that could result in defaults or force us to sell assets under adverse market conditions or through foreclosure. " in this Annual Report for more details. Risks relating to underwriting and due diligence. Prior to acquiring loans or other assets for securitizations, we may undertake underwriting and due diligence efforts with respect to various aspects of the loan or asset. When underwriting or conducting due diligence, we rely on resources and data available to us, which may be limited, and we rely on investigations by third- parties. We may also only conduct due diligence on a sample of a pool of loans or assets we are acquiring and assume that the sample is representative of the entire pool. Our underwriting and due diligence

efforts may not reveal matters that could lead to losses. Risks relating to marketing and disclosure documentation. When engaging in securitization transactions, we may prepare marketing and disclosure documentation. If our marketing and disclosure documentation are alleged or found to contain inaccuracies or omissions, we may be liable under federal and state securities laws (or under other laws) for damages to third- party investors or otherwise incur litigation costs. Additionally, we may retain various third- party service providers when we engage in securitization transactions, including underwriters or initial purchasers, trustees, administrative and paying agents, and custodians, among others. We may contractually agree to indemnify these service providers against various third- party claims and associated losses they may suffer in connection with the provision of services to us and / or the securitization trust. Our Manager values our target assets based on loss- adjusted yields, taking into account estimated future defaults on the mortgage loans and other investments, and the estimated impact of those defaults on expected future cash flows. These default estimates are based in part on our Manager' s assessment of the strengths and weaknesses of the originators, borrowers, and the underlying property values, as well as other factors. Our Manager' s default estimates may not prove accurate, which could lead to investment losses (particularly as related to investments with significant credit risk, as discussed above). This risk may be more pronounced during times of market volatility and negative economic conditions, such as those currently being experienced. Our Manager' s investment models may be incorrect either due to inaccurate models or incorrect third- party data, which could lead to investment losses. Given the complexity of certain of our investments and strategies, our Manager must rely heavily on analytical models (both proprietary models developed by our Manager and those supplied by third- parties) as well as models and data supplied by third- parties. When this information or analysis proves to be incorrect, any decisions made in reliance thereon expose us to potential risks. For example, by relying on this potentially faulty information or analysis, our Manager may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low or to miss favorable opportunities altogether. Similarly, any hedging may prove to be unsuccessful. Some of the analytical models used by our Manager, such as mortgage prepayment models, mortgage default models, and models providing risk sensitivities (e. g., duration) rely on predictive assumptions which could prove to be incorrect. In addition, the predictive models used by our Manager may differ substantially from those models used by other market participants, with the result that valuations based on these predictive models may be substantially higher or lower for certain investments than actual market prices. Furthermore, since predictive models are usually constructed based on historical data supplied by third- parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data and the ability of these historical models to accurately reflect future periods. All valuation models rely on correct market data inputs. If incorrect market data is entered into even a well- founded valuation model, the resulting valuations will be incorrect. Third- party data may be more prone to inaccuracies in light of volatile market conditions and unprecedented conditions created by geopolitical uncertainty or other conditions or events. However, even if the input of market data is correct, " model prices" often differ substantially from prices that could be achieved in a market transaction, especially for securities that are illiquid and have complex characteristics or embedded structural leverage, such as derivative securities. These risks may lead to investment losses (particularly as related to investments with significant credit risk, as discussed above). Our profitability depends, in large part, on our ability to acquire our target assets at favorable prices. Although we expect to acquire a portion of our loans from our mortgage originator, Arc Home, in which we own a 44. 6 % interest, Arc Home has no obligation to sell ~~non- agency~~ residential mortgage loans and other target assets to us. In addition, ~~non- agency~~ residential mortgage loans originated by Arc Home are generally allocated among us and other ~~affiliated~~ funds **managed by affiliates of our Manager** with substantially similar investment strategies to us. To the extent that Arc Home' s volume production ~~decreases~~ **is insufficient** or our allocation of such loans by our Manager decreases, we may experience difficulties in obtaining the volume of loans needed to grow our business and execute our investment strategy. We also acquire ~~non- agency~~ residential mortgage loans and other target assets from unaffiliated third parties, including through the secondary market when market conditions and asset prices are conducive to making attractive purchases. In acquiring ~~non- agency~~ residential mortgage loans and other target assets from unaffiliated third parties, we compete with other mortgage REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, financial institutions, governmental bodies, hedge funds and other entities. Additionally, we may also compete with the U. S. Federal Reserve and the U. S. Treasury to the extent they purchase assets meeting our objectives pursuant to various purchase programs. Many of our competitors are significantly larger than us, have greater access to capital and other resources and may have other advantages over us. Our competitors may include other entities managed by affiliates of our Manager. See " — Risks Related to our Management and our Relationships with our Manager and its Affiliates — Our governance and operational structure could result in conflicts of interest." for further information. In addition to existing companies, other companies may be organized in the future for similar purposes, including companies focused on purchasing mortgage assets. A proliferation of such companies may increase the competition for equity capital and thereby adversely affect the market price of our common stock. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of assets and establish more relationships than us. We also may have different operating constraints from those of our competitors including, among others, (1) tax- driven constraints such as those arising from our qualifying and maintaining our qualification as a REIT, (2) restraints imposed on us as a result of maintaining our exclusion from the definition of an " investment company" or other exemptions under the Investment Company Act and (3) restraints and additional costs arising from our status as a public company. Furthermore, competition for 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 us. Future market developments or disruptions, including adverse developments in financial and capital markets, could reduce the liquidity in the markets of the assets that we own. For example, upon the onset of the volatility created by the COVID- 19 pandemic, we were unable to efficiently liquidate certain assets to raise capital, and residential whole loans present

more acute liquidity risks as they are generally more cumbersome to sell (unlike RMBS, which normally trade in an active market). Such decreased liquidity can cause us to sell our assets at a price lower than we would normally sell them or cause us to hold our assets longer than we would normally hold them. In addition, price volatility normally associated with periods of illiquidity could cause our lenders to require us to pledge additional assets as collateral. If we are unable to obtain sufficient short- term financing or our assets are insufficient to meet the collateral requirements, then we may be compelled to liquidate particular assets at an inopportune time and at distressed sale prices. These conditions could adversely impact our business. The values of some of our investments may not be readily determinable. We measure the fair value of these investments in accordance with guidance set forth in Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC 820- 10, " Fair Value Measurements and Disclosures." Ultimate realization of the value of an asset depends to a great extent on economic and other conditions that are beyond our control. Further, fair value is only an estimate based on our Manager' s good faith judgment of the price at which an investment can be sold between willing buyers and sellers. If we were to liquidate a particular asset, the realized value may be more than or less than the fair value that we ascribe to that asset. Our Manager' s determination of the fair value of our investments often depends on inputs provided by third- party dealers and pricing services. Valuations of certain of our investments are often difficult to obtain or are unreliable. In general, dealers and pricing services heavily disclaim their valuations. Depending on the complexity and illiquidity of a security, valuations of the same security can vary substantially from one dealer or pricing service to another. Wide disparities in asset valuations may be more pronounced during periods when market participants are engaged in distressed sales. Therefore, our results of operations for a given period could be adversely affected if our determinations regarding the fair value of these investments are materially higher than the values that we ultimately realize upon their disposal. The U. S. and other countries have experienced, and may experience in the future, outbreaks of contagious diseases that affect public health and public perception of health risk. The outbreak or spread of any highly infectious or contagious disease could result in federal, state and local governments and private entities mandating various restrictions quarantines, curfews, " stay- at- home " or " shelter in place " orders and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations, any of which could adversely impact our Manager' s ability to successfully operate our business. In addition, outbreaks or pandemics have and may continue to disrupt global supply chains, contribute to increased inflation, increase rates of unemployment and adversely impact many industries. Future disruptions and governmental actions, due to an outbreak of any highly infectious or contagious disease, combined with any associated economic and / or social instability or distress, may have an adverse impact on our results of operations, financial condition and cash available for distribution. In particular, the outbreak or spread of any highly infectious or contagious disease may impact our financing strategy and liquidity. We finance many of the mortgage loans and real estate related securities we acquire with borrowings under repurchase facilities and other financing arrangements and, as market conditions permit, refinance these assets through securitization transactions. If as a result of an outbreak or pandemic, the financing markets were to experience another period of extreme volatility and illiquidity, we may be forced to sell our mortgage loans, real estate related securities and other assets that secure our repurchase facilities and other financing arrangements on less favorable terms to us than might otherwise be available in a regularly functioning market and such actions could result in deficiency judgments and other claims against us. These conditions would have a materially negative effect on our results of operations, and, in turn, cash available for distribution to our stockholders and on the value of our assets. For example, in 2020 with the onset of the COVID- 19 pandemic, we experienced significant declines in the value of our assets financed through repurchase facilities and other financing arrangements as well as adverse developments with respect to the cost and terms of such financing, and received margin calls, default notices and deficiency letters from certain of our financing counterparties well in excess of historical norms. We were able to resolve these deficiencies and related matters with lenders during 2020, but at significant expense and the size of our investment portfolio and market capitalization decreased substantially as a result of satisfying margin calls and defaults. Any outbreak or pandemic, and the resulting impacts on the financial, economic and capital markets environment, and future developments in these and other areas may result in material uncertainty and risk with respect to our performance, financial condition, results of operations and cash flows. Moreover, the risk factors discussed in this " Risk Factors" section are likely to also be impacted directly or indirectly by the impact of an outbreak or pandemic. Our investment portfolio is primarily comprised of residential mortgage loans and RMBS. An investment in such assets will generally decline in value if interest rates increase, particularly long- term interest rates. Declines in market value may ultimately reduce earnings or result in losses to us, which may negatively affect cash available for distribution to our stockholders. The relationship between short- term and longer- term interest rates is often referred to as the " yield curve." 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. In a normal yield curve environment, short- term interest rates are lower than longer- term interest rates. If short- term interest rates rise disproportionately relative to longer- term interest rates (a flattening of the yield curve), our borrowing costs will generally increase more rapidly than the interest income earned on our assets. Because our investments will generally bear interest based on longer- term rates than our borrowings, a flattening of the yield curve would tend to decrease our net interest margin, net income, and book value. It is also possible that short- term interest rates may exceed longer- term interest rates (a yield curve inversion), in which event our borrowing costs may exceed our interest income and we could incur operating losses. 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. A significant risk associated with our target assets is the risk that both long- term and short- term interest rates will increase significantly. If long- term rates increase significantly, the market value of these investments will decline, and the duration and weighted average life of the investments will increase due to the slowing of the repayment rate. At the same time, an increase in short- term interest rates will increase the amount of interest owed on the financing arrangements we enter into to finance the purchase of our investments. Subject to maintaining our qualification as a

REIT and our exclusion from regulation as an investment company under the Investment Company Act, we have utilized and expect to continue to utilize various derivative instruments and other hedging instruments to mitigate interest rate risk, but there can be no assurances that our hedges will be successful, or that we will be able to enter into or maintain such hedges. As a result, interest rate fluctuations can cause significant losses, reductions in income, and could materially and adversely affect us. In addition, in periods of higher interest rates, such as what we are currently experiencing, there is generally reduced demand for mortgage loans due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated has and may continue to affect the volume of target assets available to us, which could adversely affect our ability to acquire assets that satisfy our investment objectives. If interest rates continue to remain high or increase further and cause us to be unable to acquire a sufficient volume of our target assets with a yield that is above our borrowing cost, it could materially and adversely affect us.

Congressional disagreement over the federal budget and..... market price of our common stock. Our assets are not subject to any geographic, diversification or concentration limitations except that we concentrate in residential mortgage- related investments. Accordingly, our investment portfolio may be concentrated by geography, asset type (as is the case currently, as residential whole loans are by far our most concentrated asset type), property type and / or borrower, increasing the risk of loss to us if the particular concentration in our portfolio is subject to greater risks or suffers adverse developments. In addition, adverse economic conditions in the areas where the properties securing or otherwise underlying our investments are located (including business layoffs or downsizing, industry slowdowns, changing demographics and other factors) and local real estate conditions (such as oversupply or reduced demand) may have an adverse effect on the value of our investments. Moreover, a geographic concentration of our investments in an area which has been or may become adversely impacted by climate change (including flooding, drought, wildfire, tornados, and other severe weather) may negatively impact the performance of those investments. As of December 31, ~~2023~~ **2024**, ~~38-35~~ % of the total fair value of our residential mortgage loan portfolio was secured by properties located in California, which are particularly susceptible to natural disasters such as fires, earthquakes and mudslides. In addition, as of December 31, ~~2023~~ **2024**, ~~10-11~~ % of the total fair value of our residential mortgage loan portfolio, was secured by properties located in Florida, which are particularly susceptible to natural disasters such as hurricanes and floods.

Further ~~In addition~~, the effects of climate change have made, and may continue to make, certain types of insurance, such as flood insurance, increasingly difficult and / or expensive to obtain in these and certain other areas. **If potential homeowners are unable to obtain affordable homeowner insurance coverage in these areas, which became more widespread during 2024 and is expected to be exacerbated by the recent Los Angeles County wildfires, demand for real estate in these areas may be materially and adversely affected.** A material decline in the demand for and value of real estate in these areas may materially and adversely affect us. Lack of diversification can further increase the correlation of non- performance and foreclosure risks among our investments. ~~Recently, there~~ **There** has been ~~growing and continues to be~~ concern from advocacy groups and the general public over the effects of climate change on the environment. Government mandates, standards and regulations enacted in response to these projected impacts of climate change could result in restrictions on land development in certain areas or increased energy, transportation and raw material costs. These concerns have also resulted in increasing governmental and societal attention to ESG matters, including ~~attempts to expanding~~ **expand** mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, waste production, water usage, human capital, labor, and risk oversight, could expand the nature, scope, and complexity of matters that we are required to control, assess, and report.

