

## Risk Factors Comparison 2025-02-13 to 2024-02-15 Form: 10-K

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

An investment in our stock involves a number of risks. Before making an investment decision, you should carefully consider all of the risks described in this annual report on Form 10-K. If any of the risks discussed in this annual report on Form 10-K actually occur, our business, financial condition and results of operations could be materially adversely affected. If this were to occur, the trading price of our stock could decline significantly and you may lose all or part of your investment. Readers should not consider any descriptions of these factors to be a complete set of all potential risks that could affect us. INDEX TO ITEM 1A. RISK FACTORS Page Summary of Risk Factors ~~13Risks~~ **Factors12Risks** Related to Our Liquidity and ~~Funding15Risks~~ **Funding14Risks** of Ownership of Our Common ~~Stock20Compliance~~ **Stock19Compliance**, Regulatory & Legal ~~Risks21Risks~~ **Risks20Risks** Related to Our Taxation as a ~~REIT26Counterparty~~ **REIT25Counterparty** Risks31Investment and Market Related ~~Risks32Operational~~ **Risks31Operational** and Cybersecurity ~~Risks36Other~~ **Risks37Other** Risks41 ~~Risks43~~ **Risks43** ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES Item 1A. Risk Factors • Our strategy involves the use of leverage, which increases the risk that we may incur substantial losses. • Our use of leverage may result in margin calls and defaults and force us to sell assets under adverse market conditions. • We may exceed our **overall Company** target leverage ratios. • We may not be able to **consistently** achieve our optimal leverage. • Failure to procure or renew funding on favorable terms, or at all, ~~would adversely affect~~ **affects** our results and financial condition. • ~~Failure to effectively~~ **Effectively** ~~manage~~ **managing** our liquidity ~~would adversely affect~~ **affects** our results and financial condition. • Volatile market conditions for our assets can result in contraction in liquidity for those assets and the related financing. • An increase in the interest payments on our borrowings relative to the interest we earn on our interest earning assets ~~may adversely affect~~ **affects** our profitability. • Differences in timing of interest rate adjustments on our interest earning assets and our borrowings ~~may adversely~~ affect our profitability. • It may be uneconomical to “roll” our TBA dollar roll transactions or we may be unable to meet margin calls on our TBA contracts. • Our use of derivatives ~~may expose~~ **exposes** us to counterparty and liquidity risks. • Securitizations expose us to additional risks. • Our use of non-recourse securitizations ~~may expose~~ **exposes** us to risks which could result in losses to us. • Counterparties may require us to enter into **restrictive** covenants ~~that restrict our investment strategy~~. • We may be unable to profitably execute or participate in future securitization transactions. • Our charter does not permit ownership of over 9.8% in number of shares or value of our common stock or any class of our preferred stock. • Provisions contained in Maryland law ~~may~~ have anti-takeover effects, potentially preventing investors from receiving a “control premium” for their shares. • We have not established a minimum dividend payment level and cannot assure stockholders of our ability to pay dividends in the future. • Our reported GAAP financial results may not be an accurate indicator of future taxable income and dividend distributions. • Accounting rules related to certain of our transactions are highly complex and involve significant judgment and assumptions. Our application of GAAP ~~may produce~~ **produces** financial results that fluctuate from one period to another. • ~~New~~ **Any new** laws **modifying** ~~may be passed affecting~~ the relationship between Fannie Mae, Freddie Mac and the federal government **could affect our business model or business operations**. • ~~The~~ **We** may be subject to liability for potential violations of truth **Truth** ~~in Lending~~ **Lending Act** or other similar consumer protection laws and regulations **expose an owner of whole mortgage loans and mortgage servicing rights to potential civil and administrative liability**. • ~~Our~~ **We** may not be able to maintain compliance with laws and regulations applicable to our Residential Credit and MSR businesses **are subject to complex and evolving legal and regulatory requirements**, including ~~how through the manner in which~~ **and are responsible for** the ~~actions~~ **compliance obligations** of our third-party service providers, **which exposes us to increased compliance, legal, and regulatory risk**. • Changes in laws or regulations governing our operations or our failure to comply with those laws or regulations ~~may adversely affect~~ **affects** our business. • The ~~increased~~ focus on **ESG environmental, social, and governance** and climate change issues by ~~some~~ investors, governmental bodies and other stakeholders, as well as existing and proposed laws and regulations related to these topics, ~~may adversely~~ **and any divergence in the approach to these subjects by investors, governmental bodies and other stakeholders, affect** ~~affects~~ our business ~~and~~, financial results and ~~damage our~~ reputation. • We are subject to complex and evolving laws, regulations, rules, standards and contractual obligations regarding data privacy and security, which ~~could increase~~ **increases** the cost of doing business, compliance risks and potential liability. • We are subject to risks and liabilities in connection with sponsoring, investing in and managing new funds and other investment accounts, including potential regulatory risks. • Loss of our Investment Company Act exemption from registration would adversely affect us. • Our failure to maintain our qualification as a REIT would have adverse tax consequences. • Our distribution requirements could adversely affect our ability to execute our business plan. • Distributions to tax-exempt investors may be classified as unrelated business taxable income. • We ~~may choose~~ **have flexibility** to pay dividends in our own stock. • Our TRSs cannot constitute more than 20% of our total assets. • TRSs are subject to tax at the regular corporate rates, are not required to distribute dividends, and the amount of dividends a TRS can pay to its parent REIT may be limited by REIT gross income tests. • If transactions between a REIT and a TRS are entered into on other than arm’s-length terms, the REIT may be subject to a penalty tax. • Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow. • Complying with REIT requirements may cause us to forgo otherwise attractive opportunities and may force us to liquidate otherwise attractive investments. • Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us. • The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to remain qualified as a REIT. • Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities. • Qualifying as a REIT involves highly technical and complex provisions of the Code. • The tax on