More recently, anti- ESG sentiment has gained momentum in the United States, with the Federal government and many states having enacted or proposed" anti- ESG" policies, legislation or issue related legal opinion. These and other rapidly changing **, and sometimes conflicting,** laws, regulations, policies and related interpretations, as well as increased enforcement actions by various governmental and regulatory agencies, may create challenges for us, including our compliance and ethics programs, may alter the environment in which we do business and may increase the ongoing costs of compliance, which could adversely impact our results of operations and cash flows. If we are unable to adequately address such ESG matters or we fail or are perceived to fail to comply with all laws, regulations, policies and related interpretations, it could negatively impact our reputation and our business results. Further, significant physical effects of climate change including extreme weather events such as **drought, wildfire, tornados,** hurricanes or floods can also have an adverse impact on real estate assets that secure our residential mortgage loans. See" — We may be adversely affected by risks affecting borrowers or the asset or property types in which our investments may be concentrated at any given time, as well as from climate change or other unfavorable changes in the related geographic regions." Our business is highly dependent on the communications and information systems of our Manager, its affiliates and third- party service providers. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing proprietary and confidential information, corrupting data or causing operational disruption. System breaches in particular are evolving. Computer malware, viruses, computer hacking, phishing attacks, ransomware **attacks, attacks enhanced or facilitated by artificial intelligence and other machine learning techniques**, and other electronic security breaches have become more frequent and more sophisticated. The result of these incidents may include disrupted operations, delays or other problems in our securities trading activities, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our investor relationships and reputation, any or all of which could have a material adverse effect on our results of operations and cash flows and negatively affect the market price of our common stock and our ability to make distributions to our stockholders. As our reliance on technology has increased, so have the risks posed to our information systems, including those provided by the Manager and third- party service providers (including, without limitation, affiliates and third parties with which we and our Manager do business, such as Arc Home and other mortgage originators, due diligence firms, pricing vendors and servicers, or that facilitate our business activities, including clearing agents or other financial intermediaries we use to facilitate our securitization transactions). If such parties' respective systems experience failure,

interruption, cyber- attacks, or security breaches, we may in turn face risks of operational failure, termination or capacity constraints. The acquisition of mortgage loans entails us, the Manager and third- party service providers coming into possession of borrower non- public personal information, and we may be liable for losses suffered by individuals whose personal information is stolen or compromised as a result of a breach of the security of the systems on which we, our Manager or third- party service providers of ours store this information, or as a result of other mismanagement of such information, and any such liability could be material. Even if we are not liable for such losses, any breach of these systems could expose us to material costs in notifying affected individuals or other parties and providing credit monitoring services, as well as to regulatory fines or penalties. Our Manager, its affiliates and third- party service providers have experienced and are and will continue to be from time to time the target of attempted cyber attacks, breaches and other security threats. We rely on our Manager to continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact, **and our Manager's ability to monitor our service providers' information systems may be limited or more difficult because our Manager may not have direct access.** There is no guarantee that these efforts, or similar efforts by affiliates of our Manager and third- party service providers, will be successful. Even with all reasonable security efforts, not every breach can be prevented or even detected. Further, should the majority of our Manager's personnel return to working remotely in the future, the risk of cybersecurity incidents and cyber- attacks may increase. In connection with our business of acquiring and holding residential mortgage loans and investing in RMBS, we rely on third- party service providers, principally loan servicers, to perform a variety of services, comply with applicable laws and regulations, and carry out contractual covenants and terms. For example, we rely on the mortgage servicers who service the mortgage loans we purchase as well as the loans underlying our RMBS to, among other things, collect principal and interest payments on such loans and perform loss mitigation services, such as forbearance, workouts, modifications, foreclosures, short sales and sales of foreclosed property. Servicer quality. Servicer quality is of prime importance in the performance of residential mortgage loans, RMBS and MSRs. Both default frequency and default severity of loans may depend upon the quality of the servicer. Servicers may not be vigilant in encouraging borrowers to make their monthly payments, may take longer to liquidate non- performing assets, or less competent in the foreclosure process and disposing REO properties. The foreclosure process can be lengthy and expensive, and the delays and costs involved in completing a foreclosure, and then subsequently liquidating the REO property through sale, may materially increase any related loss. In the case of pools of securitized loans, servicers may be required to advance interest on delinquent loans to the extent the servicer deems those advances recoverable. In the event the servicer does not advance interest on delinquent loans, interest may not be able to be paid even on more senior securities. Servicers may also advance more interest than is in fact recoverable once a defaulted loan is disposed, and the loss to the trust may be greater than the outstanding principal balance of that loan. Additionally, servicers can perform loan modifications, which could potentially impact the value of our securities. The failure of servicers to effectively service the mortgage loans underlying the securities in our investment portfolio could negatively impact the value of our investments and our performance. The laws and regulations governing mortgage servicing are continually evolving and regulators have identified mortgage loan servicing as a current enforcement priority. The failure of servicers to comply with these laws and regulations or to effectively service the mortgage loans underlying the RMBS in our portfolio, any mortgage loans we own or any MSRs Arc Home owns could negatively impact the value of our investments and our performance. Servicer default. The servicer has a fiduciary obligation to act in the best interest of the securitization trust, but significant latitude exists with respect to its servicing activities. The servicer also has a contractual obligation to obey all laws and regulations (including federal, state, and local laws and regulations) and to act in accordance with applicable servicing standards; however, as we do not control these servicers, we cannot be sure that they are acting in accordance with their contractual and legal obligations or applicable law. The servicer's failure to comply with these obligations could expose us to regulatory scrutiny and litigation risk. If a third- party servicer fails to perform its duties under the securitization documents or its contractual duties to us, this may result in a material increase in delinquencies or losses on the RMBS or mortgage loans we own or the MSRs Arc Home owns or in a fine or adverse finding from a regulatory authority if the ownership of loans is tied to the servicing of those loans. Any such servicing failures and resulting delinquencies or losses may impact the value of the RMBS, mortgage loans or MSRs, and we may incur losses on our investment. If a third- party servicer fails to perform its contractual duties to us, this may result in fines or adverse action from a regulatory authority if the ownership of loans is tied to the servicing of those loans. Transfer of Servicing. Servicing transfers may occur for various reasons, including because servicers often go out of business. This transfer takes time, and loans may become delinquent because of confusion or lack of attention, which could cause us to incur losses that may materially and adversely affect us. In addition, when servicing is transferred, servicing fees may increase, which may have an adverse effect on the RMBS held by us or the MSRs held by Arc Home. Market disruptions on servicing activities. The economic and market disruptions, including those directly or indirectly caused by a pandemic or cyber attack, may adversely impact the financial condition of the borrowers of our residential mortgage loans and the loans that underlie our RMBS investments. If the current economic conditions worsen or servicers experience a system shutdown for a prolonged period of time, the number of borrowers who request a payment deferral or forbearance arrangement or become delinquent or default on their financial obligations may increase significantly, and such increase may place greater stress on the servicers' finances and human capital, which may make it more difficult for these servicers to successfully service these loans. In addition, many loan servicing activities are not permitted to be done through a remote work setting. To the extent that shelter- in- place orders and remote work arrangements for non- essential businesses continue in the future, loan servicers may be materially adversely impacted. As a result, we could be materially and adversely affected if a mortgage servicer is unable to adequately or successfully service our residential mortgage loans and the loans that underlie our RMBS or if any such servicer experiences financial distress. Market disruptions on servicer liquidity. The economic and market disruptions, including those directly or indirectly caused by a pandemic or cyber attack, may result in liquidity pressures on

servicers and other third-party vendors that we rely upon. For instance, as a result of an increase in mortgagors requesting relief in the form of forbearance plans and / or other loss mitigation or an inability to make payments due to a system shutdown, servicers and other parties responsible in capital markets securitization transactions for funding advances with respect to delinquent mortgagor payments of principal and interest may begin to experience financial difficulties if mortgagors do not make monthly payments. The negative impact on the business and operations of such servicers or other parties responsible for funding such advances could be significant. Sources of liquidity typically available to servicers and other relevant parties for the purpose of funding advances of monthly mortgage payments, especially entities that are not depository institutions, may not be sufficient to meet the increased need that could result from significantly higher delinquency and / or forbearance rates. The extent of such liquidity pressures in the future is not known at this time and is subject to continual change. **If Arc Home's ability to sell loans in the secondary market is impaired, it could affect its volume and margins, which could adversely affect its business and, in turn, would have a negative impact on our results. Arc Home originates residential mortgage loans and may sell them to the GSEs or other third-party investors in the secondary market. There can be no assurance that Arc Home will be able to continue to sell its loans into the secondary market at attractive prices, or at all.** Arc Home sells a portion of its mortgage loans to Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac remain in conservatorship, and a path forward to emerge from conservatorship is unclear. Their roles could be reduced, modified or eliminated, and the nature of their guarantees could be limited or eliminated relative to historical measurements. Any discontinuation of, or significant reduction in, the role or operation of these agencies, or any significant adverse change in the level of activity of these agencies in the primary or secondary mortgage markets could materially and adversely affect Arc Home's business. **If Arc Home is unable to sell its mortgage loans to the GSEs or other third-party investors, or the prices for such loans decline, its liquidity may be negatively impacted, it may be unable to continue to fund such loans, the costs of borrowing under its warehouse facilities may increase, its revenues and margins on new loan originations could be reduced and its ability to repay its warehouse facilities could be impaired. Any of the foregoing could adversely affect Arc Home's business,** which in turn would have a negative impact on our results. Arc Home's lending and servicing business activities is subject to extensive regulation by federal, state and local governmental and regulatory authorities, including the CFPB, the Federal Trade Commission, the U. S. Department of Housing and Urban Development, the U. S. Department of Veterans Affairs, the SEC and various state agencies that license, audit, investigate and conduct examinations of its mortgage servicing, origination, and other activities. In the current regulatory environment, the policies, laws, rules and regulations applicable to Arc Home's mortgage origination and servicing businesses have been rapidly evolving. **New or modified regulations at the federal or state level to address concerns on a variety of fronts, including potential impacts from climate change, fair and equitable access to housing and consumer data privacy and security concerns, could increase Arc Home's operational expenses or otherwise enhance regulatory supervision and enforcement efforts.** Federal, state or local governmental authorities may continue to enact laws, rules or regulations that will result in changes in Arc Home's business practices and may materially increase the costs of compliance. We are unable to predict whether any such changes will adversely affect Arc Home's business and, in turn, our financial results. In addition, over the years, regulators have vigilantly enforced the regulation of mortgage lenders and have penalized or, in some cases, even suspended non-compliant mortgage lenders' ability to originate loans in their jurisdictions for their failure to comply with regulatory requirements. We expect to acquire a portion of our target newly originated residential mortgage non-agency loans from Arc Home. If Arc Home is unable to originate loans in one or more jurisdictions as a result of regulatory issues or otherwise, it may result in fewer investment opportunities for us or in opportunities that are less geographically diversified. Further, any such regulatory issues for Arc Home could result in damage to our or our Manager's reputation in the market and impact Arc Home's ability to continue to source a desired volume of residential mortgage non-agency loan originations. If Arc Home is unable to originate the volume of loans anticipated, we may also be unable to identify other sources of residential non-agency loans for acquisition to satisfy our strategy and we may need to alter such strategy to seek other investments. Further, if any of the foregoing events were to occur, the value of our investment in Arc Home may also be adversely impacted. **During 's MSR's. Adverse economic conditions could also negatively impact Arc Home's lending businesses.** For example, since 2022 following the Federal Reserve's rapid interest rate hikes, total U.S. residential mortgage originations volume, including origination volumes at Arc Home, decreased substantially and has continued to remain low as interest rates continued to rise in 2023. While there -- **the were modest financial markets are anticipating** interest rate decreases in 2024 and volume origination has been increasing, the Federal Reserve could determine to leave rates at current levels or even increase rates further should inflation become remain elevated. Moreover, adverse economic conditions accompanied by declining home prices generally reduce the level of new mortgage loan originations and refinancing activity, since borrowers often use increases in the value of their existing properties to support the purchase of, or investment in, additional properties. Borrowers may also be less any period in which loans that Arc Home services, it is required to **advance its own funds to meet contractual principal and interest remittance requirements for GSEs or other investors, pay property taxes and insurance premiums and process foreclosures when** a borrower is not making payments, under most of its servicing agreements Arc Home is required to advance its own funds to meet contractual principal and interest remittance requirements for investors, pay property taxes and insurance premiums and process foreclosures. Arc Home also advances funds to maintain, repair and market real estate properties on behalf of investors. Most of its advances have the highest standing and are "top of the waterfall" so that Arc Home is entitled to repayment from respective loan or REO liquidations proceeds before most other claims on these proceeds, and in the majority of cases, advances in excess of respective loan or REO liquidation proceeds may be recovered from pool level proceeds. Arc Home generally finances a large portion of its servicing advance obligations and an increase in such obligations could increase its interest expense. **If in addition, if** Arc Home's servicing advance obligations exceed its financing capacity for such obligations or such financing otherwise becomes unavailable, Arc Home may need to use cash on hand or take additional actions, including selling assets and reducing its

originations to generate liquidity to support its servicer advance obligations. Higher delinquencies also increase Arc Home's cost to service loans as loans in default require more intensive effort to bring them current or manage the foreclosure process. An increase in delinquencies may delay the timing of revenue recognition because Arc Home recognizes servicing fees as earned, and may which is generally upon collection of payments from borrowers or proceeds from REO liquidations. An increase in delinquencies also generally leads to result in delayed or lower balances in custodial and escrow accounts (float balances) and lower net earnings on custodial and escrow accounts (float earnings). Additionally, an increase in delinquencies in its GSE servicing portfolio will result in lower revenue revenues because Arc Home collects servicing fees from GSEs only on performing loans. Foreclosures are involuntary prepayments resulting in a reduction in unpaid principal balance. This may result in higher amortization expense and declines in the value of any MSR's Arc Home's MSR's. Adverse economic conditions..... investment in, additional properties. Borrowers may also be less able to make payments on own loans in a weakened economy. The risks associated with an economic slowdown or a deterioration of the housing or lending markets are more pronounced due to the conditions created by an outbreak of infectious disease or pandemic. Any of the foregoing could adversely affect Arc Home's business, which in turn would have a negative impact on our results. 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. 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 ; however, the current administration may implement changes in regulatory oversight. The implications and any actual changes to current regulatory processes are currently unknown. Such uncertainty could in itself lead to inefficiencies for lenders and services, confusion in the market and other impacts, which could materially adversely affect our business, financial condition and / or results of operations . 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 fail to realize all of the expected benefits of the WMC acquisition or those benefits may take longer to realize than expected. The full benefits of the WMC acquisition may not be realized by us as expected or may not be achieved within the anticipated time frame, or at all. Failure to achieve the anticipated benefits of the U. S. federal government WMC acquisition could adversely affect our results of operations or cash flows, cause dilution to avoid a government shutdown may our earnings per share or book value per share, decrease or delay the expected accretive effect of the WMC acquisition, and negatively impact the economic environment and adversely impact our results of operations. Congressional disagreement over the federal budget and the maximum amount of debt the federal government is permitted to have outstanding (commonly referred to as the " debt ceiling") has previously caused the U.S.federal government to shut down for periods of time.Generally,if effective legislation to fund government operations and manage the level of federal debt is not enacted,the federal government may suspend its investments for certain government accounts,among other available options,in order to prioritize payments on its obligations.A failure by the U.S.Congress to pass spending bills or address the debt ceiling at any point in the future would increase the risk of default by the U.S.on its obligations,the risk of a lowering of the U.S.federal government's credit rating,and the risk of other economic dislocations.trading- rating ,and the risk of other economic dislocations.Such a failure,or the perceived risk of such a failure,could consequently have a material adverse effect on the financial markets and economic conditions in the U.S.and globally.Twice in the past decade,by the appropriations legislation deadline Congress failed to pass a new appropriations bill or continuing resolution to temporarily extend funding,resulting in U.S.government shutdowns that caused federal agencies to halt non- essential operations. Current funding measures will fund only certain government programs through September 30,2024,and if lawmakers cannot pass a continuing resolution or a new federal budget by such time,another federal government shutdown could begin.If economic conditions severely deteriorate as a result of U.S.federal government fiscal gridlock,our operations could be affected,which may adversely impact our financial condition and results of operations.These risks may also impact our overall liquidity,our borrowing costs,or the market price of the notes. In addition, we may be required to devote significant attention and resources to successfully integrate the WMC portfolio and operating business into our common stock existing structure. This integration process may disrupt our business and, if ineffective, would limit the anticipated benefits of the WMC acquisition and could adversely affect our business. We have incurred, and may continue to incur, direct and indirect costs as a result of the WMC acquisition. We incurred substantial expenses in connection with and as a result of completing the WMC acquisition, and we may incur additional expenses resulting from in connection with combining the businesses, operations, policies and procedures of the two companies, including expenses related to litigation that may result in significant costs and divert management's attention and resources. Factors beyond our control could affect the total amount or timing of these expenses, many of which, by their nature, are difficult to estimate accurately. We believe our primary risks related to non- agency residential assets, including Non- QM Loans in particular, are credit- related risks (see " Risks Related to our Company, Business, and Operations " above). In addition, the ownership of non- agency residential mortgage loans (currently our primary targeted asset class) will subject us to legal, regulatory and other risks, including those arising under federal consumer protection laws and regulations designed to regulate residential mortgage loan underwriting and originators' lending processes, standards, and disclosures to borrowers. The laws, rules and regulations comprising this regulatory framework change frequently, as can the interpretation and enforcement of existing laws, rules and regulations. Some of the