prohibited transactions limits our ability to engage in certain transactions. • Certain financing activities may subject us to U. S. federal income tax and could have negative tax consequences for our stockholders. • Uncertainty exists with respect to the treatment of our TBAs for purposes of the REIT asset and income tests. • Dividends payable by REITs generally receive different tax treatment than dividend income from regular corporations. • New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to remain qualified as a REIT. • The soundness of our counterparties and other financial institutions ~~could adversely affect~~ **affects** us. • We are subject to counterparty risk and may be unable to seek indemnity or require counterparties to repurchase residential whole loans if they breach representations and warranties, which could cause us to suffer losses. • Our rights under our repurchase and derivative agreements are subject to the effects of the bankruptcy laws in the event of the bankruptcy or insolvency of us or our lenders. • We may experience declines in the market value of our assets. • Investments in MSR ~~may~~ expose us to additional risks. • A prolonged economic slowdown or declining real estate values could impair the assets we may own. • An increase in interest rates ~~may adversely affect~~ **affects** the market value of our interest earning assets and, therefore, also our book value. • Actions by the Federal Reserve may affect the price and returns of our assets. • We invest in securities that are subject to mortgage credit risk. • Our investments in real estate and other securities are subject to changes in credit spreads as well as available market liquidity, which ~~could adversely~~ affect our ability to realize gains on the sale of such investments. • Geographic concentration exposes investors to greater risk of default and loss. • Inadequate property insurance coverage ~~could have an adverse impact~~ **impacts** on our operating results. • Our assets may become non- performing or sub- performing assets in the future. • We may be required to repurchase residential mortgage loans or indemnify investors if we breach representations and warranties. • Our and our third party service providers' and servicers' due diligence of potential assets may not reveal all of the weaknesses in such assets. • When we foreclose on an asset, we may come to own the property securing the loan. • Proposals to acquire mortgage loans by eminent domain ~~may adversely~~ affect the value of our assets. • Subordinated tranches of non- Agency mortgage- backed securities are subordinate in right of payment to more senior securities. • Our hedging strategies may be costly, and may not hedge our risks as intended. • We are subject to risks of loss from weather conditions, man- made or natural disasters and the direct and indirect effects of climate change. • ~~Reliance on inaccurate~~ **inaccurate** models or the data used by models ~~may expose~~ **exposes** us to risk. • We are highly dependent on information systems and networks, many of which are operated by third parties ; ~~and any failure of these systems or networks could materially and adversely affect our business.~~ • Cyberattacks or other information security breaches ~~could adversely~~ **of our Company' s, service providers' or counterparties' systems or networks** affect our business, reputation and financial condition . • **We may utilize artificial intelligence, which could expose us to liability and affect our business** . • We depend on third party service providers, including mortgage loan servicers and sub- servicers, for a variety of services related to our business. • Our investments in residential whole loans subject us to servicing- related risks. • The performance of loans underlying our MSR related assets **is** ~~may be adversely~~ affected by the performance of the related mortgage servicer . • ~~An increase or decrease in prepayment rates may adversely affect our profitability.~~ • We are subject to **prepayment rate risk.** • **We are subject to** reinvestment risk. • Competition may affect availability and pricing of our target assets. • We may enter into new lines of business, acquire other companies or engage in other strategic initiatives. • Some of our investments, including those related to non- prime loans, involve credit risk. • **Any inability** ~~If we are unable~~ to attract, motivate and retain qualified talent, including our key personnel, ~~it could materially and adversely affect~~ **affects** us. • The market price and trading volume of our shares of common stock may be volatile. • We may change our policies without stockholder approval. We expect our leverage to vary with market conditions and our assessment of risk / return on investments. We incur this leverage by borrowing against a substantial portion of the market value of our assets. Leverage, which is fundamental to our investment strategy, creates significant risks. The risks associated with leverage are more acute during periods of economic slowdown or recession. Because of our leverage, we **have in the past and** ~~may~~ **in the future** incur substantial losses if our borrowing costs increase, and we may be unable to execute our investment strategy if leverage is unavailable or is unavailable on attractive terms. The reasons our borrowing costs may increase or our ability to borrow may decline include, but are not limited to, the following: • short- term interest rates increase; • the market value of our investments available to collateralize borrowings decreases; • the “ haircut ” applied to our assets under the repurchase agreements or other secured financing arrangements increases; • interest rate volatility increases; • disruption in the repo market generally or the infrastructure, including technology infrastructure, that supports it; or • the availability of financing in the market decreases. Because of our leverage, a decline in the value of our interest earning assets **has in the past and** ~~may~~ **in the future** result in our lenders initiating margin calls. A margin call means that the lender requires us to pledge additional collateral to re- establish the ratio of the value of the collateral to the amount of the borrowing. Borrowings secured by our fixed- rate mortgage- backed securities generally are more susceptible to margin calls as increases in interest rates tend to more negatively affect the market value of fixed- rate securities. Margin calls are most likely in market conditions in which the unencumbered assets that we would use to meet the margin calls have also decreased in value. The risks associated with margin calls are more acute during periods of economic slowdown or recession. If we are unable to satisfy margin calls, our lenders may foreclose on our collateral. This could force us to sell our interest earning assets under adverse market conditions, or allow lenders to sell those assets on our behalf at prices that could be below our estimation of their value. Additionally, in the event of our bankruptcy, our borrowings, which are generally made under repurchase agreements, may qualify for special treatment under the U. S. Bankruptcy Code. This special treatment would allow the lenders under these agreements to avoid the automatic stay provisions of the U. S. Bankruptcy Code and to liquidate the collateral under these agreements without delay. We generally expect to maintain an **overall Company** economic leverage ratio of less than 10: 1. However, we are not required to stay below this economic leverage ratio. We may exceed this ratio by incurring additional debt without increasing the amount of equity we have. For example, if we increase the amount of borrowings under our master repurchase agreements **or other borrowing arrangements** with our existing or new counterparties or the market value of our portfolio declines, our economic leverage ratio

would increase. If we increase our economic leverage ratio, the adverse impact on our financial condition and results of operations from the types of risks associated with the use of leverage would likely be more severe. Our target economic leverage ratio is set for the portfolio as a whole, rather than separately for each asset type. The economic leverage ratio on Agency mortgage- backed securities **has in the past and may in the future** exceed the target ratio for the portfolio as a whole. Because credit assets are generally less levered than Agency mortgage- backed securities, at a given economic leverage ratio an increased allocation to credit assets generally means an increase in economic leverage on Agency mortgage- backed securities. The economic leverage on our Agency mortgage- backed securities is the primary driver of the risk of being unable to meet margin calls discussed above. We use leverage as a strategy to increase the return to our investors. However, we may not be able to **consistently** achieve our desired leverage if we determine that the leverage would expose us to excessive risk ~~;~~, our lenders do not make funding available to us at acceptable rates ~~;~~, or our lenders require that we provide additional collateral to cover our borrowings. One or more of our lenders could be unwilling or unable to provide us with financing. This ~~could~~ potentially **increase** our financing costs and **reduce** our liquidity. Furthermore, if any of our potential lenders or existing lenders ~~is~~ **are** unwilling or unable to provide us with financing or if we are not able to renew or replace maturing borrowings, we could be forced to sell our assets at an inopportune time when prices are depressed. Our business, results of operations and financial condition **have in the past and may in the future** be materially ~~adversely~~ affected by disruptions in the financial markets. We cannot assure you that ~~;~~ ~~under such extreme conditions~~, these markets will remain an efficient source of financing for our assets. If our strategy is not viable, we will have to find alternative forms of financing for our assets, which may not be available. Further, as a REIT, we are required to distribute annually at least 90 % of our REIT taxable income (subject to certain adjustments) to our stockholders and are, therefore, not able to retain significant amounts of our earnings for new investments. We cannot assure you that any, or sufficient, funding or capital will be available to us in the future on terms that are acceptable to us. If we cannot obtain sufficient funding on acceptable terms, there may be a negative impact on the market price of our common stock and our ability to make distributions to our stockholders. Moreover, our ability to grow will be dependent on our ability to procure additional funding. To the extent we are not able to raise additional funds through the issuance of additional equity or borrowings, our growth will be constrained. Our ability to meet cash needs depends on many factors, several of which are beyond our control. Ineffective management of liquidity levels could cause us to be unable to meet certain financial obligations. Potential conditions that could impair our liquidity include: unwillingness or inability of any of our potential lenders to provide us with or renew financing, margin calls, additional capital requirements applicable to our lenders, a disruption in the financial markets or declining confidence in our creditworthiness or in financial markets in general. These conditions ~~could~~ **have in the past and may in the future** force us to sell our assets at inopportune times or otherwise cause us to potentially revise our strategic business initiatives. Our results of operations are materially affected by conditions in the markets for mortgages and mortgage- related assets, including Agency mortgage- backed securities, as well as the broader financial markets and the economy generally. Significant adverse changes in financial market conditions can result in a deleveraging of the global financial system and the forced sale of large quantities of mortgage- related and other financial assets. Concerns over economic recession, pandemic diseases, geopolitical issues ~~including events such as the war in Ukraine~~, trade wars, unemployment, inflation, government actions to combat inflation, rising interest rates, the availability and cost of financing, the mortgage market, the repurchase agreement market ~~and~~, a declining real estate market or prolonged government shutdown may contribute to increased volatility and diminished expectations for the economy and markets. For example, as a result of the financial crises beginning in the summer of 2007 and through the subsequent credit and housing crisis, many traditional mortgage investors suffered severe losses in their residential mortgage portfolios and several major market participants failed or were impaired, resulting in a significant contraction in market liquidity for mortgage- related assets. This illiquidity negatively affected both the terms and availability of financing for all mortgage- related assets. ~~Further increased volatility~~ **Volatility** and deterioration in the markets for mortgages and mortgage- related assets as well as the broader financial markets may adversely affect the performance and market value of our Agency mortgage- backed securities. If these conditions exist, institutions from which we seek financing for our investments may tighten their lending standards or become insolvent, which could make it more difficult for us to obtain financing on favorable terms or at all. Our profitability and financial condition may be adversely affected if we are unable to obtain cost- effective financing for our investments. We generally earn money based upon the spread between the interest payments we earn on our interest earning assets and the interest payments we must make on our borrowings. ~~If Our~~ **profitability is affected if** the interest payments on our borrowings increase relative to the interest we earn on our interest earning assets ~~;~~ ~~our profitability may be adversely affected~~. A significant portion of our assets are longer- term, fixed- rate interest earning assets, and a significant portion of our borrowings are shorter- term, floating- rate borrowings. Periods of rising interest rates or a relatively flat or inverted yield curve could decrease or eliminate the spread between the interest payments we earn on our interest earning assets and the interest payments we must make on our borrowings. We rely primarily on short- term borrowings to acquire interest earning assets with long- term maturities. Some of the interest earning assets we acquire are adjustable- rate interest earning assets. This means that their interest rates may vary over time based upon changes in an objective index, such as: • Treasury Rate. A monthly or weekly average yield of benchmark U. S. Treasury securities, as published by the Federal Reserve Board. • Secured Overnight Financing Rate (“SOFR”). A measure of the cost of borrowing cash overnight collateralized by U. S. Treasury securities, as published by the Federal Reserve Bank of New York. • Term SOFR. A benchmark based on Secured Overnight Financing Rate futures, administered by CME Group. These indices generally reflect short- term interest rates. The interest rates on our borrowings similarly reflect short- term interest rates. Nevertheless, the interest rates on our borrowings generally adjust more frequently than the interest rates on our adjustable- rate interest earning assets, which are also typically subject to periodic and lifetime interest rate caps. Accordingly, in a period of rising interest rates, we could experience a decrease in net income or a net loss because the interest rates on our borrowings adjust faster than the interest rates on our adjustable- rate interest earning assets. From time to time, we enter into TBAs as an alternate means of