laws, rules and regulations to which we are subject are intended primarily to safeguard and protect consumers, rather than stockholders or creditors. 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 incur significant ongoing costs to comply with these government regulations. These rules generally focus on consumer protection and include, among others, rules promulgated under the Dodd- Frank Act, the Truth in Lending Act of 1968 (“ Truth- in- Lending Act ”), the Gramm- Leach- Bliley Financial Modernization Act of 1999 (“ Gramm- Leach- Bliley ”). The Dodd- Frank Act grants enforcement authority and broad discretionary regulatory authority to the CFPB to prohibit or condition terms, acts or practices relating to mortgage loans that the CFPB finds abusive, unfair, deceptive or predatory, as well as to take other actions that the CFPB finds are necessary or proper to ensure responsible affordable mortgage credit remains available to consumers. These laws and regulations include the “ ability- to- repay” rules (“ ATR Rules”) under the Truth- in- Lending Act and “ qualified mortgage” regulations. The ATR Rules specify the characteristics of a “ qualified mortgage” and two levels of presumption of compliance with the ATR Rules: a safe harbor and a rebuttable presumption for higher priced loans. The “ safe harbor” under the ATR Rules applies to a covered transaction that meets the definition of “ qualified mortgage” and is not a “ higher- priced covered transaction.” For any covered transaction that meets the definition of a “ qualified mortgage” and is not a “ higher- priced covered transaction,” the creditor or assignee will be deemed to have complied with the ability- to- repay requirement and, accordingly, will be conclusively presumed to have made a good faith and reasonable determination of the consumer’ s ability to repay. Creditors or assignees will have the benefit of a rebuttable presumption of compliance with the applicable ATR Rules if they have complied with the qualified mortgage characteristics of the ATR Rules other than the residential mortgage loan being higher- priced in excess of certain thresholds. On December 10, 2020, the CFPB issued a final rule that adopts a set of “ bright- line ” loan pricing thresholds to replace the previous General Qualified Mortgage 43 % debt- to- income threshold calculated in accordance with “ Appendix Q” and removes Appendix Q (the “ General QM Final Rule”). Effective March 1, 2021, the General QM Final Rule provided certain changes to the definition of general qualified mortgage loans and the “ Seasoned QM Final Rule” creates a new category of a qualified mortgage, referred to as a “ Seasoned QM.” A loan is eligible to become a Seasoned QM if it is a first- lien, fixed rate loan that meets certain performance requirements over a seasoning period of 36 months, is held in portfolio until the end of the seasoning period by the originating creditor or first purchaser, complies with general restrictions on product features and points and fees, and meets certain underwriting requirements. These amendments and changes to the necessary policies and procedures to demonstrate compliance with these requirements for loans sold in the secondary market may increase the economic and compliance costs for participants in the mortgage origination and securitization industries, including us. Non- QM Loans are among the loan products we acquire. The safe harbor and presumptions outlined above with respect to compliance with the ATR Rules are not available to Non- QM Loans. Because the final rules are largely untested in court, they remain subject to interpretive uncertainties. Failure of residential mortgage loan originators or servicers to comply with these laws and regulations could subject us, as an assignee or purchaser of these loans (or as an investor in securities backed by these loans), to monetary penalties assessed by the CFPB through its administrative enforcement authority and by mortgagors through a private right of action against lenders or as a defense to foreclosure, including by recoupment or setoff of finance charges and fees collected, and could result in rescission of the affected residential mortgage loans, which could adversely impact our business and financial results. Such risks may be higher in connection with the acquisition of Non- QM Loans. Borrowers under Non- QM Loans may be more likely than borrowers under qualified loans to challenge the analysis conducted under the ATR Rules by lenders. Even if a borrower does not succeed in the challenge, additional costs may be incurred in connection with challenging and defending such claims, which may be more costly in judicial foreclosure jurisdictions than in non- judicial foreclosure jurisdictions, and there may be more of a likelihood such claims are made since the borrower is already exposed to the judicial system to process the foreclosure. The laws, rules and regulations to which we are subject can and do change as statutes and regulations are enacted, promulgated, amended, and interpreted. As a result, we are unable to fully predict at this time how these, or other laws or regulations that may be adopted in the future, will affect our business and the results of operations and financial condition. Recent trends among federal and state lawmakers and regulators have been toward increasing laws, regulations, and investigative procedures concerning the mortgage industry generally ; however , which is likely the current administration may implement changes in regulatory oversight. While the implications and any actual changes to continue current regulatory regimes are currently unknown, such uncertainty may result in increasing the economic and compliance costs for participants in the mortgage origination and securitization industries, including us. We invest in Agency- Eligible Loans, which are residential mortgage loans that are underwritten in accordance with GSE guidelines and are primarily secured by investment properties. The repayment of such a loan by the property owner (i. e., the borrower) often depends primarily on its tenant’ s continuing ability to pay rent to the property owner. If the property owner is unable to find or retain a tenant for the rental property, the property owner would cease to have a continuous rental income stream with respect to the property and, as a result, the property owner’ s ability to repay the loan on a timely basis or at all could be adversely affected. In addition, the physical condition of non- owner- occupied properties can be below that of owner- occupied properties due to lax property maintenance standards, which can have a negative impact on the value of the collateral properties. Moreover, loans on non- owner- occupied residential properties generally involve larger principal amounts and a greater degree of risk than owner- occupied residential mortgage loans, resulting in a higher likelihood that we will be subject to losses on such investment property loans. We invest in Home Equity Loans, which include revolving lines of credit or closed- end loans secured primarily by a second lien on a residential mortgaged property. Similar to our non- agency loans, our Home Equity Loans do not conform to underwritten GSE guidelines. In addition, Home Equity Loans and other second lien investments (including RMBS backed by such loans) are subordinate to the primary or first lien mortgage loan on a residential property (i. e., the senior debt). The repayment of Home Equity Loans by a borrower is highly dependent on the borrower’ s creditworthiness as well as the

stability of home values. If a borrower defaults on a Home Equity Loan or on its senior debt, or in the event of a borrower bankruptcy, such loan will be satisfied only after all senior debt is paid in full. In such situation, there is a higher likelihood that we may lose all or a significant part of our investment, which could result in losses and have a material adverse effect on us. This risk would be exacerbated in times of declining home values or recessionary periods. Additionally, the lines of credit in certain Home Equity Loans and other second lien investments may subject us to future funding obligations. Future funding obligations may adversely impact our liquidity and require us to maintain higher liquidity than we might otherwise maintain, which could reduce the overall return on our investment portfolio.

When borrowers prepay mortgage loans that we own or are underlying the securities we own at rates faster or slower than anticipated, it exposes us to prepayment or extension risk, respectively. Prepayment rates are impacted by a variety of factors, including prevailing mortgage rates, loan age and size, loan- to- value ratios, housing price trends, general economic conditions and other factors not in our control. To the extent that actual prepayment speeds differ from our expectations, our operating results could be adversely affected, and we could be forced to sell assets to maintain adequate liquidity, which could cause us to incur realized losses. In addition, should significant prepayments occur, there is no certainty that we will be able to identify acceptable new investments, which could reduce our invested capital or result in us investing in less favorable investments. In periods of declining interest rates, prepayments on investments generally increase and the proceeds of prepayments received during these periods may generally be reinvested by us in comparable assets at reduced yields. In addition, the market value of investments subject to prepayment may, because of the risk of prepayment, benefit less than other fixed- income securities from declining interest rates. Conversely, in periods of rising interest rates, prepayments on investments, where contractually permitted, generally decrease, in which case we would not have the prepayment proceeds available to invest in comparable assets at higher yields and our cost to finance such assets would likely increase. Under certain interest rate and prepayment scenarios, we may fail to recoup fully our cost of certain investments. Our success depends, in part, on our ability to predict prepayment behavior under a variety of economic conditions and particularly the relationship between changing interest rates and the rate of prepayments. 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. To a large extent our analysis is based on models that are dependent on a number of assumptions and inputs. Many of the assumptions we use are based upon historical trends with respect to the relationship between interest rates and prepayments under normal market conditions. There is risk that our assumptions prove to be incorrect. Dislocations in the residential mortgage market and other developments may disrupt the relationship between the way that prepayment trends have historically responded to interest rate changes. Prepayment rates are also impacted by other factors beyond interest rates, such as when borrowers sell their property and use the proceeds to prepay their mortgage, or when borrowers default on their mortgages and the mortgages are prepaid from the proceeds of a foreclosure sale of the property. The impact of each of these factors on prepayment rates is difficult to predict and may negatively impact our ability to assess the market value of our investment portfolio, implement hedging strategies and / or implement techniques to reduce our prepayment rate volatility, which could adversely affect our financial condition and results of operations. Some of our investments, including the bonds that may be issued in our future securitization transactions for which we would be required to retain a portion of the credit risk, may be rated by rating agencies. Any credit ratings on our investments are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any such ratings would not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. If rating agencies assign a lower- than- expected rating or reduce or withdraw, or indicate that they may reduce or withdraw, their ratings of our investments in the future, the value and liquidity of our investments could significantly decline, which would adversely affect the value of our portfolio and could result in losses upon disposition or the failure of borrowers to satisfy their debt service obligations to us. Our investments include Non- Agency RMBS which are backed by non- QM and other residential mortgage loans that are not issued or guaranteed by a GSE or the U. S. government. Within a securitization of residential mortgage loans, various securities are created, each of which has varying degrees of credit risk. We anticipate that our investments in Non- Agency RMBS will be concentrated in lower- rated and unrated securities in which we are exposed to the first loss on the residential mortgage loans held by the securitization vehicle, which will subject us to the most concentrated credit risk associated with the underlying residential mortgage loans. Additionally, the principal and interest on Non- Agency RMBS, unlike those on Agency RMBS, are not guaranteed by GSEs such as Fannie Mae and Freddie Mac or, in the case of Ginnie Mae, the U. S. government. Non- Agency RMBS are subject to many of the risks of the underlying mortgage loans. A residential mortgage loan is typically secured by a single- family residential property and is subject to risks of delinquency and foreclosure and risk of loss. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors, including, but not limited to, a general economic downturn, unemployment, energy costs, acts of God, war or other geopolitical conflict, terrorism, inflation, social unrest and civil disturbances, may impair the borrower' s ability to repay its mortgage loan. In addition, recent increases in mortgage rates have generally not led to lower housing costs (including due to a possible" lock- in" effect), which has led to significantly lower home affordability and thus adversely impacted the cost of owning a home, which could lead to an increase in defaults on the mortgage loans underlying many of our investments. In periods following home price declines," strategic defaults" (decisions by borrowers to default on their mortgage loans despite having the ability to pay) also may become more prevalent. In the event of defaults under residential mortgage loans backing any of our Non- Agency RMBS, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the residential mortgage loan. Moreover, in the event of the bankruptcy of a residential mortgage loan borrower, the residential mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the residential mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor- in- possession to the extent the lien is unenforceable under state law. Foreclosure of a residential mortgage loan can be an expensive

and lengthy process which could have a substantial negative effect on our anticipated return on the foreclosed residential mortgage loan. If borrowers default on the residential mortgage loans backing our Non-Agency RMBS and we are unable to recover any resulting loss through the foreclosure process, we could be materially and adversely affected. ~~Investments in second lien mortgage loans could subject us to increased risk of losses. We may invest in second lien mortgage loans or RMBS backed by such loans. If a borrower defaults on a second lien mortgage loan or on its senior debt (i. e., a first lien loan, in the case of a residential mortgage loan), or in the event of a borrower bankruptcy, such loan will be satisfied only after all senior debt is paid in full. As a result, if we invest in second lien mortgage loans and the borrower defaults, we may lose all or a significant part of our investment. In certain instances, second lien investments may include home equity lines of credit, which may subject us to future funding obligations, which could have an adverse impact on our liquidity.~~ In connection with the WMC acquisition, we acquired commercial mortgage loans and CMBS with an aggregate fair value of \$ ~~122-119.78~~ million as of December 31, ~~2023~~ **2024**. CMBS may be secured by a single commercial mortgage loan or a pool of commercial mortgage loans. Commercial real estate debt instruments (e. g., mortgages and mezzanine loans) that are secured by commercial property are subject to risks of delinquency and foreclosure and risks of loss that are arguably greater than similar risks associated with a pool of loans secured by single-family residential properties. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by a number of factors that include: • overall macroeconomic conditions in the area in which the properties underlying the mortgages are located; • tenant mix and the success of tenant businesses; • property location, condition and management decisions; • competition from comparable types of properties; and • changes in law that increase operating expenses or limit rents that may be charged. In addition, we are exposed to the risk of judicial proceedings with our borrowers and entities we invest in, including bankruptcy or other litigation, as a strategy to avoid foreclosure or enforcement of other rights by us as a lender or investor. In the event that any of the properties or entities underlying or collateralizing our loans or investments experiences any of the foregoing events or occurrences, the value of, and return on, such investments could be reduced, which would adversely affect our results of operations and financial condition. If our Manager overestimates the loss-adjusted yields of our CMBS investments, we may experience losses. Our Manager will analyze any CMBS investments we may acquire based on loss-adjusted yields, taking into account estimated future losses on the mortgage loans included in the securitization's pool of loans, 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. In the event that our Manager underestimates the pool level losses relative to the price we pay for a particular CMBS investment, we may experience losses with respect to such investment. If we do not control the special servicing of the mortgage loans included in the CMBS in which we invest and, in such cases, the special servicer may take actions that could adversely affect our interests. With respect to CMBS in which we invest, overall control over the special servicing of the related underlying mortgage loans will be 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. 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. The payments we receive on the Agency RMBS in which we invest depend upon a steady stream of payments on the mortgages underlying the securities and are guaranteed by Fannie Mae or Freddie Mac. In 2008 Congress and the U. S. Treasury undertook a series of actions to stabilize financial markets, generally, and Fannie Mae and Freddie Mac, in particular. On September 7, 2008, in response to the deterioration in the financial condition of Fannie Mae and Freddie Mac, the Federal Housing Finance Agency ("FHFA") placed Fannie Mae and Freddie Mac into conservatorship, which is a statutory process pursuant to which the FHFA operates Fannie Mae and Freddie Mac as conservator in an effort to stabilize the entities. The appointment of the FHFA as conservator of both Fannie Mae and Freddie Mac allows the FHFA to control the actions of the two GSEs. Shortly after Fannie Mae and Freddie Mac were placed in federal conservatorship, the Secretary of the U. S. Treasury, noted that the guarantee structure of Fannie Mae and Freddie Mac required examination and that changes in the structures of the entities were necessary to reduce risk to the financial system. The future roles of Fannie Mae and Freddie Mac could be significantly reduced and the nature of their guarantees could be eliminated or considerably limited relative to historical measurements. Any changes to the nature of the guarantees provided by Fannie Mae and Freddie Mac could redefine what constitutes Agency RMBS and could have broad adverse market implications as well as negatively impact our liquidity, financing rates, net income, and book value. The problems faced by Fannie Mae and Freddie Mac that resulted in their being placed into federal conservatorship have stirred debate among some federal policy makers regarding the continued role of the U. S. government in providing liquidity for the residential mortgage market. The gradual recovery of the housing market has made Fannie Mae and Freddie Mac profitable again and increased the uncertainty about their futures. If federal policy makers decide that the U. S. government's role in providing liquidity for the residential mortgage market should be reduced or eliminated, each of Fannie Mae and Freddie Mac could be dissolved and the U. S. government could decide to stop providing liquidity support of any kind to the mortgage market. If Fannie Mae or Freddie Mac were eliminated, or their structures were to change radically, the amount and type of Agency RMBS available for investment would drastically reduce, affecting our ability to acquire Agency RMBS. Our income could be negatively affected in a number of ways depending on the manner in which related events unfold. For example, the continued backing of Fannie Mae and Freddie Mac by the U. S. Treasury and any additional credit support it may provide in the future to the GSEs (as defined below) could have the effect of lowering the interest rate we receive from Agency RMBS, thereby tightening the spread between the interest we earn on our Agency RMBS portfolio and our cost of financing that portfolio. A reduction in the supply of Agency RMBS could also increase the prices of Agency RMBS we seek to acquire thereby reducing the spread between the interest we earn on our portfolio of targeted assets

and our cost of financing that portfolio. Any new law affecting these GSEs may exacerbate market uncertainty and have the effect of reducing the actual or perceived credit quality of securities issued or guaranteed by Fannie Mae or Freddie Mac. It is also possible that such laws could adversely impact the market for such securities and the spreads at which they trade. All of the foregoing could materially adversely affect the pricing, supply, liquidity and value of our target assets and otherwise materially adversely affect our business, operations and financial condition. It remains uncertain whether **the current presidential administration will address the GSE conservatorship**, and if so on what timeline, ~~the Biden administration will address the conservatorships of the GSEs and how any comprehensive housing reform potential action would be structured~~. Moreover, personnel changes at the applicable regulatory agencies may alter the nature and scope of oversight affecting the mortgage finance industry generally (particularly with respect to the future role of Fannie Mae and Freddie Mac). **The several intended reforms announced by President Trump may increase the level of uncertainty in the overall federal regulatory environment, which could adversely affect our business**. We are subject to the risk that agencies of and entities sponsored by the U. S. government may not be able to fully satisfy their guarantees of Agency RMBS or that these guarantee obligations may be repudiated, which may adversely affect the value of our investment portfolio and our ability to sell or finance these securities. The interest and principal payments we receive on the Agency RMBS in which we invest are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. Unlike the Ginnie Mae certificates in which we may invest, the principal and interest on securities issued by Fannie Mae and Freddie Mac are not guaranteed by the U. S. government. All the Agency RMBS in which we invest depend on a steady stream of payments on the mortgages underlying the securities. As conservator of Fannie Mae and Freddie Mac, the FHFA may disaffirm or repudiate (subject to certain limitations for qualified financial contracts) contracts that Freddie Mac or Fannie Mae entered into prior to the FHFA's appointment as conservator if it determines, in its sole discretion, that performance of the contract is burdensome and that disaffirmation or repudiation of the contract promotes the orderly administration of its affairs. The Housing and Economic Recovery Act of 2008, or HERA, requires the FHFA to exercise its right to disaffirm or repudiate most contracts within a reasonable period of time after its appointment as conservator. **In addition, HERA provides that mortgage loans and mortgage-related assets that have been transferred to a Freddie Mac or Fannie Mae securitization trust must be held for the beneficial owners of the related mortgage-related securities and cannot be used to satisfy the general creditors of Freddie Mac or Fannie Mae** ~~or have disclosed that the FHFA has disaffirmed certain consulting and other contracts that these entities entered into prior to the FHFA's appointment as conservator. Freddie Mac and Fannie Mae have also disclosed that the FHFA has advised that it does not intend to repudiate any guarantee obligation relating to Fannie Mae and Freddie Mac's mortgage-related securities, because the FHFA views repudiation as incompatible with the goals of the conservatorship. However~~ ~~In addition, if HERA provides that mortgage loans and mortgage-related assets that have been transferred to a Freddie Mac or Fannie Mae securitization trust must be held for the beneficial owners of the related mortgage-related securities and cannot be used to satisfy the general creditors of Freddie Mac or Fannie Mae. If the guarantee obligations of Freddie Mac or Fannie Mae were repudiated by the FHFA, payments of principal and / or interest to holders of Agency RMBS issued by Freddie Mac or Fannie Mae would be reduced in the event of any borrowers' late payments or failure to pay or a servicer's failure to remit borrower payments to the trust. In that case, trust administration and servicing fees could be paid from mortgage payments prior to distributions to holders of Agency RMBS. Any actual direct compensatory damages owed due to the repudiation of Freddie Mac or Fannie Mae's guarantee obligations may not be sufficient to offset any shortfalls experienced by holders of Agency RMBS. The FHFA also has the right to transfer or sell any asset or liability of Freddie Mac or Fannie Mae, including its guarantee obligation, without any approval, assignment or consent. If the FHFA were to transfer Freddie Mac's or Fannie Mae's guarantee obligations to another party, holders of Agency RMBS would have to rely on that party for satisfaction of the guarantee obligation and would be exposed to the credit risk of that party. If the new party does not guarantee these Agency RMBS, we are subject to credit loss on the Agency RMBS which could negatively affect liquidity, net income and book value. Mortgage loan modification and refinancing programs may adversely affect the value of, and our returns on, mortgage-backed securities and residential mortgage loans. The U. S. government, through the Federal Reserve, the Federal Housing Administration ("FHA"), the FHFA and the Federal Deposit Insurance Corporation ("FDIC"), has implemented a number of federal programs designed to assist homeowners, including the Home Affordable Modification Program, or HAMP, which provides homeowners with assistance in avoiding residential mortgage loan foreclosures, and the Home Affordable Refinance Program, or HARP, which allows borrowers who are current on their mortgage payments to refinance and reduce their monthly mortgage payments at loan-to-value ratios up to 125% without new mortgage insurance. Similar modification programs are also offered by several large non-GSE financial institutions. HAMP, HARP and other loss mitigation programs may involve, among other things, the modification of mortgage loans to reduce the principal amount of the loans (through forbearance and / or forgiveness) and / or the rate of interest payable on the loans, or to extend the payment terms of the loans. Non-Agency RMBS and residential mortgage loan yields and cash flows could particularly be negatively impacted by a significant number of loan modifications with respect to a given security or residential mortgage loan pool, including, but not limited to, those related to principal forgiveness and coupon reduction. These loan modification, loss mitigation and refinance programs may adversely affect the value of, and the returns on, mortgage-backed securities and residential mortgage loans that we own or may purchase. In the event of a future outbreak or pandemic, it is anticipated that other forbearance programs, foreclosure moratoriums or other programs or mandates may be imposed, including those that will impact mortgage related assets. These forbearance and foreclosure moratorium programs may adversely affect the value of, and the returns on, mortgage-backed securities and residential mortgage loans that we own or may purchase.~~ **During** ~~As of December 31, 2023, we had \$ 86.25 million aggregate principal amount of senior unsecured indebtedness, represented by the Legacy WMC Convertible Notes, which were assumed by one of our subsidiaries, and guaranteed by the Company, in the WMC acquisition. In addition, in January 2024, we issued an aggregate of \$ 34.99.5 million in 9.500% Senior Notes due 2029 and, as of the date of this Annual Report, we have used approximately \$ 7.1 million of the proceeds from such issuance to repurchase a portion of the~~

Legacy WMC Convertible Notes. As a result, as of the date of this Annual Report, we had approximately \$ 79.12 million aggregate principal amount **Senior Unsecured** of Legacy WMC Convertible Notes outstanding, **\$ 34.5 million of which are due in February** can be redeemed at our option on or after June 15, 2024 ~~2029~~, and mature on September 15, **the remaining \$ 65.0 million are due in May 2024 ~~2029~~**. There can be no assurances we will be able to refinance our corporate indebtedness ; including the remaining Legacy WMC Convertible Notes, (1) on commercially reasonable terms, (2) on terms, including with respect to interest rates, as favorable as our current debt, or (3) at all. If we are unable to generate cash flow from operations in the future sufficient to address the maturity of our corporate indebtedness, we may be required to adopt one or more alternatives, such as selling assets at inopportune times, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to restructure or refinance our indebtedness will depend on the capital markets and our financial condition at such time. Economic conditions and the credit markets have historically experienced, and may continue to experience, periods of volatility, uncertainty, or weakness that could impact the availability or cost of debt financing. Any refinancing of our corporate unsecured indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. Our inability to generate sufficient cash flow to satisfy our debt service requirements or to refinance our obligations on commercially reasonable terms may adversely affect our cash flows, ability to make distributions to our stockholders, financial condition, and results of operations. In addition, we may consider making strategic investments, and we may elect to finance these endeavors by incurring additional indebtedness. The amount of such indebtedness could have material adverse consequences for us, including: • hindering our ability to adjust to changing market, industry or economic conditions; limiting our ability to access the capital markets to raise additional equity or refinance maturing debt on favorable terms or to fund acquisitions or emerging businesses; • limiting the amount of cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses; • limiting our ability to deduct interest under Section 163 (j) of the Code; • making us more vulnerable to economic or industry downturns, including interest rate increases; and • placing us at a competitive disadvantage compared to less leveraged competitors. Moreover, we may be required to raise substantial additional capital to execute our business strategy. Our ability to arrange additional financing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. If we are unable to obtain additional financing, our credit ratings could be adversely affected, which could raise our borrowing costs and limit our future access to capital and our ability to satisfy our obligations under our indebtedness. We use leverage as a strategy to increase the return on our assets. Pursuant to our leverage strategy, we borrow against a substantial portion of the market value of our mortgage investments and use the borrowed funds to finance our investment portfolio and the acquisition of additional investment assets. The risks associated with leverage are more acute during periods of market volatility and disruption and economic slowdown or recession. We may not be able to achieve our desired leverage ratio for a number of reasons, including if: • our lenders require that we pledge additional collateral to cover our borrowings; • our lenders do not make financing arrangements available to us at acceptable rates; • certain of our lenders exit the repurchase market; or • we determine that the leverage would expose us to excessive risk. In addition, the use of leverage exposes us to other significant risks, including: Change of collateral valuation. The amount of financing that we receive under our repurchase agreements will be directly related to our counterparties' valuation of our assets that collateralize the outstanding financing. Typically, repurchase agreements grant the repurchase agreement counterparty the right to reevaluate the fair value of the assets that cover the amount financed under the repurchase agreement at any time. If a repurchase agreement counterparty determines that the value of the assets subject to the repurchase agreement financing has decreased, it has the right to initiate a margin call. These valuations may be different than the values that we ascribe to these assets and may be influenced by recent asset sales at distressed levels by forced sellers. A margin call requires us to transfer additional assets to a repurchase agreement counterparty without any advance of funds from the counterparty for such transfer or to repay a portion of the outstanding repurchase agreement financing. We would also be required to post additional collateral if haircuts increase under a repurchase agreement. In these situations, we could be forced to sell assets at significantly depressed prices to meet such margin calls and to maintain adequate liquidity, which could cause significant losses. Significant margin calls could have a material adverse effect on our business. For example, as a result of the COVID- 19 outbreak, late in the first quarter of 2020, we observed a mark- down of a substantial portion of our assets by our repurchase agreement counterparties, resulting in us having to pay cash or additional securities to satisfy margin calls that were well beyond historical norms. This eventually resulted in us seeking temporary forbearance from our counterparties, which resulted in significant losses. Financing terms. Our ability to fund our purchases of target assets may be impacted by our ability to secure financing arrangements on acceptable terms and renew or roll these financing arrangements. The terms we receive on such financings are influenced by the demand for similar funding by our competitors, including other REITs, specialty finance companies and other financial entities. Many of our competitors are significantly larger than us, have greater financial resources and significantly larger balance sheets than we do. Any sizable interest rate shock or disruption in secondary mortgage markets resulting in the failure of one or more of our largest competitors may have a materially adverse effect on our ability to access or maintain short- term financing for our target assets. If we are not able to renew or roll our existing repurchase agreements or arrange for new financing on terms acceptable to us, we may have to dispose of assets at significantly depressed prices and at inopportune times, which could cause significant losses, and may also force us to curtail our asset acquisition activities. Adverse change in financing counterparties. We depend upon a limited number of financing counterparties to fund our investments. The aggregate number of our financing counterparties was **seven six** as of December 31, ~~2023~~ **2024**. The limited number of financing counterparties may reduce our ability to obtain financing on favorable terms and increases our counterparty credit risk. In addition, our ability to fund our operations, meet financial obligations and finance asset acquisitions may be impacted by an inability to secure and maintain our repurchase agreements with our counterparties. Because repurchase agreements are short- term commitments of capital, repurchase agreement counterparties may respond to market conditions in a manner that makes it more difficult for us to renew or replace on a