investing in and financing Agency mortgage- backed securities. A TBA contract is an agreement to purchase or sell, for future delivery, an Agency mortgage- backed security with a specified issuer, term and coupon. A TBA dollar roll represents a transaction where TBA contracts with the same terms but different settlement dates are simultaneously bought and sold. The TBA contract settling in the later month typically prices at a discount to the earlier month contract with the difference in price commonly referred to as the “ drop ”. The drop is a reflection of the expected net interest income from an investment in similar Agency mortgage- backed securities, net of an implied financing cost, that would be foregone as a result of settling the contract in the later month rather than in the earlier month. The drop between the current settlement month price and the forward settlement month price occurs because in the TBA dollar roll market, the party providing the implied financing is the party that would retain all principal and interest payments accrued during the financing period. Accordingly, TBA dollar roll income generally represents the economic equivalent of the net interest income earned on the underlying Agency mortgage- backed security less an implied financing cost. Consequently, dollar roll transactions and such forward purchases of Agency securities represent a form of off- balance sheet financing and increase our “ at risk ” leverage. The economic return of a TBA dollar roll generally equates to interest income on a generic TBA- eligible security less an implied financing cost, and there may be situations in which the implied financing cost exceeds the interest income, resulting in a negative carry on the position. If we roll our TBA dollar roll positions when they have a negative carry, the positions would decrease net income and amounts available for distributions to shareholders. There **have in the past and may in the future** be situations in which we are unable or unwilling to roll our TBA dollar roll positions. The TBA transaction could have a negative carry or otherwise be uneconomical, we may be unable to find counterparties with whom to trade in sufficient volume, or we may be required to collateralize the TBA positions in a way that is uneconomical. Because TBA dollar rolls represent implied financing, an inability or unwillingness to roll has effects similar to any other loss of financing. If we do not roll our TBA positions prior to the settlement date, we would have to take physical delivery of the underlying securities and settle our obligations for cash. We may not have sufficient funds or alternative financing sources available to settle such obligations. Counterparties may also make margin calls as the value of a generic TBA- eligible security (and therefore the value of the TBA contract) declines. Margin calls on TBA positions or failure to roll TBA positions could have the effects described in the liquidity risks described above. Most swaps that we enter into must be executed on a Swap Extension Facility and / or be cleared by a Derivatives Clearing Organization ( “ DCO ” ), both of which are regulated by the CFTC. DCOs are subject to regulatory oversight and use extensive risk management processes, which result in ~~additional~~ expenses and collateral requirements for our ~~swaps relative to uncleared~~ swaps. We access the DCO through several Futures Commission Merchants ( “ FCMs ” ). For any cleared swap, we bear the credit risk of both the DCO and the relevant FCM, in the form of potential late or unrecoverable payments, potential difficulty or delay in accessing collateral that we have posted, and potential loss of any positive market value of the swap position. In the event of a default by the DCO or FCM, we also bear market risk, if the asset or liability being hedged is no longer effectively hedged. We also bear fees for use of the DCO and Swap Execution Facility, as well as risks associated with trade errors. Because the standardized swaps available on Swap Execution Facilities and cleared through DCOs are not **as fully** customizable ~~as uncleared swaps~~, we may bear ~~additional~~ basis risk from hedge positions that do not exactly reflect the interest rate risk on the asset being hedged. Futures transactions are subject to risks analogous to those of cleared swaps, except that for futures transactions we bear a higher risk that collateral we have posted is unavailable to us if the FCM defaults. Some derivatives transactions, such as swaptions, are not currently required to be cleared through a DCO. Therefore, we bear the credit risk of the dealer with which we executed the swaption or other uncleared transaction. TBA contracts and swaps on CMBX indexes are also not cleared, and we bear the credit risk of the dealer. Certain derivative transactions are subject to margin requirements. The relevant contract or clearinghouse rules dictate the method of determining the required amount of margin, the types of collateral accepted and the timing required to meet margin calls. Additionally, for cleared swaps and futures, FCMs may have the right to require more margin than the clearinghouse requires. The requirement to meet margin calls can create liquidity risks, and we bear the cost of funding the margin that we post. Also, as discussed above, we bear credit risk if a dealer, FCM, or clearinghouse is holding collateral we have posted. Generally, we attempt to retain the ability to close out of a hedging position or create an offsetting position. However, in some cases we may not be able to do so at economically viable prices, or we may be unable to do so without consent of the counterparty. Therefore, in some situations a derivative position can be illiquid, forcing us to hold it to its maturity or scheduled termination date. It is possible that new regulations could be issued governing the derivatives market, including requiring additional types of derivatives to be executed on Swap Execution Facilities or cleared through a DCO. Ongoing regulatory change in this area could increase costs, increase risks, and adversely affect our business and results of operations. In a securitization structure, we convey a pool of assets to a special purpose vehicle, the issuing entity, and in turn the issuing entity issues one or more classes of non- recourse notes pursuant to the terms of an indenture. The notes are secured by the pool of assets. In exchange for the transfer of assets to the issuing entity, we receive the cash proceeds of the sale of non- recourse notes and a 100 % interest in certain subordinate interests of the issuing entity. The securitization of all or a portion of our residential loan portfolio might magnify our exposure to losses because any subordinate interest we retain in the issuing entity would be subordinate to the notes issued to investors and we would, therefore, absorb all of the losses sustained with respect to a securitized pool of assets before the owners of the notes experience any losses. Moreover, we cannot assure you that we will be able to access the securitization market or be able to do so at favorable rates. The inability to securitize our portfolio could adversely affect our performance and our ability to grow our business. We utilize non- recourse securitizations of our assets in mortgage loans, especially loans that we originate, when they are available. Prior to any such financing, we **have in the past sought and may in the future** seek to finance assets with relatively short- term facilities until a sufficient portfolio is accumulated. As a result, we would be subject to the risk that we would not be able to acquire, during the period that any short- term facilities are available, sufficient eligible assets to maximize the efficiency of a securitization. We also would bear the risk that we would not be able to obtain a new short- term facility or would not be able to