continuous basis our maturing short- term financings. Such counterparties have and may continue to impose more onerous conditions when rolling such financings. If major lenders stop financing our target assets, the value of our target assets could be negatively impacted, thus reducing net stockholders' equity, or book value. If we are faced with a larger haircut in order to roll a financing with a particular counterparty, or in order to move a financing from one counterparty to another, then we would need to make up the difference between the two haircuts in the form of cash, which could similarly require us to dispose of assets at significantly depressed prices and at inopportune times, which could cause significant losses. Market Volatility / Periods of Market Dislocation. Issues related to financing are exacerbated in times of significant dislocation in the financial markets, such as those experienced in connection with the COVID- 19 pandemic in 2020 as well as more recently as a result of macroeconomic conditions, including inflationary pressures. It is possible that our financing counterparties will become unwilling or unable to provide us with financing, and we could be forced to sell our assets at an inopportune time when prices are depressed or markets are illiquid, which could cause significant losses. Many mortgage REITs, including us, experienced this during the initial stages of the COVID- 19 pandemic and related market dislocations. In addition, if the regulatory capital requirements imposed on our financing counterparties change, they may be required to significantly increase the cost of the financing that they provide to us, or to increase the amounts of collateral they require as a condition to providing us with financing. Our financing counterparties also have revised, and may continue to revise, their eligibility requirements for the types of assets that they are willing to finance or the terms of such financings, including increased haircuts and requiring additional cash collateral, based on, among other factors, the regulatory environment and their management of actual and perceived risk, particularly with respect to assignee liability. We use securitization financing for certain of our residential whole loan investments. In such structures, our financing sources typically have only a claim against the assets included in a securitization rather than a general claim against us as an entity. Prior to any such financing, we generally seek to finance our investments with relatively short- term repurchase agreements until a sufficient portfolio of assets is accumulated. As a result, we are subject to the risk that we would not be able to acquire, during the period that any short- term repurchase agreements are available, sufficient eligible assets or securities to maximize the efficiency of a securitization. We also bear the risk that we would not be able to obtain new short- term repurchase agreements or would not be able to renew short- term repurchase agreements after they expire should we need more time to seek and acquire sufficient eligible assets or securities for a securitization. In addition, conditions in the capital markets may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets or securities. While we generally intend to retain a portion of the interests issued under such securitizations and, therefore, still have exposure to any investments included in such securitizations, our inability to enter into such securitizations may increase our overall exposure to risks associated with direct ownership of such investments, including the risk of default. If we are unable to obtain and renew short- term repurchase agreements or to consummate securitizations to finance the selected investments on a long- term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price. These financing arrangements require us to make certain representations and warranties regarding the assets that collateralize the borrowings. Although we perform due diligence on the assets that we acquire, certain representations and warranties that we make in respect of such assets may ultimately be determined to be inaccurate. Such representations and warranties may include, but are not limited to, issues such as the validity of the lien; the absence of delinquent taxes or other liens; the loans' compliance with all local, state and federal laws and the delivery of all documents required to perfect title to the lien. In the event of a breach of a representation or warranty, we may be required to repurchase affected loans, make indemnification payments to certain indemnified parties or address any claims associated with such breach. Further, we may have limited or no recourse against the seller from whom we purchased the loans. Such recourse may be limited due to a variety of factors, including the absence of a representation or warranty from the seller corresponding to the representation provided by us or the contractual expiration thereof. In certain instances, we rely on the seller to directly make representations and warranties regarding loans in a securitization. Any failure by the seller to fulfill its obligations to repurchase or make indemnification payments may negatively impact our bond ratings and our ability to execute future securitization terms on desirable terms or at all. A breach of a representation or warranty could adversely affect our results of operations and liquidity and give rise to material litigation. In addition, we may engage in securitizations in which the loans serving as collateral have or may in the future have unfunded draw amounts. To the extent such amounts are drawn upon by the borrowers, it is expected that such draws will be funded by the servicer. We may be obligated to reimburse the servicer for such draws to the extent principal collections on the loans or any reserves that have been established are insufficient to reimburse the servicer. Certain of our financing arrangements are rated by one or more rating agencies, and we may sponsor financing facilities in the future that are rated by credit agencies. The related agency or rating agencies may suspend rating notes at any time. Rating agency delays may result in our inability to obtain timely ratings on new notes, which could adversely impact the availability of borrowings or the interest rates, advance rates or other financing terms and adversely affect our results of operations and liquidity. Further, if we are unable to secure ratings from other agencies, limited investor demand for unrated notes could result in further adverse changes to our liquidity and profitability. We, either directly or through our equity method investments in affiliates, have outstanding master repurchase agreements or loan agreements with multiple counterparties. These agreements generally include customary representations, warranties and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each agreement, typical supplemental terms include requirements of minimum equity, leverage ratios, performance triggers or other financial ratios. The negative impacts on our business caused by macroeconomic conditions and market volatility may make it more difficult to meet or satisfy these covenants, and we cannot assure you that we will remain in compliance with these covenants in the future. Future lenders may impose similar or more onerous restrictions. If we fail to meet or satisfy any covenant, supplemental term or representation and warranty, an event of default could be declared under these agreements and our lenders could elect to declare all amounts outstanding under the agreements to be immediately due and payable (or such amounts may automatically become due and payable), terminate their

commitments, require the posting of additional collateral, enforce their respective interests against existing collateral pledged under such agreements and restrict our ability to make additional borrowings. Certain financing agreements may contain cross-default and cross-acceleration provisions, so that if a default occurs under any one agreement, the lenders under our other agreements could also declare a default. A default also could significantly limit our financing alternatives, which could cause us to curtail our investment activities or dispose of assets when we otherwise would not choose to do so. As a result, a default on any of our financing agreements could materially and adversely affect our business, results of operations, financial condition and ability to make distributions to our stockholders. Further, this could also make it difficult for us to satisfy the qualification requirements necessary to maintain our status as a REIT for U. S. federal income tax purposes. If a counterparty to a repurchase agreement defaults on its obligation to resell or return the underlying loan or security back to us at the end of the transaction term, we may lose money on such financing arrangement. When we engage in financing arrangements, we generally sell loans or securities to lenders (i. e., repurchase agreement counterparties) and receive cash from the lenders. The lenders are obligated to resell or return the same loans or securities back to us at the end of the term of the transaction. Because the cash we receive from lenders when we initially sell or deliver the assets to the lender is less than the value of those assets (this difference is the haircut), if the lender defaults on its obligation to resell or return the same assets back to us (whether due to insolvency of the lender or otherwise) 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). On December 31, 2023-2024, we had greater than 5 % stockholders' equity at risk on a GAAP basis and non-GAAP basis with ~~four~~ **three** repurchase agreement counterparties ~~: including Barclays Capital Inc., BofA Securities, Inc., Goldman Sachs Bank USA, and Barclays Capital Inc~~ **JP Morgan Securities, LLC**. Additionally, the Company had greater than 5 % stockholders' equity at risk related to financing arrangements obtained on certain retained interests in securitizations held in a trust that issued certificates to various third-party investors. In the event of our insolvency or bankruptcy, certain repurchase agreements may qualify for special treatment under the U. S. Bankruptcy Code, the effect of which, among other things, would be to allow the lender under the applicable repurchase agreements to avoid the automatic stay provisions of the U. S. Bankruptcy Code and to foreclose on the pledged collateral without delay, impacting our legal title and the right to proceeds. In the event of the insolvency or bankruptcy of a lender during the term of a repurchase agreement, the lender may be permitted, under applicable insolvency laws, to repudiate the contract, and our claim against the lender for damages may be treated simply as that of an unsecured creditor. In addition, if the lender is a broker or dealer subject to the Securities Investor Protection Act of 1970, or an insured depository institution subject to the Federal Deposit Insurance Act, our ability to exercise our rights to recover our securities under a repurchase agreement or to be compensated for any damages resulting from the lender's insolvency may be further limited by those statutes. These claims would be subject to significant delay and, if and when received, may be substantially less than the damages we actually incur. We enter into repurchase agreements or similar financing arrangements to finance the acquisition of our target assets. Pursuant to the terms of borrowings under such financing arrangements, a decline in the value of the collateral may result in our lenders initiating margin calls. A margin call requires us to pledge additional collateral to re-establish the ratio of the value of the collateral to the amount of the borrowing. The specific collateral value to borrowing ratio that would trigger a margin call is not set in the master repurchase agreements or loan agreements and is not determined until we engage in a repurchase transaction or borrowing arrangement under these agreements. Our fixed-rate collateral are generally more susceptible to margin calls as periods of increased interest rates tend to affect more negatively the market value of fixed-rate securities. In addition, some collateral may be more illiquid than other instruments in which we invest, which could cause them to be more susceptible to margin calls in a volatile market environment. Moreover, collateral that prepays more quickly increases the frequency and magnitude of potential margin calls as there is a significant time lag between when the prepayment is reported (which reduces the market value of the security) and when the principal payment is actually received. If we are unable to satisfy margin calls, our lenders may foreclose on our collateral. The threat of or occurrence of a margin call could force us to sell, either directly or through a foreclosure, our collateral under adverse market conditions. Because of the leverage we expect to have, we may incur substantial losses upon the threat or occurrence of a margin call. The risks associated with leverage are more acute during periods of economic slowdown, recession, or an outbreak of a highly infectious disease or pandemic, which the U. S. economy has experienced and may experience in the future. The Federal Reserve's actions and statements regarding monetary policy and the management of its balance sheet can affect the fixed income and mortgage finance markets in ways that could adversely affect our future business and financial results and the value of, and returns on, real estate-related investments and other assets we own or may acquire. Actions taken by the Federal Reserve to set or adjust monetary policy or to manage the overall size and composition of its balance sheet, and statements it makes regarding the foregoing, may affect the expectations and outlooks of market participants in ways that disrupt our business and adversely affect the value of, and returns on, our portfolio of real-estate related investments and the pipeline of mortgage loans we own or may originate or acquire. For example, to control the rate of inflation, the Federal Reserve launched a reverse process known as quantitative tightening and raised its benchmark federal funds rate from nearly zero in March 2022 to a range between 5.25 % and 5.50 %, as of December 31, 2023. ~~These~~ **The conditions have resulted in an inversion of the yield curve, which can be a signal that we are entering into a recessionary period. Although the economy has remained relatively strong and there are expectations that the Federal Reserve will begin** ~~kept the target range at this level until September 2024,~~ **stating in 2024 Federal Open Market Committee meetings that the risks to achieving its employment and inflation goals continue to move into better balance. In September 2024, the Federal Reserve started reducing its target range, decreasing it by 0.50 % to 4.75 % to 5.00 %, and stating that the risks to achieving its employment and inflation goals were the then roughly in balance. The federal** ~~Federal funds rate Reserve subsequently reduced the target range by 0.25 % each in November and December 2024, bringing these~~ **the expectations might not materialize target range down to 4.25 % from 4.50 %**. To the extent benchmark interest rates ~~continue to~~ **remain at high levels or** rise or the yield curve flattens ~~further~~ as a result of the Federal Reserve's policy actions or statements, one of the immediate potential impacts on our business