renew any short- term facilities after they expire should we need more time to seek and acquire sufficient eligible assets for a securitization. In addition, conditions in the capital markets, including potential volatility and disruption in the capital and credit markets, may not permit a non- recourse securitization at any particular time or may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets. While we would intend to retain the non- investment grade tranches of securitizations and, therefore, still have exposure to any assets included in such securitizations, our inability to enter into such securitizations would increase our overall exposure to risks associated with direct ownership of such assets, including the risk of default. Our inability to refinance any short- term facilities would also increase our risk because borrowings thereunder would likely be recourse to us as an entity. If we are unable to obtain and renew short- term facilities or to consummate securitizations to finance our assets 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. To the extent that we are unable to obtain financing for our assets, **and** to the extent that we retain such assets in our portfolio, our returns on investment and earnings will be negatively impacted. **Certain** ~~If or when we obtain debt financing,~~ **lenders and counterparties** (especially in the case of ~~credit facilities~~) may impose restrictions on us that would affect our ability to incur additional debt, make certain allocations or acquisitions, ~~reduce~~ **allow** liquidity **or stockholders' equity to fall** below certain levels, **increase leverage,** make distributions to our stockholders, or redeem debt or equity securities, and may impact our flexibility to determine our operating policies and strategies. ~~We may~~ **In some situations, these restrictions could be breached due to changes in the market value of our assets or liabilities. One way to avoid breaching certain of these restrictions is to** sell assets or reduce leverage at an inopportune time ~~to avoid breaching these restrictions.~~ **Failing** ~~If we fail~~ to meet or satisfy any of these covenants **is a** ~~we would be in~~ default under these agreements, and our lenders **or counterparties** could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral and enforce their interests against existing collateral. ~~We may also be subject to~~ **A default under one agreement can trigger** cross- default ~~and acceleration rights~~ **under** ~~and, with respect to collateralized debt, the other agreements~~ **posting of additional collateral and foreclosure rights upon default** . A default and resulting repayment acceleration could significantly reduce our liquidity, which could require us to sell our assets to repay amounts due and outstanding. This could also significantly harm our business, financial condition, results of operations and ability to make distributions, which could cause our share price to decline. A default could also significantly limit our financing alternatives such that we would be unable to pursue our leverage strategy, which could adversely affect our returns. There are a number of factors that can have a significant impact on whether we are able to execute or participate in a securitization transaction, and whether such a transaction is profitable to us or results in a loss. One of these factors is the price we pay for the mortgage loans that we securitize, which, in the case of residential mortgage loans, is impacted by the level of competition in the marketplace for acquiring mortgage loans and the relative desirability to originators of retaining mortgage loans as investments or selling them to third parties such as us. As such, we can provide no assurance that we will be able to identify and make investments in residential mortgage loans at attractive levels and pricing, which could adversely affect our ability to execute future securitizations in this space. Another factor that impacts the profitability of a securitization transaction is the cost to us of the short- term warehouse financing facilities that we use to finance our holdings of mortgage loans prior to securitization, which cost is affected by a number of factors including the availability of this type of financing to us, the interest rate on this type of financing, the duration of the financing we incur, and the percentage of our mortgage loans for which third parties are willing to provide short- term financing. After we acquire mortgage loans that we intend to securitize, we can also suffer losses if the value of those loans declines prior to securitization. Declines in the value of a mortgage loan, for example, can be due to, among other things, changes in interest rates, changes in the credit quality of the loan, and changes in the projected yields required by investors to invest in securitization transactions. To the extent we seek to hedge against a decline in loan value due to changes in interest rates, there is a cost of hedging that also affects whether a securitization is profitable. Other factors that can significantly affect whether a securitization transaction is profitable to us include the criteria and conditions that rating agencies apply and require when they assign ratings to the mortgage- backed securities issued in our securitization transactions, including the percentage of mortgage- backed securities issued in a securitization transaction that the rating agencies will assign a triple- A rating to, which is also referred to as a rating agency subordination level. Rating agency subordination levels can be impacted by numerous factors, including, without limitation, the credit quality of the loans securitized, the geographic distribution of the loans to be securitized, the structure of the securitization transaction and other applicable rating agency criteria. All other factors being equal, the greater the percentage of the mortgage- backed securities issued in a securitization transaction that the rating agencies will assign a triple- A rating to, the more profitable the transaction will be to us. The price that investors in mortgage- backed securities will pay for securities issued in our securitization transactions also has a significant impact on the profitability of the transactions to us, and these prices are impacted by numerous market forces and factors. In addition, the underwriter (s) or placement agent (s) we select for securitization transactions, and the terms of their engagement, ~~can also impact~~ **impacts** the profitability of our securitization transactions. Also, transaction costs incurred in executing transactions impact the profitability of our securitization transactions and any liability that we may incur, or may be required to reserve for, in connection with executing a transaction can cause a loss to us. To the extent that we are not able to profitably execute future securitizations of residential mortgage loans or other assets, including for the reasons described above or for other reasons, it could have a material adverse impact on our business and financial results. To maintain our qualification as a REIT for U. S. federal income tax purposes, not more than 50 % in value of the outstanding shares of our capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the federal tax laws to include certain entities). For the purpose of preserving our REIT qualification and for other reasons, our charter prohibits direct or constructive ownership by any person of more than 9. 8 % of the total number or value of any class of our outstanding common stock or any class of our preferred stock. Our charter' s constructive ownership rules are complex and may cause the outstanding stock 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 9.8% of the outstanding shares of any class of common stock or any class of our preferred stock by an individual or entity could cause that individual or entity to own constructively in excess of 9.8% of the outstanding shares of such class of stock and thus be subject to our charter's ownership limit. Any attempt to own or transfer shares of our common stock or preferred stock in excess of the ownership limit without the consent of the Board shall be void, or, alternatively, will result in the shares being transferred by operation of law to a charitable trust. Our Board, in its sole and absolute discretion, may waive or modify the ownership limit with respect to one or more persons who would not be treated as "individuals" if it is satisfied that ownership in excess of this limit will not otherwise jeopardize our status as a REIT for U.S. federal income tax purposes. The ownership limit may have the effect of delaying, deferring or preventing a change in control and, therefore, could adversely affect our stockholders' ability to realize a premium over the then-prevailing market price for our stock in connection with a change in control. Provisions contained in our charter and bylaws, as well as the Maryland General Corporation Law (the "MGCL"), may have anti-takeover effects that could delay, defer or prevent a takeover attempt, which may prevent stockholders from receiving a "control premium" for their shares. For example, these provisions may defer or prevent tender offers for our common stock or purchases of large blocks of our common stock, thereby limiting the opportunities for our stockholders to receive a premium for their common stock over then-prevailing market prices. These provisions include the following:

- **Ownership limit.** The ownership limit in our charter limits related investors including, among other things, any voting group, from acquiring over 9.8% of any class our common stock or of our preferred stock, in each case, in number of shares or value, without the consent of our Board.
- **Preferred Stock.** Our charter authorizes our Board to issue preferred stock in one or more classes and to establish the preferences and rights of any class of preferred stock issued. These actions can be taken without soliciting stockholder approval.
- **Maryland Business Combination Act.** The Maryland Business Combination Act provides that, subject to certain exceptions and limitations, certain business combinations between a Maryland corporation and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock or an affiliate or associate of ours who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then outstanding shares of stock) or an affiliate of any interested stockholder are prohibited for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes two super-majority stockholder voting requirements on these combinations, unless, among other conditions, our common stockholders receive a minimum price, as defined in the MGCL, for their shares of stock and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares of stock. We have opted out of the Maryland Business Combination Act in our charter. However, if we amend our charter to opt back in to the statute, subject to stockholder approval, the Maryland Business Combination Act could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if our acquisition would be in our stockholders' best interests.
- **Maryland Control Share Acquisition Act.** The Maryland Control Share Acquisition Act provides that, subject to certain exceptions, holders of "control shares" (defined as voting shares that, when aggregated with all other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding shares owned by the acquirer, by our officers, or by our employees who are also directors of our company. We are currently subject to the Maryland Control Share Acquisition Act.
- **Title 3, Subtitle 8 of the MGCL:** These provisions of the MGCL permit our Board of Directors, without stockholder approval and regardless of what is provided in our charter or bylaws, to implement certain takeover defenses, including adopting a classified board or increasing the vote required to remove a director. We intend to pay quarterly dividends and to make distributions to our stockholders in amounts such that all or substantially all of our taxable income in each year (subject to certain adjustments) is distributed. This enables us to qualify for the tax benefits accorded to a REIT under the Code. We have not established a minimum dividend payment level and our ability to pay dividends may be adversely affected for the reasons described in this section. All distributions will be made at the discretion of our Board and will depend on our earnings, our financial condition, maintenance of our REIT status and such other factors as our Board may deem relevant from time to time. Generally, the cumulative net income we report over the life of an asset will be the same for GAAP and tax purposes, although the timing of this income recognition over the life of the asset could be materially different. Differences exist in the accounting for GAAP net income and REIT taxable income that **can have in the past and may in the future** lead to significant variances in the amount and timing of when income and losses are recognized under these two measures. Due to these differences, our reported GAAP financial results could materially differ from our determination of taxable income. Accounting rules for valuations of investments, mortgage loan sales and securitizations, investment consolidations, acquisitions of real estate and other aspects of our operations are highly complex and involve significant judgment and assumptions. These complexities could lead to a delay in preparation of financial information and the delivery of this information to our stockholders. Changes in accounting interpretations or assumptions **could have in the past and may in the future** impact our financial statements and our ability to prepare our financial statements in a timely fashion. Our inability to prepare our financial statements in a timely fashion in the future would likely adversely affect our share price significantly. The fair value at which our assets may be recorded may not be an indication of their realizable value. Ultimate realization of the value of an asset depends to a great extent on economic and other conditions. Further, fair value is only an estimate based on good faith judgment of the price at which an investment can be sold since market prices of investments can only be determined by negotiation between a willing buyer and seller. If we were to liquidate a particular asset, the realized value may be more than or less than the amount at which such asset was recorded. Accordingly, the value of our common shares **could have in the past and may in the future** be adversely affected by our determinations regarding the fair value of our investments, whether in the applicable period or in the future. Additionally, such valuations may fluctuate over

short periods of time. We have made certain accounting elections which may result in volatility in our periodic net income, as computed in accordance with GAAP. For example, changes in fair value of certain instruments are reflected in GAAP net income (loss) while others are reflected in Other comprehensive income (loss). The interest and principal payments we expect to receive on the Agency mortgage- backed securities in which we invest are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. Principal and interest payments on Ginnie Mae certificates are directly guaranteed by the U. S. government. Principal and interest payments relating to the securities issued by Fannie Mae and Freddie Mac are only guaranteed by each respective Agency. In September 2008, Fannie Mae and Freddie Mac were placed into the conservatorship of the FHFA, their federal regulator, pursuant to its powers under The Federal Housing Finance Regulatory Reform Act of 2008, a part of the Housing and Economic Recovery Act of 2008. In addition to FHFA becoming the conservator of Fannie Mae and Freddie Mac, the U. S. Department of the Treasury entered into Preferred Stock Purchase Agreements with the FHFA and have taken various actions intended to provide Fannie Mae and Freddie Mac with additional liquidity in an effort to ensure their financial stability. **In-For example, in** September 2019, FHFA and the U. S. **Department of the Treasury** Department agreed to modifications to the Preferred Stock Purchase Agreements that will permit Fannie Mae and Freddie Mac to maintain capital reserves of \$ 25 billion and \$ 20 billion, respectively. **Shortly after** **In January 2025, the FHFA and the U. S. Department of the Treasury under the Biden Administration announced an agreement with each of Fannie Mae and Freddie Mac to modify the Preferred Stock Purchase Agreements to help ensure that the eventual release of Fannie Mae and Freddie Mac from conservatorship will be orderly and reflect certain existing practices. In addition, under a separate side letter from FHFA to the U. S. Department of the Treasury, FHFA will solicit public input, before releasing either Fannie Mae or Freddie Mac from conservatorship, regarding the potential impacts on the housing market and Fannie Mae and Freddie Mac. Since** Fannie Mae and Freddie Mac were placed in federal conservatorship, the **Secretary of the U. S. Treasury suggested that the** guarantee payment structure of Fannie Mae and Freddie Mac in the U. S. housing finance market **should be** **has been discussed and re- examined by regulators and administrations. Members of the Trump Administration have recently discussed changes to Fannie Mae and Freddie Mac, although any final changes or approach remains uncertain.** 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. The U. S. Treasury could also stop providing credit support to Fannie Mae and Freddie Mac in the future. Any changes to the nature of the guarantees provided by Fannie Mae and Freddie Mac could redefine what constitutes an Agency mortgage- backed security and could have broad adverse market implications. While the likelihood that major mortgage finance system reform will be enacted in the short term remains uncertain **due to political and practical complexities of the topic** , it is possible that the adoption of any such reforms could adversely affect the types of assets we can buy, the costs of these assets and our business operations. A reduction in the ability of mortgage loan originators to access Fannie Mae and Freddie Mac to sell their mortgage loans may adversely affect the mortgage markets generally and adversely affect the ability of mortgagors to refinance their mortgage loans. In addition, any decline in the value of securities issued by Fannie Mae and Freddie Mac may affect the value of MBS in general. If Fannie Mae or Freddie Mac was eliminated, or their structures were to change in a material manner that is not compatible with our business model, we would not be able to acquire Agency mortgage- backed securities from these entities, which could adversely affect our business operations. Residential mortgage loan originators and servicers are required to comply with various federal, state and local laws and regulations, including anti- predatory lending laws and laws and regulations imposing certain restrictions on requirements on high- cost loans. For example, the federal Home Ownership and Equity Protection Act of 1994 (“ HOEPA ”), prohibits inclusion of certain provisions in residential mortgage loans that have mortgage rates or origination costs in excess of prescribed levels and requires that borrowers be given certain disclosures prior to origination. Failure of residential mortgage loan originators or servicers to comply with these laws, to the extent any of their residential mortgage loans become part of our investment portfolio, could subject us, as an assignee or purchaser of the related residential mortgage loans, to reputational harm, monetary penalties and the risk of the borrowers rescinding the affected residential mortgage loans. Lawsuits have been brought in various states making claims against assignees or purchasers of high- cost loans for violations of state law. Named defendants in these cases have included numerous participants within the secondary mortgage market. If loans in our portfolio are found to have been originated in violation of predatory or abusive lending laws, we could incur losses that would materially adversely affect our business. Our business is subject to, or affected by, numerous regulations, including regulations regarding mortgage loan servicing, underwriting, and loan originator compensation and others that could be issued in the future. For example, the CFPB’ s “ ability- to- repay ” and “ qualified mortgage ” regulations impact the terms and conditions of all originated residential mortgage loans. Additionally, the CFPB has enforcement authority and broad discretionary regulatory authority to prohibit or condition terms, acts or practices relating to residential 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 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 compliance obligations in laws, regulations, and investigative procedures concerning the mortgage industry generally. As a result, we are unable to fully predict how laws or regulations that may be adopted in the future, will affect our business, results of operations and financial condition, or the environment for repurchase financing and other forms of borrowing, the investing environment for Agency MBS, non- Agency mortgage- backed securities and / or residential mortgage, and MSR. Some states have enacted, or may enact, similar laws or regulations, which in some cases may impose restrictions and requirements greater than those in place under federal laws and regulations. In addition, under the anti- predatory lending laws of some states, the origination of certain residential mortgage loans, including loans that are classified as “ high cost ” loans under applicable law, must satisfy a net tangible benefits test with respect to the borrower. This test, as well as certain standards set forth in the “ ability- to- repay ” and “ qualified mortgage ” regulations, may be highly subjective and open to interpretation. As