would be a reduction in the overall value of the pool of mortgage loans that we own and the overall value of the pipeline of mortgage loans that we have identified for origination or purchase. Rising benchmark interest rates also generally have a negative impact on the overall cost of short- and long- term borrowings we use to finance our acquisitions and holdings of mortgage loans, including as a result of the requirement to post additional margin (or collateral) to lenders to offset any associated decline in value of the mortgage loans we finance with short- term borrowings subject to market value- based margin calls. Several of the short- term borrowing facilities we use to finance our acquisitions and holdings of mortgage loans are uncommitted and all such short- term facilities have a limited term, which could result in these types of borrowings not being available in the future to fund our acquisitions and holdings and could result in our being required to sell holdings of mortgage loans and incur losses. In addition, any inability to fund originations or acquisitions of mortgage loans could damage our reputation as a reliable counterparty in the mortgage finance markets. In addition, benchmark interest rates rising or the yield curve flattening would also likely impact the volume of residential mortgage loans available for purchase in the marketplace and our ability to compete to acquire residential mortgage loans as part of our residential mortgage banking activities. These impacts could result from, among other things, a lower overall volume of mortgage refinance activity by mortgage borrowers and an increased level of competition from large commercial banks that may operate with a lower cost of capital than we do, including as a result of Federal Reserve monetary policies that impact banks more favorably than us and other non- bank institutions. These and other impacts of developments of the type described above may have a negative impact on our business and results of operations and we cannot accurately predict the full extent of these impacts or for how long they may persist. Further, as of December 31, ~~2023~~ **2024**, we have \$ 93. 2 million of 8. 000 % Series C Fixed- to- Floating Rate Cumulative Redeemable Preferred Stock (the " Series C Preferred Stock"), which ~~will transition~~ **transitioned** to a floating rate on September ~~15~~ **17**, 2024. ~~An A-continued~~ increase in interest rates will increase the cost of the Series C Preferred Stock, refinancing of our existing borrowings or the issuance of new variable rate debt. Risks Related to our Management and our Relationship with our Manager and its Affiliates In accordance with our management agreement, we are externally managed and advised by our Manager, and all of our officers are employees of TPG Angelo Gordon or its affiliates. We have no separate facilities, and we have no employees. Pursuant to our management agreement, our Manager is obligated to supply us with our senior management team, and the members of that team may have conflicts in allocating their time and services between us and other entities or accounts managed by our Manager and its affiliates, now or in the future, including other TPG Angelo Gordon funds. Substantially all of our investment, financing and risk management decisions are made by our Manager and not by us, and our Manager also has significant discretion as to the implementation of our operating policies and strategies. Furthermore, our Manager has the sole discretion to hire and fire employees, and our Board of Directors and stockholders have no authority over the individual employees of our Manager or TPG Angelo Gordon, although our Board of Directors does have direct authority over our officers who are supplied by our Manager. Accordingly, we are completely reliant upon, and our success depends exclusively on, our Manager' s personnel, services, resources, facilities, relationships and contacts. No assurance can be given that our Manager will act in our best interests with respect to the allocation of personnel, services and resources to our business. In addition, the management agreement does not require our Manager to dedicate specific personnel to us or to require personnel servicing our business to allocate a specific amount of time to us. The failure of any of our Manager' s key personnel to service our business with the requisite time and dedication, or the departure of such personnel from our Manager, or the failure of our Manager to attract and retain key personnel, would materially and adversely affect our ability to execute our business plan. Further, when there are turbulent conditions in the real estate industry, distress in the credit markets or other times when we will need focused support and assistance from our Manager, the attention of our Manager' s personnel and executive officers and the resources of TPG Angelo Gordon will also be required by the other funds and accounts managed by our Manager and its affiliates, placing our Manager' s resources in high demand. In such situations, we may not receive the level of support and assistance that we may receive if we were internally managed or if our Manager and its affiliates did not act as a manager for other entities. If the management agreement is terminated and a suitable replacement for our Manager is not secured in a timely manner or at all, we would likely be unable to execute our business plan, which would materially and adversely affect us. Moreover, in November 2023, TPG completed its acquisition of TPG Angelo Gordon, the direct parent company of our Manager. As a result of the acquisition, TPG Angelo Gordon operates its business as a new platform within TPG, which is a publicly traded company. In addition, as a result of the acquisition, our Manager became an indirect subsidiary of TPG. Uncertainty about the effect of the acquisition of TPG Angelo Gordon with TPG on employees, clients and business of TPG Angelo Gordon, as well as time and attention required by our management team and other personnel of our Manager to integration and other matters related to the acquisition ~~or TPG~~, may have an adverse effect on TPG Angelo Gordon and subsequently on us and the other funds managed by TPG Angelo Gordon. Retention and motivation of certain employees may be challenging due to the uncertainty and difficulty of integration or a desire not to remain with TPG Angelo Gordon. As a result of the foregoing, management of our company may be adversely affected. Further, the completion of the acquisition may give rise to additional conflicts of interest and competition for investment opportunities among us, other TPG Angelo Gordon funds and TPG funds. All of our officers and our non- independent directors are employees of TPG Angelo Gordon or its affiliates. The management agreement was negotiated between related parties, and we did not have the benefit of arm' s length negotiations of the type normally conducted with an unaffiliated third- party and the terms, including the fees payable to our Manager, may not be as favorable to us. We may choose not to enforce, or to enforce less vigorously, our rights under the management agreement because of our desire to maintain our ongoing relationship with our Manager. Our Manager is managed by TPG Angelo Gordon, whose interests may not always be aligned with ours or our Manager' s. The employees of TPG Angelo Gordon that devote time to managing our business may have conflicting interests between us and TPG Angelo Gordon when managing our business. TPG Angelo Gordon may decide to sell or transfer an equity interest in the Manager, which could increase the potential conflicts. For example, TPG Angelo Gordon, including our Manager, was acquired by TPG in November 2023. Following the acquisition, an information barrier was

created between the historical TPG business and TPG Angelo Gordon, including our Manager. While information barriers are designed to restrict the flow of information between certain businesses, such barriers may be breached, inadvertently or otherwise, including with respect to information regarding certain investment opportunities, deal pipelines and strategy, which could result in greater restrictions to our and other TPG Angelo Gordon funds' investment activities. There are conflicts of interest inherent in our relationship with our Manager insofar as our Manager and its affiliates invest in real estate and other securities and loans, and whose investment objectives overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. Certain employees of our Manager and its affiliates who are our officers also may serve as officers and / or directors of these other entities. We may compete with entities affiliated with our Manager for certain target assets. From time to time, affiliates of our Manager focus on investments in assets with a similar profile as our target assets that we may seek to acquire. These affiliates may have meaningful purchasing capacity. To the extent such other investment vehicles acquire or divest of the same target assets as us, the scope of opportunities otherwise available to us may be adversely affected and / or reduced. We have broad investment guidelines, and we have co-invested and may co- invest with TPG Angelo Gordon funds in a variety of investments. We also may invest in securities that are senior or junior to securities owned by funds managed by our Manager or its affiliates. There can be no assurance that any procedural protection will be sufficient to assure that these transactions will be made on terms that will be at least as favorable to us as those that would have been obtained in an arm' s length transaction. We are subject to TPG Angelo Gordon' s investment allocation policy, which specifically addresses some of the conflicts relating to our investment opportunities. However, there is no assurance that this policy will be adequate to address all of the conflicts that may arise, or address such conflicts in a manner that results in the allocation of a particular investment opportunity to us or is otherwise favorable to us. Our Manager and TPG Angelo Gordon and their respective employees also may have ongoing relationships with the obligors of investments or the clients' counterparties and they or their clients may own equity or other securities or obligations issued by such parties. In addition, TPG Angelo Gordon, either for its own accounts or for the accounts of other clients, may hold securities or obligations that are senior to, or have interests different from or adverse to, the securities or obligations that are acquired for us. Employees of our Manager and its affiliates may also invest in other entities managed by other TPG Angelo Gordon entities which are eligible to purchase target assets. See Part I, Item 1" Business- Investment Policies" for additional information related to target assets. TPG Angelo Gordon or our Manager and their respective employees may make investment decisions for us that may be different from those undertaken for their personal accounts or on behalf of other clients (including the timing and nature of the action taken). TPG Angelo Gordon and its affiliates may at certain times simultaneously seek to purchase or sell the same or similar investments for clients or for themselves. Likewise, our Manager may on our behalf purchase or sell an investment in which another TPG Angelo Gordon client or affiliate is already invested or has co- invested. Such transactions may differ across TPG Angelo Gordon clients or affiliates. These instances may result in conflicts of interest, which may adversely affect our operations. Some of our officers may hold executive or management positions with other entities managed by affiliates of our Manager, and some of our officers and directors may own equity interests or limited partnership interests in such entities. Such ownership may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for such entities than they do for us. Our Manager may make, or may be required to make, investment decisions on our behalf where our trading counterparty is an entity affiliated with or an account managed by our Manager or its affiliates, including Arc Home. Although we have adopted an Affiliated Transactions Policy, which specifically addresses the requirements of these types of trades, there is no assurance that this policy will ensure the most favorable outcome for us or will be adequate to address all of the conflicts that may arise. There is no assurance that the terms of such transactions would be as favorable to us as transacting in the open market with unaffiliated third- parties. As the investment programs of the various entities and accounts managed by our Manager and its affiliates change over time, additional issues and considerations may affect our Affiliated Transactions Policy and our Manager' s expectations with respect to such transactions, which could adversely affect our operations. Our Board of Directors has approved very broad investment policies for our Manager, may change such policies without stockholder consent, and does not review or approve each investment or financing decision made by our Manager. Our Board of Directors determines our operational policies and may amend or revise such policies, including our policies with respect to our REIT qualification, acquisitions, dispositions, operations, indebtedness and distributions, or approve transactions that deviate from these policies, without a vote of, or notice to, our stockholders. Operational policy changes could adversely affect the market value of our common stock and our ability to make distributions to our stockholders, such as reduction in the size of our GAAP investment portfolio. For example, 2020 was marked by unprecedented conditions caused by the COVID- 19 pandemic, and as a result of and in response to these conditions, the size and composition of our investment portfolio was significantly reduced during 2020. We may also change our investment strategies and policies and target asset classes at any time without the consent of our stockholders, which could result in our making investments that are different in type from, and possibly riskier than, our current assets or the investments contemplated in this report. For example, in 2021, we repositioned our investment strategy to focus primarily on opportunities within the non-agency residential mortgage market. A change in our investment strategies and policies and target asset classes may increase our exposure to interest rate risk, default risk and real estate market fluctuations, which could adversely affect the market value of our common stock and our ability to make distributions to our stockholders. Our Manager is authorized to follow very broad investment policies and, therefore, has great latitude in determining the types of assets that are proper investments for us, the financing related to such assets, the allocations among asset classes and individual investment decisions. In the future, our Manager may make investments with lower rates of return than those anticipated under current market conditions or may make investments with greater risks to achieve those anticipated returns. Our Board of Directors periodically reviews our investment policies and our investment portfolio but does not review or approve each proposed investment by our Manager or the financing related thereto. In addition, in conducting periodic reviews, our Board of Directors relies primarily on information provided to it

by our Manager. Furthermore, our Manager may use complex strategies and transactions that may be costly, difficult or impossible to unwind by the time they are reviewed by our Board of Directors. We pay our Manager base management fees on a quarterly basis regardless of the performance of our portfolio. Our Manager's entitlement to base management fees, which are based on our "Stockholders' Equity" (as defined under "Contractual obligations — The Management Agreement" in Part II, Item 7), might reduce its incentive to devote its time and effort to seeking loans or other investments that provide attractive risk-adjusted returns for our stockholders and instead may incentivize our Manager to advance strategies that increase our Stockholders' Equity, which could, in turn, adversely affect our ability to make distributions to our stockholders and the market price of our common stock. There may be circumstances where increasing our Stockholders' Equity will not optimize the returns for our stockholders, and consequently, we will be required to pay our Manager base management fees in a particular period despite experiencing a net loss or a decline in the value of our portfolio during that period. The compensation payable to our Manager will increase as a result of any future issuances of our equity securities, even if the issuances are dilutive to existing stockholders. In addition, our Manager has the ability to earn an incentive fee that is based, in large part, upon our achievement of targeted levels of adjusted net income, as calculated in accordance with the management agreement. In evaluating asset acquisition and other management strategies, the opportunity to earn an incentive fee based on adjusted net income may lead our Manager to place undue emphasis on the maximization of adjusted net income at the expense of other criteria, such as preservation of capital, maintaining liquidity, and / or management of credit risk or market risk, in order to achieve a higher incentive fee. Assets with higher yield potential are generally riskier or more speculative. This could result in increased risk to our portfolio. In addition, the incentive fee is computed and paid annually generally on adjusted net income that includes unrealized gains driven by mark- to- market increases on investments. If the value of such investments decline prior to a realization event, it is possible that the unrealized gains previously included in the calculation of the incentive fee will not be realized. Our Manager is not under any obligation to reimburse us for any part of the incentive fee previously received as a result of unrealized gains that are ultimately not realized. ~~Our Manager will not be liable to us for any acts or omissions performed in accordance with the management agreement, including with respect to the performance of our investments.~~

Pursuant to our management agreement, our Manager will not assume any responsibility other than to render the services called for thereunder in good faith and will not be 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. Our Manager, its members, managers, officers and employees will not be liable to us or any of our subsidiaries, to our Board of Directors, or our or any subsidiary's stockholders or partners for any act or omission by our Manager, its members, managers, officers or employees, except by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our management agreement. We shall, to the full extent lawful, reimburse, indemnify and hold our Manager, its members, managers, officers and employees and each other person, if any, controlling our Manager harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorneys' fees) in respect of or arising from any act or omission of an indemnified party made in good faith in the performance of our Manager's duties under our management agreement and not constituting such indemnified party's bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our management agreement. It is difficult and costly to terminate the management agreement we have entered into with our Manager without cause. Our independent directors review our Manager's performance and the management fees annually. The management agreement renews automatically each year for an additional one- year period, subject to certain termination rights. As of the date hereof, our management agreement has not been terminated. The management agreement provides that it may be terminated annually by us without cause upon the affirmative vote of at least two- thirds of our independent directors or by a vote of the holders of at least two- thirds of our outstanding common stock, in each case based upon (i) our Manager's unsatisfactory performance that is materially detrimental to us or (ii) our 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. Our Manager must be provided 180- days' prior notice of any such termination. We may not terminate or elect not to renew the management agreement, even in the event of our Manager's poor performance, without having to pay substantial termination fees. Upon any such termination without cause, the management agreement provides that we will pay our Manager a termination fee equal to three times the average annual base management fee earned by our Manager during the 24- month period prior to termination, calculated as of the end of the most recently completed fiscal quarter. While under certain circumstances the obligation to make such a payment might not be enforceable, this provision may increase the cost to us of terminating the management agreement and adversely affect our ability to terminate the management agreement without cause. Our Manager may terminate our management agreement, which could materially adversely affect our business. Our Manager may terminate the management agreement if we become required to register as an investment company under the Investment Company Act with termination deemed to occur immediately before such event, in which case we would not be required to pay a termination fee to our Manager. Our Manager may decline to renew the management agreement by providing us with 180 days' written notice, in which case we would not be required to pay a termination fee to our Manager. Our Manager may also terminate the management agreement upon at least 60 days' prior written notice if we default in the performance of any material term of the management agreement and the default continues for a period of 30 days after written notice to us, whereupon we would be required to pay to our Manager the termination fee described above. 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. Depository institutions that finance our investments may require that AG REIT Management, LLC remain as our Manager under the management agreement and that certain key personnel of our Manager continue to service our business. If AG REIT Management, LLC ceases to be our Manager or one or more of our Manager's key personnel are no longer servicing our business, it may constitute an event of default, and the depository institution providing the arrangement may have acceleration rights with respect to