a result, a court may determine that a residential mortgage loan did not meet the applicable standard or test even if the originator reasonably believed such standard or test had been satisfied. Failure of residential mortgage loan originators or servicers to comply with federal consumer protection 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 and defenses to foreclosure, including by recoupment or setoff of damages and costs, which for some violations included the sum of all finance charges and fees paid by the consumer, and could result in rescission of the affected residential mortgage loans, which could adversely impact our business and financial results. The CFPB and other regulators (including the Federal Trade Commission) have provided multiple forms of guidance **and promulgated multiple rules** on the general subject of **what the CFPB refers to as “junk fees.”** **As For example, in April 2024, there-- the** ~~has been no formal definition of~~ **CFPB took certain actions intended to stop illegal “junk fees” proposed in the mortgage servicing industry, and in May 2024, the CFPB launched a public inquiry into “junk fees” associated with respect to mortgage closing costs. It** ~~lending or servicing, it is possible that industry standard charges could be impacted through future regulatory action. The cost of whole loans and the servicing income derived from owning MSR could be affected by the CFPB categorizing any currently permissible fee or charge as “junk.”~~ **We may not be able to maintain compliance with laws and regulations applicable to our Residential Credit or MSR businesses, including through the manner in which we oversee the compliance obligations of our third-party service providers.** While we are not required to obtain licenses to purchase mortgage-backed securities, the purchase of residential mortgage loans and certain business purpose mortgage loans in the secondary market **may, in some circumstances, require requires** us to maintain various state licenses. Acquiring the right to service residential mortgage loans and certain business purpose mortgage loans **may also ; in some circumstances, require requires** us to maintain various state licenses, even though we currently do not expect to directly engage in loan servicing ourselves. **As a result, we could be delayed in conducting certain business if we were first required to obtain a state license. We cannot assure you that we will be able to obtain all of the licenses we need or that we would not experience significant delays in obtaining these licenses.** Furthermore, **once licenses are issued** we are required to comply with various information reporting and other regulatory requirements to maintain **those our** licenses, and there is no assurance that we will be able to satisfy those requirements or other regulatory requirements applicable to our **business businesses** of acquiring **and servicing** mortgage loans on an ongoing basis. Our failure to obtain or maintain required licenses or our failure to comply with regulatory requirements that are applicable to our **business businesses** of acquiring **and servicing** mortgage loans may restrict our **residential Residential credit Credit and MSR business businesses** and investment options and could harm our **business businesses** and expose us to penalties or other claims. Although we utilize unaffiliated servicing companies to carry out the actual servicing of MSR and the loans we purchase together with the related MSR (including all direct interface with the borrowers), we are ultimately responsible, vis-à-vis the borrowers and state and federal regulators, for ensuring that the loans and MSR are serviced in accordance with the terms of the related **notes loans** and mortgages and applicable law and regulation. To manage this risk, we have a robust ~~oversight~~ **regulator** process that monitors the activities of the third party servicers. This oversight process is also subject to **to** regulatory requirements and expectations that we are expected to meet. We are subject to regulation by laws at the local, state and federal level, including securities and tax laws and financial accounting and reporting standards. These laws and regulations, as well as their interpretation, may be changed from time to time and result in enhanced disclosure obligations. **These regulations are complex, and including with respect to climate change or other-- there is no assurance that a court** ~~regulatory--~~ **regulator** ~~burden~~ **will not determine that we have materially failed to comply**. Accordingly, any change in these laws or regulations or the failure to comply with these laws or regulations could have a material adverse impact on our business. Certain of these laws and regulations pertain specifically to REITs. **The focus on environmental, social, and governance and climate change issues by some investors, governmental bodies and other stakeholders, as well as existing and proposed laws and regulations related to these topics, and any divergence in the approach to these subjects by different investors, governmental bodies and other stakeholders, affects our business, financial results and reputation.** Our business faces increasing public scrutiny related to **ESG environmental, social, and governance** activities, which are increasingly considered ~~to contribute to reducing a company’s operational risk, market risk and reputational risk, which may in turn impact the long-term sustainability of a company’s performance.~~ A variety of organizations measure the performance of companies on **ESG such** topics, and the results of these assessments are widely publicized. Major institutional investors have publicly emphasized the importance of such **ESG** measures to their investment decisions. **These ESG and climate change** issues are also increasingly important to the general public and the media, and actual or perceived underperformance with respect to these topics could result in negative press or sentiment with respect to our business. In addition, actual or perceived effects of climate change could negatively impact house prices, housing-related costs, and borrower behavior. There is also ~~growing~~ **growing** governmental and regulatory interest across jurisdictions in improving the definition, measurement and disclosure of **ESG environmental, social, and governance** factors in order to allow investors to validate and better understand **ESG**-related claims. To the extent we communicate **ESG environmental, social, and governance** or climate-related statements, initiatives, commitments or goals in our SEC filings or in other disclosures, we face the risk of being accused of “greenwashing” to the extent our practices and policies do not match such claims. In addition, the SEC has established a climate and **ESG environmental, social, and governance** task force to develop initiatives to identify **ESG**-related misconduct consistent with increased investor reliance on climate and **ESG environmental, social, and governance** related disclosure and investment. As a result, the SEC has **brought** ~~started to bring~~ enforcement actions based on **ESG such** disclosures not matching actual investment processes. In addition, the SEC ~~is working on proposals for mandatory~~ **under the Biden Administration finalized a rule requiring the** disclosure of certain **ESG**-related matters, including with respect to greenhouse gas emissions and climate ~~change-~~ related risks; **however, its enforcement has been stayed pending litigation challenging the rule. It remains to be seen what impact the Trump Administration will have on the SEC’s climate rule** and **the SEC’s climate and environmental, social, and governance**

task force and enforcement actions more generally; however, President Trump's campaign indicated that his administration will likely take a different approach to environmental, social and governance matters. In addition, in recent years "anti- environmental, social and governance " sentiment has increased in parts of the U. S., with several states and Congress having proposed or enacted " anti- environmental, social and governance " policies, legislation, or initiatives or issued related legal opinions. As such, we face increased scrutiny from stakeholders and governmental bodies who have diverging views related to business practices and company activities related to environmental, social and governance topics and climate change, which could result in reputational harm, litigation and other adverse consequences. ~~similar~~ Similar laws and regulations related to the disclosure and / or diligence of ESG- environmental, social, and governance and climate change- related risks have been enacted or proposed in U. S. states such as California, as well as the European Union and other jurisdictions. **In addition, going forward, different jurisdictions at the state, federal and international level may pursue diverging approaches to environmental, social and governance and climate change-related matters.** Compliance with any such new laws or regulations , and any diverging approaches to such laws and regulations in different jurisdictions, increases our regulatory burden and could make compliance more difficult and expensive, affect the manner in which we conduct our business and adversely affect our profitability and returns to our investors. We are subject to complex and evolving laws, regulations, rules, standards and contractual obligations relating to data privacy and the security of personal information, and any failure to comply with these laws, regulations, rules, standards and contractual obligations could expose us to liability and / or reputational damage. The legal and regulatory environment surrounding data privacy and security in the U. S. and international jurisdictions is constantly evolving. New business initiatives have increased, and may continue to increase, the extent to which we are subject to such U. S. and international data privacy and security regulations. As new data privacy and security- related laws, regulations, rules and standards are implemented, the time and resources needed for us to comply with such laws, regulations, rules and standards, as well as our potential liability for non-compliance and reporting obligations in the case of cyberattacks, information security breaches or other similar incidents, may significantly increase. Compliance with these laws, regulations, rules and standards may require us to change our policies, procedures and technology for information security, which could, among other things, make us more vulnerable to operational failures and to monetary penalties for breach of such laws, regulations, rules and standards. In the U. S., there are numerous federal, state and local data privacy and security laws and regulations governing the collection, sharing, use, retention, disclosure, security, storage, transfer and other processing of personal information. At the federal level, we are subject to, among other laws and regulations, the Gramm Leach Bliley Act (which regulates the confidentiality and security of customer information obtained by financial institutions and certain other types of financial services businesses) and regulations under it. Additionally, numerous states have enacted, or are in the process of enacting or considering, comprehensive state- level data privacy and security laws and regulations. Moreover, laws in all 50 U. S. states require businesses to provide notice under certain circumstances to consumers whose personal information has been disclosed as a result of a data breach. Further, when required by applicable laws, regulations, rules and industry standards, we strive to provide or cause our service providers to provide privacy policies which are accurate and comprehensive. We cannot, however, ensure that the disclosure of these privacy policies and other statements regarding our practices will be sufficient to protect us from claims, proceedings, liability or adverse publicity relating to data privacy and security or with respect to the legally permissible sharing of data. Although we endeavor to comply with our privacy policies and to ensure our service providers do the same, occurrence of noncompliance or allegations of noncompliance are possible and could subject us to potential government or legal action, including action based on ~~argument~~ **arguments** that the publication of these policies were deceptive, unfair, or misrepresentative of our actual practices. Any concerns about our data privacy and security practices, even if unfounded, could damage our reputation and adversely affect our business. Any failure or perceived failure by us to comply with our privacy policies, or applicable data privacy and security laws, regulations, rules, standards or contractual obligations, or any compromise of security that results in unauthorized access to, or unauthorized loss, destruction, use, modification, acquisition, disclosure, release or transfer of personal information, may result in requirements to modify or cease certain operations or practices, the expenditure of substantial costs, time and other resources, proceedings or actions against us, legal liability, governmental investigations, enforcement actions, claims, fines, judgments, awards, penalties, sanctions and costly litigation (including class actions). Any of the foregoing could harm our reputation, distract our management and technical personnel, increase our costs of doing business, adversely affect the demand for our products and services, and ultimately result in the imposition of liability, any of which could have a material adverse effect on our business, financial condition and results of operations. We have, and may in the future, sponsor, manage and serve as general partner and / or manager of new funds or investment accounts. Such sponsorship and management of, and investment in, such funds and accounts may involve risks not otherwise present with a direct investment in such funds' and accounts' target investments, including, for example: • the possibility that investors in the funds / accounts might become bankrupt or otherwise be unable to meet their capital commitment obligations; • that operating and / or management agreements of a fund / account may restrict our ability to transfer or liquidate our interest when we desire or on advantageous terms; • that our relationships with the investors will be generally contractual in nature and may be terminated or dissolved under the terms of the agreements, or we may be removed as general partner and / or manager (with or without cause), and in such event, we may not continue to manage or invest in the applicable fund / account; • that disputes between us and the investors may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business and result in subjecting the investments owned by the applicable fund / account to additional risk; and • that we may incur liability for obligations of a fund / account by reason of being its general partner or manager. We have a subsidiary that is registered with the SEC as an investment adviser under the Investment Advisers Act. As a result, we are subject to the anti-fraud provisions of the Investment Advisers Act and to fiduciary duties derived from these provisions that apply to our relationships with that subsidiary' s clients. These provisions and duties impose restrictions and obligations on us with respect to