outstanding borrowings and termination rights with respect to our ability to finance our future investments with that institution. If we are unable to obtain financing for our accelerated borrowings and for our future investments under such circumstances, we may be required to curtail our asset acquisitions and / or dispose of assets at an inopportune time. We have engaged Red Creek Asset Management LLC, an affiliate of our Manager (the "Asset Manager"), to manage certain of our residential mortgage loans. The terms of the asset management agreement with the Asset Manager may not be as favorable to us as if the agreement was negotiated with unaffiliated third- parties. In connection with our investments in Non- QM Loans, Agency- Eligible Loans, residential mortgage loans, and Re / Non- Performing Loans, we engage asset managers to provide advisory, consultation, asset management and other services to help our third- party servicers formulate and implement strategic plans to manage, collect and dispose of loans in a manner that is reasonably expected to maximize the amount of proceeds from each loan. We engaged the Asset Manager, an affiliate of the Manager and direct subsidiary of TPG Angelo Gordon, as the asset manager for certain of our non- agency loans, agency loans, residential mortgage loans and Re / Non- Performing Loans. We pay separate arm's length asset management fees as assessed and confirmed by a third- party valuation firm for certain of our Non- Agency Loans, NPL / RPL and other residential loan products to the Asset Manager. The asset management agreement was negotiated between related parties, and we did not have the benefit of arm's length negotiations as we normally would with unaffiliated third- parties. As such, the terms may not be as favorable to us as they otherwise might have been. We operate in a manner that is intended to qualify us as a REIT for U. S. federal income tax purposes. However, the U. S. federal income tax laws governing REITs are complex, and interpretations of such laws are limited. Maintaining our qualification as a REIT requires us to meet various tests regarding the nature of our assets and our income, the ownership of our outstanding stock, and the amount of our distributions on an ongoing basis. Our ability to satisfy the asset tests depends upon the characterization and fair values of our assets, some of which are not susceptible to a precise determination and for which we will not obtain independent appraisals. Our compliance with the annual REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Although we intend to operate so that we will maintain our qualification as a REIT, no assurance can be given that we will so qualify for any particular year. We also own interests in one or more entities that have elected to be taxed as a REIT under the U. S. federal income tax laws, or a "Subsidiary REIT." Each Subsidiary REIT is subject to the same REIT requirements that are applicable to us. If a Subsidiary REIT were to fail to qualify as a REIT, then (i) that Subsidiary REIT would become subject to regular U. S. federal, state and local corporate income tax, (ii) our interest in such Subsidiary REIT would cease to be a qualifying asset for purposes of the REIT asset tests, and (iii) it is possible that we would fail certain of the REIT asset tests, in which event we also would fail to qualify as a REIT unless we could avail ourselves of certain relief provisions. While we believe that each Subsidiary REIT has qualified as a REIT under the Code, we have joined each Subsidiary REIT in filing a "protective" TRS election under Section 856 (l) of the Code. We cannot assure you that each such "protective" TRS election would be effective to avoid adverse consequences to us. Moreover, even if a "protective" election were to be effective, we cannot assure you that we would not fail to satisfy the requirement that not more than 20 % of the value of our total assets may be represented by the securities of one or more TRSs. If we fail to qualify as a REIT in any calendar year, we would be required to pay U. S. federal income tax on our taxable income at regular corporate rates, and dividends paid to our stockholders would not be deductible by us in computing our taxable income. Further, if we fail to qualify as a REIT, we might need to borrow money or sell assets in order to pay any resulting tax. Our payment of income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to maintain our qualification as a REIT, we no longer would be required to distribute substantially all of our REIT taxable income to our stockholders. Unless our failure to qualify as a REIT was subject to relief under U. S. federal income tax laws, we could not re- elect to qualify as a REIT for four taxable years following the year in which we failed to qualify. Complying with the REIT requirements can be difficult and may cause us to be forced to liquidate assets or to forego otherwise attractive opportunities. To qualify as a REIT for U. S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our shares. 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, or we may be subject to a 100 % tax on any resultant gain if we sell assets that are treated as dealer property or inventory. We may be required to make distributions to our stockholders at disadvantageous times or when we do not have funds readily available for distribution, and may be unable to pursue otherwise attractive investments in order to satisfy the source- of- income or asset- diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits. The REIT distribution requirements could adversely affect our ability to execute our business strategies. We generally must distribute annually at least 90 % of our net taxable income, excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. To the extent that we satisfy this distribution requirement, but distribute less than 100 % of our taxable income, we will be subject to U. S. federal corporate income tax, and may be subject to state and local income tax on our undistributed taxable income. In addition, we will be subject to a 4 % nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under U. S. federal income tax laws. We intend to make distributions to our stockholders to comply with the requirements of the Code and to avoid paying corporate income tax. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short- term or long- term basis to meet the distribution requirements of the Code. We may find it difficult or impossible to meet distribution requirements in certain circumstances. Due to the nature of the assets in which we invest, we may be required to recognize taxable income from those assets in advance of our receipt of cash flow on, or proceeds from disposition of, such assets. For example, we may be required to accrue interest and discount income on mortgage loans, mortgage- backed securities, and other types of debt securities or interests in debt securities before we receive any payment of interest or principal on such assets. To the extent that we buy back our debt at

prices lower than par, we may recognize taxable income without a corresponding receipt of cash. We may also acquire distressed debt investments that may be subsequently modified by agreement with the borrower. If the amendments to the outstanding debt are "significant modifications" under the applicable Treasury regulations, the modified debt may be considered to have been reissued to us at a gain in a debt-for-debt exchange with the borrower, with gain recognized by us to the extent that the principal amount of the modified debt exceeds our cost of purchasing it prior to modification. Finally, we may be required under the terms of indebtedness that we incur to use cash received from interest payments to make principal payments on that indebtedness, with the effect of recognizing income but not having a corresponding amount of cash available for distribution to our stockholders. As a result, to the extent such income is not recognized within a domestic TRS, the requirement to distribute a substantial portion of our net taxable income could cause us to: (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt or (iv) make a taxable distribution of our shares as part of a distribution in which stockholders may elect to receive shares or (subject to a limit measured as a percentage of the total distribution) cash, in order to comply with REIT requirements. Moreover, if our only feasible alternative were to make a taxable distribution of our shares to comply with the REIT distribution requirements for any taxable year and the value of our shares was not sufficient at such time to make a distribution to our stockholders in an amount at least equal to the minimum amount required to comply with such REIT distribution requirements, we would generally fail to qualify as a REIT for such taxable year and would be precluded from being taxed as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. Even if we qualify as a REIT, we may face tax liabilities that reduce our cash flow. Even if we qualify for taxation as a REIT, we may be subject to certain U. S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from certain activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes, such as mortgage recording taxes. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100 % tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold certain assets through, and derive a significant portion of our taxable income and gains in, TRSs. Such subsidiaries are subject to corporate level income tax at regular rates. Any of these taxes would decrease cash available for distribution to our stockholders. We have entered and may in the future enter into repurchase agreements 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 which are secured by the assets sold pursuant thereto. We believe that we are 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 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 assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we could fail to qualify as a REIT. 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. A corporation (other than a REIT) of which a TRS directly or indirectly owns more than 35 % of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20 % of the value of a REIT's total assets may consist of stock or securities of one or more TRSs. A domestic TRS will pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation, and in certain circumstances, the ability of our TRSs to deduct net business interest expenses generally may be limited. The rules also impose a 100 % excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. We have purchased and sold and may in the future purchase and sell Agency RMBS through TBAs and have recognized and may in the future recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise. While there is no direct authority with respect to the qualification of TBAs as real estate assets or U. S. Government securities for purposes of the REIT 75 % asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property or other qualifying income for purposes of the REIT 75 % gross income test, we treat our TBAs under which we contract to purchase a to-be-announced Agency RMBS ("long TBAs") as qualifying assets for purposes of the REIT 75 % asset test, and we treat income and gains from our long TBAs as qualifying income for purposes of the REIT 75 % gross income test, based on a legal opinion of counsel substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a long TBA should be treated as ownership of real estate assets, and (ii) for purposes of the REIT 75 % gross income test, any gain recognized by us in connection with the settlement of our long TBAs should be treated as gain from the sale or disposition of an interest in mortgages on real property. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that the opinion of counsel is based on various assumptions relating to our TBAs and is conditioned upon fact-based representations and covenants made by our Manager regarding our TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge the opinion of counsel, we could be subject to a penalty tax or we could fail to remain qualified as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs. The present U. S. federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U. S. federal income tax treatment of an investment in our stock. The U. S. federal tax rules that affect REITs are under review constantly by persons involved in the legislative process, the IRS and the U. S. Treasury Department, which results in statutory changes as well as frequent revisions to Treasury regulations and interpretations. Revisions in U. S. federal tax laws and interpretations thereof could cause us to change our investments, commitments and strategies, which could also affect the tax considerations of an investment in our stock. The REIT provisions of the Code may limit our ability to hedge our assets and

operations. Under current law, any income that we generate from transactions intended to hedge our interest rate, inflation or currency risks will be excluded from gross income for purposes of the REIT 75 % and 95 % gross income tests if (i) the instrument hedges risk of interest rate or currency fluctuations on indebtedness incurred or to be incurred to carry or acquire real estate assets, (ii) the instrument hedges risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the REIT 75 % or 95 % gross income tests, or (iii) the instrument was entered into to "offset" certain instruments described in clauses (i) or (ii) of this sentence and certain other requirements are satisfied and such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements may constitute nonqualifying income for purposes of both the REIT 75 % and 95 % gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous to us and could result in greater risks associated with interest rate fluctuations or other changes than we would otherwise be able to mitigate. A REIT's net income from prohibited transactions is subject to a 100 % tax with no offset for losses. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including mortgage loans, held primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we dispose of or securitize loans in a manner that was treated as a sale of the loans, if we frequently buy and sell securities or open and close TBA contracts in a manner that is treated as dealer activity with respect to such securities or contracts for U. S. federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose to engage in certain sales of loans through a TRS and not at the REIT level, and may limit the structures we utilize for our securitization transactions, even though the sales or structures might otherwise be beneficial to us. The share ownership limits applicable to us that are imposed by the Code for REITs and our charter may restrict our business combination opportunities. In order for us to maintain our qualification as a REIT under the Code, not more than 50 % in value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year after our first taxable year. Our charter, with certain exceptions, authorizes our Board of Directors to take the actions that are necessary or appropriate to preserve our qualification as a REIT. Under our charter, no person may own, directly or indirectly, (i) more than 9.8 % in value or in number of shares, whichever is more restrictive, of our outstanding common stock or (ii) more than 9.8 % in value or in number of shares, whichever is more restrictive, of our outstanding capital stock. However, our Board of Directors may, in its sole discretion, grant an exemption to the share ownership limits (prospectively or retrospectively), subject to certain conditions and the receipt by our board of certain representations and undertakings. The share ownership limit is based upon direct or indirect ownership by "persons," which is defined to include entities and certain groups of stockholders. Our share ownership limits might delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders. The constructive ownership rules contained in our charter are complex and may cause the outstanding shares owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than these percentages of the outstanding shares by an individual or entity could cause that individual or entity to own constructively in excess of these percentages of the outstanding shares and thus violate the share ownership limits. Any attempt to own or transfer our common stock or preferred shares in excess of the share ownership limits without the consent of our Board of Directors or in a manner that would cause us to be "closely held" under Section 856 (h) of the Code (without regard to whether the shares are held during the last half of a taxable year) will result in the shares being deemed to be transferred to a director for a charitable trust or, if the transfer to the charitable trust is not automatically effective to prevent a violation of the share ownership limits or the restrictions on ownership and transfer of our shares, any such transfer of our shares will be void ab initio. Further, any transfer of our shares that would result in our shares being held by fewer than 100 persons will be void ab initio. We could face adverse tax consequences if WMC failed to qualify as a REIT prior to the Merger. In connection with the closing of the Merger, we received an opinion of counsel to the effect that WMC qualified as a REIT for U. S. federal income tax purposes through the time of the Merger. However, we did not request a ruling from the IRS that WMC qualified as a REIT. Notwithstanding the opinion of counsel, if the IRS successfully challenged WMC's REIT status prior to the Merger, we could face adverse tax consequences, including: • succeeding to WMC's liability for U. S. federal income taxes at regular corporate rates for the periods in which WMC failed to qualify as a REIT (without regard to the deduction for dividends paid for such periods); • succeeding to any built-in gain on WMC's assets, for which we could be liable for U. S. federal income tax at regular corporate rates, if we were to recognize such gain in the five-year period following the Merger; and • succeeding to WMC's E & P accumulated during the periods in which WMC failed to qualify as a REIT, which we would be required to distribute to our ~~shareholders~~ **stockholders** in order to satisfy the REIT 90 % distribution requirements and avoid the imposition of any excise tax as a result, we would have less cash available for operations and distributions to our ~~shareholders~~ **stockholders**, which could require us to raise capital on unfavorable terms or pay deficiency dividends. ~~We~~ **The publication of LIBOR rates was discontinued beginning July 1, 2023. Other than our Series C Preferred Stock, which adjusts later this year, we have modified and our TRS has LIBOR-based instruments to replace references to LIBOR. Under current law, certain net operating loss modifications of terms of LIBOR-based instruments may have tax consequences, including deemed taxable exchanges of the pre-modification instrument for the modified instrument. Treasury regulations, effective March 7, 2022 (the "NOL IBOR Regulations") provide guidance on the tax consequences of the discontinuation of LIBOR and certain other interbank offered rates net capital loss ("NCL") carryforwards. NOL carryforwards can** The IBOR Regulations allow for the treatment of certain modifications to be **used to offset future** deemed non-taxable events. We do not believe that we recognized any taxable income as a result of LIBOR migration in excess of our economic income, but there ~~and NCL carryforwards~~ **can be used to reduce net capital gain income. We and / or our TRS may no-not generate sufficient income of the appropriate tax character to fully utilize the respective NOL or NCL carryforwards before their expiration. In addition, NOL and NCL carryforwards and certain recognized built-in losses may be limited by Sections 382 and 383 of the Internal Revenue Code if we or our TRS,**

respectively, experiences an "ownership change". In general, an "ownership change" occurs if 5 % stockholders increase their collective ownership of the aggregate amount of the outstanding shares of our company by more than 50 percentage points looking back over the relevant testing period. Our ability to use WMC's historic NOL carryforwards is limited by a Section 382 ownership change that occurred with respect to WMC at the time of the Merger. No assurance can be provided as to whether we or our TRS may experience an ownership change that the IRS would could not assert a contrary position limit our ability or our TRS's ability to utilize the respective NOL or NCL carryforwards. Risks