our dealings with our subsidiary's clients, including, for example, restrictions on agency, cross and principal transactions. Our registered investment adviser subsidiary is subject to periodic SEC examinations and other requirements under the Investment Advisers Act and related regulations primarily intended to benefit advisory clients. These additional requirements relate to, among other things, maintaining an effective and comprehensive compliance program, recordkeeping and reporting requirements and disclosure requirements. The Investment Advisers Act generally grants the SEC broad administrative powers, including the power to limit or restrict an investment adviser from conducting advisory activities in the event it fails to comply with federal securities laws. Additional sanctions that may be imposed for failure to comply with applicable requirements under the Investment Advisers Act include the prohibition of individuals from associating with an investment adviser, the revocation of registrations and other censures and fines. We may in the future be required to register one or more entities as a commodity pool operator or commodity trading adviser, subjecting those entities to the regulations and oversight of the Commodity Futures Trading Commission and the National Futures Association. We may also become subject to various international regulations on the asset management industry. We intend to conduct our business so as not to become regulated as an investment company under the Investment Company Act. We currently rely on the exemption from registration provided by Section 3 (c) (5) (C) of the Investment Company Act. Section 3 (c) (5) (C), as interpreted by the staff of the SEC, requires us to invest at least 55 % of our assets in "mortgages and other liens on and interest in real estate" ("Qualifying Real Estate Assets") and at least 80 % of our assets in Qualifying Real Estate Assets plus our ~~interests in MSR and~~ other real estate related assets. The assets that we acquire, therefore, are limited by this provision of the Investment Company Act and the rules and regulations promulgated under the Investment Company Act. We rely on an SEC interpretation that "whole pool certificates" that are issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae ("Agency Whole Pool Certificates") are Qualifying Real Estate Assets under Section 3 (c) (5) (C). This interpretation was promulgated by the SEC staff in a no-action letter in the 1980s, was reaffirmed by the SEC in 1992 and has been commonly relied upon by mortgage REITs. On August 31, 2011, the SEC issued a concept release titled "Companies Engaged in the Business of Acquiring Mortgages and Mortgage-Related Instruments" (SEC Release No. IC-29778). In this concept release, the SEC announced it was reviewing interpretive issues related to the Section 3 (c) (5) (C) exemption. Among other things, the SEC requested comments on whether it should revisit whether Agency Whole Pool Certificates may be treated as interests in real estate (and presumably Qualifying Real Estate Assets) and whether companies, such as us, whose primary business consists of investing in Agency Whole Pool Certificates are the type of entities that Congress intended to be encompassed by the exclusion provided by Section 3 (c) (5) (C). If the SEC changes its views regarding which securities are Qualifying Real Estate Assets or real estate related assets, adopts a contrary interpretation with respect to Agency Whole Pool Certificates or otherwise believes we do not satisfy the exemption under Section 3 (c) (5) (C), we could be required to restructure our activities or sell certain of our assets. The net effect of these factors will be to lower our net interest income, which could negatively affect the market price of shares of our capital stock and our ability to distribute dividends. If we fail to qualify for exemption from registration as an investment company, our ability to use leverage would be substantially reduced, and we would not be able to conduct our business as described. Our business will be materially and adversely affected if we fail to qualify for this exemption. We believe that since 1997 we have qualified for taxation as a REIT for U. S. federal income tax purposes under Sections 856 through 860 of the Code. We plan to continue to meet the requirements for taxation as a REIT. The determination that we are a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to maintain our qualification as a REIT, at least 75 % of our gross income must come from real estate sources and 95 % of our gross income must come from real estate sources and certain other sources that are itemized in the REIT tax laws. Additionally, our ability to satisfy the REIT asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to precise determination, and for which we will not obtain independent appraisals. The proper classification of an instrument as debt or equity for U. S. federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT asset requirements. We are also required to distribute to stockholders at least 90 % of our REIT taxable income (determined without regard to the deduction for dividends paid and by excluding any net capital gain). Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, Congress and the Internal Revenue Service ("IRS") might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult or impossible for us to remain qualified as a REIT. We also indirectly own interests in entities that have elected to be taxed as REITs under the U. S. federal income tax laws, or "Subsidiary REITs." Subsidiary REITs are subject to the various REIT qualification requirements that are applicable to us. If any 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 maintain our qualification as a REIT unless we could avail ourselves of certain relief provisions. While we believe that the Subsidiary REITs have qualified as REITs under the Code, we have joined each Subsidiary REIT in filing "protective" TRS elections under Section 856 (l) of the Code. We cannot assure you that such "protective" TRS elections would be effective to avoid adverse consequences to us. Moreover, even if the "protective" **TRS** elections were to be effective, the Subsidiary REITs would be subject to regular corporate income tax, and we cannot assure you that we would not fail to satisfy the requirement that not more than 20 % of the value of our total assets may be represented by the securities of one or more TRSs. If we fail to maintain our qualification as a REIT, we would be subject to U. S. federal income tax at regular corporate rates. Also, unless the IRS were to grant us relief under certain statutory provisions, we would remain disqualified as a REIT for four years following the year we first fail to qualify. If we fail to maintain our qualification as a REIT, we would have to pay significant income taxes and would therefore have less money available for investments or for distributions to our stockholders. This would likely have a significant adverse effect on the value of our equity. In addition, the tax law would no longer require us to make distributions to our stockholders. A REIT that fails the quarterly asset tests for one or more quarters