Related to our Organization and Structure ~~Loss of our exemption from regulation under the Investment Company Act would impose significant limits on our operations, which would negatively affect the value of shares of our common stock and our ability to distribute cash to our stockholders.~~ We conduct our operations so neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act. Under Section 3 (a) (1) (A) of the Investment Company Act, a company is an investment company if it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities. Under Section 3 (a) (1) (C) of the Investment Company Act, a company is deemed to be an investment company if it 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 its total assets (exclusive of U. S. government securities and cash items) on an unconsolidated basis (the "40 % test"). "Investment securities" do not include, among other things, U. S. government securities, and securities issued by majority- owned subsidiaries that (i) are not investment companies and (ii) are not relying on the exceptions from the definition of investment company provided by Section 3 (c) (1) or 3 (c) (7) of the Investment Company Act (the so called "private investment company" exemptions). We believe that we are not an investment company as defined in Section 3 (a) (1) (A) or 3 (a) (1) (C). The operations of many of our wholly- owned or majority- owned subsidiaries are generally conducted so that they are exempted from investment company status in reliance upon Section 3 (c) (5) (C) of the Investment Company Act. Our interests in those subsidiaries do not constitute "investment securities" for purposes of Section 3 (a) (1) (C). Section 3 (c) (5) (C) exempts from the definition of "investment company" entities "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." The staff of the SEC generally requires an entity relying on Section 3 (c) (5) (C) to invest at least 55 % of its portfolio in "qualifying assets" (the "55 % test") and at least another 25 % in additional qualifying assets or in "real estate- related" assets (the "25 % test") (with no more than 20 % comprised of miscellaneous assets). To the extent that our direct subsidiaries qualify only for either Section 3 (c) (1) or 3 (c) (7) exemptions from the Investment Company Act, we limit our holdings in those kinds of entities and in other investment securities so that we satisfy the 40 % test. Although we continuously monitor our and our subsidiaries' portfolios on an ongoing basis to determine compliance with that test, there can be no assurance that we will be able to maintain the exemptions from registration for us and each of our subsidiaries at all times. The method we use to classify our and our subsidiaries' assets for purposes of the Investment Company Act is based in large measure upon no- action positions taken by the SEC staff. These no- action positions were issued in accordance with factual situations that may be substantially different from the factual situations we may face, and a number of these no- action positions were issued decades ago. No assurance can be given that the SEC or its staff will concur with our classification of our or our subsidiaries' assets. In August 2011, the SEC solicited public comment on a wide range of issues relating to Section 3 (c) (5) (C), including the nature of the assets that qualify for purposes of the exemption and leverage used by mortgage- related vehicles. There can be no assurance that the laws and regulations governing the Investment Company Act status of companies primarily owning real estate- related assets, including more specific or different guidance regarding these exemptions from the SEC, will not change in a manner that adversely affects our operations. To the extent of such additional guidance regarding Section 3 (c) (5) (C) or any of the other matters bearing upon the definition of investment company and the exceptions to that definition, we may be required to adjust our investment strategy accordingly. Qualification for exemption from the definition of an investment company under the Investment Company Act limits our ability to make certain investments. For example, these restrictions limit our and our subsidiaries' ability to invest directly in mortgage- related securities that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations, certain real estate companies or assets not related to real estate. If we fail to qualify for these exemptions, or the SEC determines that companies that invest in RMBS are no longer able to rely on these exemptions, we could be required to (a) restructure our activities to avoid being required to register as an investment company, (b) effect sales of certain assets in a manner that, or at a time when, we would not otherwise choose to do so or (c) ~~we may be required to~~ register as an investment company under the Investment Company Act. Any of these outcomes could negatively affect the value of shares of our stock and our ability to make distributions to our stockholders. If we were required to register with the CFTC as a Commodity Pool Operator, it could materially adversely affect our business, financial condition and results of operations. Under the Dodd- Frank Act, the U. S. Commodity Futures Trading Commission, or the CFTC, was given jurisdiction over the regulation of swaps. Under rules implemented by the CFTC, companies that utilize swaps as part of their business model, including many mortgage REITs, may be deemed to fall within the statutory definition of Commodity Pool Operator, or CPO, and, absent relief from the CFTC' s Division of Swap Dealer and Intermediary Oversight, may be required to register with the CFTC as a CPO. As a result of numerous requests for no- action relief from CPO registration, in December 2012 the CFTC issued no- action relief entitled "No- Action Relief from the Commodity Pool Operator Registration Requirement for Commodity Pool Operators of Certain Pooled Investment Vehicles Organized as Mortgage Real Estate Investment Trusts," which permits a CPO to receive relief from registration requirements by filing a claim stating that the CPO meets the criteria specified in the no- action letter. We submitted a claim for relief within the required time period and believe we meet the criteria for such relief. There can be no assurance, however, that the CFTC will not modify or withdraw the no- action letter in the future or that we will be able to continue to satisfy the criteria specified in the no- action letter in order to qualify for relief from CPO registration. If we were required to register as a CPO in the future or change our business model to

ensure that we can continue to satisfy the requirements of the no- action relief, it could materially and adversely affect our financial condition, our results of operations and our ability to operate our business. Certain provisions of the Maryland General Corporation Law, or the MGCL, may have the effect of inhibiting a third- party from making a proposal to acquire us or of impeding a change in our 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 such shares. • We are subject to the " business combination" provisions of the MGCL that, subject to limitations, prohibit certain business combinations between us and an " interested stockholder" (defined generally as any person who beneficially owns 10 % or more of the voting power of our then outstanding voting shares or an affiliate or associate of ours who, at any time within the two- year period prior to the date in question, was the beneficial owner of 10 % or more of the voting power of our then outstanding voting shares) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder and, thereafter, imposes special stockholder voting requirements to approve these combinations unless the consideration being received by common stockholders satisfies certain conditions. Pursuant to the statute, our Board of Directors has, by resolution, exempted business combinations between us and any other person, provided that the business combination is first approved by our Board of Directors. This resolution, however, may be altered or repealed in whole or in part at any time. • The " control share" provisions of the MGCL provide that a holder of " control shares" of a Maryland corporation (defined as shares which, when aggregated with all other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in the election of directors) acquired in a " control share acquisition" (defined as the acquisition of " control shares," subject to certain exceptions) has no voting rights with respect to those shares 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 acquirer of control shares, and by our officers and our directors who are also our employees. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our shares. There can be no assurance that this provision will not be amended or eliminated in the future. • The " unsolicited takeover" provisions of the MGCL permit our Board of Directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, such as a classified board, some of which we do not yet have. Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit your recourse in the event of actions taken not in your best interest. Our charter limits the liability of our present and former directors and officers to us and to our stockholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law, our present and former directors and officers will not have any liability to us or our stockholders for money damages other than liability resulting from: • actual receipt of an improper benefit or profit in money, property or services; or • active and deliberate dishonesty by the director or officer that was established by a final judgment as being material to the cause of action. Our charter authorizes us, and our bylaws require us, to indemnify, and advance expenses to, each present and former director or officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. As a result, we and our stockholders may have more limited rights against our present and former directors and officers than might otherwise exist absent the current provisions in our charter and bylaws or that might exist with other companies. Investing in our common stock may involve a high degree of risk. Investors in our common stock may experience losses, volatility, and poor liquidity, and we may reduce or stop paying our dividends in a variety of circumstances. An investment in our common stock may involve a high degree of risk, particularly when compared to other types of investments. Risks related to the economy, the financial markets, our industry, our investing activity, our other business activities, our financial results, the amount of dividends we pay, the manner in which we conduct our business, and the way we have structured our operations could result in a reduction in, or the elimination of, the value of our common stock. The level of risk associated with an investment in our common stock may not be suitable for the risk tolerance of many investors. Investors may experience volatile returns and material losses. In addition, the trading volume of our common stock (i. e., its liquidity) may be insufficient to allow investors to sell their common stock when they want to or at a price they consider reasonable. Further, limited liquidity in the trading market for our common stock could adversely impact our ability to raise capital through future equity offerings that we may pursue in order to continue to grow our business. Our earnings, cash flows, book value, and dividends can be volatile and difficult to predict. Investors in our common stock should not rely on our estimates, projections, or predictions, or on management' s beliefs about future events. In particular, the sustainability of our earnings and our cash flows will depend on numerous factors, including our level of business and investment activity, our access to debt and equity financing, the returns we earn, the amount and timing of credit losses, prepayments, the expense of running our business, and other factors, including the risk factors described herein. As a consequence, although we seek to pay a regular common stock dividend that is sustainable, we may reduce our regular dividend rate, or stop paying dividends, in the future for a variety of reasons. We may not provide public warnings of dividend reductions prior to their occurrence. Changes to the amount of dividends we pay may result in a reduction in the value of our common stock. Future sales of our common stock by us or by our officers and directors may have adverse consequences for investors. We may issue additional shares of common stock, or securities convertible into, or exchangeable for, shares of common stock, in public offerings or private placements, and holders of our outstanding convertible notes or exchangeable securities may convert those securities into shares of common stock. In addition, we may issue additional shares of common stock to participants in any direct stock purchase and dividend reinvestment plan we may establish and to our directors, officers, and employees of our Manager under any employee stock purchase plan we may establish, our equity incentive plan, or other similar plans, including upon the exercise of, or in respect of, distributions on equity awards previously granted thereunder. We are not required to offer any such shares to existing ~~shareholders~~ **stockholders** on a preemptive basis. Therefore, it may not be possible for existing ~~shareholders~~ **stockholders** to participate in future share issuances, which may dilute existing ~~shareholders~~ **stockholders** interests in us. In addition, if market participants buy shares of common stock, or securities convertible into, or

exchangeable for, shares of common stock, in issuances by us in the future, it may reduce or eliminate any purchases of our common stock they might otherwise make in the open market, which in turn could have the effect of reducing the volume of shares of our common stock traded in the marketplace, which could have the effect of reducing the market price and liquidity of our common stock. As of March 4³, 2024²⁰²⁵, our directors, executive officers and our Manager beneficially owned, in the aggregate, approximately 4.2⁸% of our common stock (including approximately 3.2⁸% held by our directors and executive officers). Sales of shares of our common stock by our directors and officers are generally required to be publicly reported and are tracked by many market participants as a factor in making their own investment decisions. As a result, future sales by these individuals or our Manager could negatively affect the market price of our common stock.

~~Conversion of the Legacy WMC Convertible Notes may dilute the ownership interest of existing stockholders, which could cause our share price to decline. In connection with the WMC acquisition, one of our subsidiaries assumed, and the Company guaranteed the payment of, the \$86.25 million in aggregate principal of the Legacy WMC Convertible Notes originally issued by WMC. The Legacy WMC Convertible Notes are convertible into, at the Company's election, cash, shares of our common stock, or a combination of both, subject to the satisfaction of certain conditions and during specified periods. As a result of the WMC acquisition and pursuant to the terms of the Legacy WMC Convertible Notes, the right to convert each \$1,000 principal amount of the Legacy WMC Convertible Notes into shares of WMC Common Stock was changed into the right to convert such principal amount into the shares of our common stock and cash that a holder of 33.7952 (the applicable conversion rate immediately prior to the Effective Time) shares of WMC Common Stock would have been entitled to receive upon consummation of the WMC acquisition (subject to any settlement election by the Company under the Legacy WMC Convertible Notes). The conversion rate is subject to further adjustment upon the occurrence of certain specified events and the holders may require the Company to repurchase all or any portion of their notes for cash equal to 100% of the principal amount of the Legacy WMC Convertible Notes, plus accrued and unpaid interest, if the Company undergoes a fundamental change as specified in the supplemental indenture for the Legacy WMC Convertible Notes. The Legacy WMC Convertible Notes can be redeemed at the Company's option on or after June 15, 2024, and mature on September 15, 2024, unless earlier converted, redeemed, or repurchased by the holders pursuant to their terms. To the extent we issue shares of our common stock upon conversion of the Legacy WMC Convertible Notes, the conversion of some, or all of our Legacy WMC Convertible Notes, will dilute the ownership interests of existing stockholders and the market price of our common stock may be negatively affected.~~

We have not established a minimum distribution payment level and we cannot assure you of our ability to pay distributions in the future. We are generally required to distribute to our stockholders at least 90% of our REIT taxable income (excluding net capital gain and without regard to the deduction for dividends paid) each year for us to qualify as a REIT under the Code, which requirement we have historically satisfied through quarterly distributions of all or substantially all of our REIT taxable income in such year, subject to certain adjustments. Our ability to continue to pay quarterly dividends in the future may be adversely affected by a number of factors, including but not limited to, the risk factors described in this report. Further, we may consider paying future dividends, if at all, in shares of common stock, cash, or a combination of shares of common stock and cash. Any decision regarding the composition of such dividends would be made following an analysis and review of our liquidity, including our cash balances and cash flows, at the time of payment of the dividend. For example, we may determine to distribute shares of common stock in lieu of cash, or in combination with cash, in respect of our dividend obligations, which, among other things, could result in dilution to existing stockholders. Under IRS guidance, "publicly offered" REITs (i. e., REITs required to file annual and periodic reports with the SEC under the Exchange Act) are also permitted to make elective cash / stock dividends (i. e., dividends paid in a mixture of stock and cash), with a minimum percentage of the total distribution being paid in cash, to satisfy their REIT distribution requirements. Taxable stockholders receiving such distributions will be required to include the full amount of the distribution as ordinary income to the extent of our current and accumulated earnings and profits for U. S. federal income tax purposes. As a result, common stockholders may be required to pay income taxes with respect to such dividends in excess of cash received. If a U. S. stockholder sells the common stock that it receives as a dividend in order to pay this tax, the sale proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to certain non- U. S. stockholders, we or the applicable withholding agent may be required to withhold U. S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock. The market price of our common stock has been and may continue to be volatile and holders of our common stock could lose all or a significant portion of their investment due to drops in the market price of our common stock. The market price of our common stock has been and may continue to be volatile. Our stockholders may not be able to resell their common stock at or above the implied price at which they acquired such common stock or otherwise due to fluctuations in the market price of our common stock, including changes in market price caused by factors unrelated to our operating performance or prospects. Additionally, volatility and other factors may induce stockholder activism, which has been increasing in publicly traded companies in recent years, and could materially disrupt our business, operations and ability to make distributions to our stockholders. Specific factors that may have a significant effect on the market price of our common stock include, among others, the following:

- Our actual or anticipated financial condition, performance, and prospects and those of our competitors.
- The market for similar securities issued by other REITs and other competitors of ours.
- Changes in the manner that investors and securities analysts who provide research to the marketplace on us analyze the value of our common stock.
- Changes in recommendations or in estimated financial results published by securities analysts who provide research to the marketplace on us, our competitors, or our industry.
- General economic and financial market conditions, including, among other things, actual and projected interest rates, prepayments, and credit performance and the markets for the types of assets we hold or invest in.
- Changes in our dividend policy.
- Proposals to significantly change the manner in which financial markets, financial institutions, and related

industries, or financial products are regulated under applicable law, or the enactment of such proposals into law or regulation. • Reactions to public announcements by us. • Sales of common stock by us, our Manager, members of our management team or significant stockholders. • Other events or circumstances which undermine confidence in the financial markets or otherwise have a broad impact on financial markets, such as the sudden instability or collapse of large financial institutions or other significant corporations (whether due to fraud or other factors), terrorist attacks, natural or man-made disasters, the outbreak of pandemic or epidemic disease, or threatened or actual armed conflicts. Furthermore, these fluctuations do not always relate directly to the financial performance of the companies for which stock prices may be affected. As a result of these and other factors, investors who own our common stock could experience a decrease in the value of their investment, including decreases unrelated to our financial results or prospects.