will not lose its REIT status as a result of such failure if either (i) the failure is regarded as a de minimis failure under standards set out in the Code, or (ii) the failure is greater than a de minimis failure but is attributable to reasonable cause and not willful neglect. In the case of a greater than de minimis failure, however, the REIT must pay a tax and must remedy the failure within six months of the close of the quarter in which the failure was identified. In addition, the Code provides relief for failures of other tests imposed as a condition of REIT qualification, as long as the failures are attributable to reasonable cause and not willful neglect. A REIT would be required to pay a penalty of \$ 50, 000, however, in the case of each failure. **. Our distribution requirements limit our flexibility and could affect our ability to execute our business plan .** As a REIT, we must distribute at least 90 % of our REIT taxable income (determined without regard to the deduction for dividends paid and by excluding any net capital gain). The required distribution limits the amount we have available for other business purposes, including amounts to fund our growth. Also, it is possible that because of the differences between the time we actually receive revenue or pay expenses and the period we report those items for distribution purposes, we may have to borrow funds on a short- term basis to meet the 90 % distribution requirement. 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 on our undistributed taxable income. In addition, we will be subject to a non- deductible 4 % 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 tax laws. We intend to make distributions to our stockholders to comply with the REIT qualification requirements of the Code. From time to time, we may generate taxable income greater than our income for financial reporting purposes prepared in accordance with GAAP, or differences in timing between the recognition of taxable income and the actual receipt of cash may occur. For example, if we purchase Agency or non- Agency securities at a discount, we generally are required to accrete the discount into taxable income prior to receiving the cash proceeds of the accreted discount at maturity, and in some cases, potentially recognize the discount in taxable income once such amounts are reflected in our financial statements. If we do not have other funds available in these situations we could be required to (i) borrow funds on unfavorable terms, (ii) sell investments at disadvantageous prices, (iii) distribute our own stock, or (iv) distribute amounts that would otherwise be invested in future acquisitions to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid the corporate income tax and 4 % excise tax in a particular year. Also, we or our subsidiaries may hold debt investments that could require subsequent modifications. If an amendment to an outstanding debt is a “ significant modification ” for U. S. federal income tax purposes, the modified debt may be deemed to have been reissued in a debt- for- debt taxable exchange with the borrower. This deemed reissuance could result in a portion of the modified debt not qualifying as a good REIT asset if the underlying security has declined in value, and would cause us to recognize income to the extent the principal amount of the modified debt exceeds our adjusted tax basis in the unmodified debt. These scenarios could increase our costs or reduce our stockholders’ equity. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect the value of our stock. Conversely, from time to time, we may generate taxable income less than our income for financial reporting purposes due to GAAP and tax accounting differences or, as mentioned above, the timing between the recognition of taxable income and the actual receipt of cash. In such circumstances we may make distributions according to our business plan that are within our wherewithal from an economic or cash management perspective, but that are labeled as return of capital for tax reporting purposes, as they are in excess of taxable income in that period. Neither ordinary nor capital gain distributions with respect to our stock nor gain from the sale of our stock are anticipated to constitute unrelated business taxable income to a tax- exempt investor. However, there are certain exceptions to this rule. In particular: • part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as unrelated business taxable income if shares of our stock are predominantly held by qualified employee pension trusts, and we are required to rely on a special look- through rule for purposes of meeting one of the REIT ownership tests, and we are not operated in a manner to avoid treatment of such income or gain as unrelated business taxable income; • part of the income and gain recognized by a tax- exempt investor with respect to our stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the stock; • part or all of the income or gain recognized with respect to our stock by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans which are exempt from U. S. federal income taxation under the Code may be treated as unrelated business taxable income; • to the extent that we (or a part of us, or a disregarded subsidiary of ours) are a “ taxable mortgage pool, ” or if we hold residual interests in a real estate mortgage investment conduit or a CLO; • a portion of the distributions paid to a tax- exempt stockholder that is allocable to excess inclusion income may be treated as unrelated business taxable income. We **have in the past and** may in the future distribute taxable dividends that are payable in cash or shares of our stock at the election of each stockholder. Taxable stockholders receiving such dividends will be required to include the full amount of ~~the such dividend~~ **dividends** as ordinary income to the extent of our current and accumulated earnings and profits for U. S. federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U. S. stockholder sells the stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non- U. S. stockholders, we may be required to withhold U. S. tax with respect to such dividends, including in respect to all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock. A TRS is a corporation, other than a REIT or a qualified REIT subsidiary, in which a REIT owns stock and with which the REIT jointly elects TRS status. The term also includes a corporate subsidiary in which the TRS owns more than a 35 % interest. 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 it was earned directly by the parent REIT. Overall, at the close of any calendar quarter, no more than 20 % of the value of a REIT’ s assets may consist of stock or securities of one or more TRSs. The stock and securities of our TRSs are expected to represent less than 20 % of the value of

our total assets. Furthermore, we intend to monitor the value of our investments in the stock and securities of our TRSs to ensure compliance with the above- described limitation. We cannot assure you, however, that we will always be able to comply with the limitation so as to maintain REIT status. A TRS must pay income tax at regular corporate rates on any income that it earns. In certain circumstances, the ability of our TRSs to deduct interest expenses for U. S. federal income tax may be limited. Such income, however, is not required to be distributed. Our TRSs will pay corporate income tax on their taxable income, and their after- tax net income will be available for distribution to us. Moreover, the annual gross income tests that must be satisfied to maintain our REIT qualification may limit the amount of dividends that we can receive from our TRSs. Generally, not more than 25 % of our gross income can be derived from non- real estate related sources, such as dividends from a TRS. If, for any taxable year, the dividends we receive from our TRSs, when added to our other items of non- real estate related income, were to represent more than 25 % of our total gross income for the year, we could be denied REIT status, unless we were able to demonstrate, among other things, that our failure of the gross income test was due to reasonable cause and not willful neglect. The limitations imposed by the REIT gross income tests may impede our ability to distribute assets from our TRSs to us in the form of dividends. Certain asset transfers may, therefore, have to be structured as purchase and sale transactions upon which our TRSs recognize a taxable gain. If interest accrues on an indebtedness owed by a TRS to its parent REIT at a rate in excess of a commercially reasonable rate, then the REIT would be subject to tax at a rate of 100 % on the excess of (i) interest payments made by a TRS to its parent REIT over (ii) the amount of interest that would have been payable had interest accrued on the indebtedness at a commercially reasonable rate. A tax at a rate of 100 % is also imposed on any transaction between a TRS and its parent REIT to the extent the transaction gives rise to deductions to the TRS that are in excess of the deductions that would have been allowable had the transaction been entered into on arm' s- length terms. While we ~~will~~ scrutinize all of our transactions with our TRSs in an effort to ensure that we do not become subject to these taxes, there is no assurance that we will be successful. We may not be able to avoid application of these taxes. Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, excise taxes, state or local income, property and transfer taxes, such as mortgage recording taxes, and other taxes. In addition, in order to meet the REIT qualification requirements, prevent the recognition of certain types of non- cash income, 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 some of our assets through our TRSs or other subsidiary corporations that will be subject to corporate level income tax at regular rates. To remain qualified 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 that we distribute to our stockholders and the ownership of our stock. Our ability to acquire and hold our investments is subject to the applicable REIT qualification tests. We must ensure that at the end of each calendar quarter, at least 75 % of the value of our assets consists of cash, cash items, U. S. Government securities and qualified real estate assets. The remainder of our investment in securities (other than U. S. Government securities, qualified real estate assets and securities issued by a TRS) generally cannot include more than 10 % of the outstanding voting securities of any one issuer or more than 10 % of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5 % of the value of our assets (other than U. S. Government securities, qualified real estate assets and securities issued by a TRS) can consist of the securities of any one issuer, and no more than 20 % of the value of our total assets can be represented by securities of one or more TRSs. Changes in the values or other features of our assets could cause inadvertent violations of the REIT requirements. If we fail to comply with the REIT requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. Additionally, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Accordingly we may be unable to pursue investments that would be otherwise advantageous to us or be required to liquidate from our investment portfolio otherwise attractive investments if we feel it is necessary to satisfy the source- of- income, asset- diversification or distribution requirements for qualifying as a REIT. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders. To remain qualified as a REIT, we must comply with requirements regarding the composition of our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, 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 enter into certain financing arrangements that are structured as sale and repurchase agreements pursuant to which we nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings that are secured by the assets sold pursuant thereto, and we treat them as such for U. S. federal income tax purposes. We believe that we would be treated for REIT asset and income test purposes as the owner of the assets that are the subject of any such sale and repurchase agreement notwithstanding that such agreement may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we could fail to remain qualified as a REIT. The REIT provisions of the Code could substantially limit our ability to hedge our liabilities. Any income from a properly designated hedging transaction we enter into to manage risk of interest rate changes with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets generally does not constitute " gross income " for purposes of the 75 % or 95 % gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non- qualifying income for purposes of both of the gross income tests. As a result of these rules, we may have to limit our use of advantageous hedging techniques or implement those hedges through our TRSs. This could increase the cost of our hedging activities because our TRSs would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would

otherwise want to bear. In addition, losses in our TRSs generally will not provide any tax benefit, except for being carried forward potentially to offset taxable income in the TRSs for future periods. Qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our continued qualification as a REIT depends on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. In addition, our ability to satisfy the REIT qualification requirements depends in part on the actions of third parties over which we have no control or only limited influence, if any, including in cases where we own an equity interest in an entity that is classified as a partnership for U. S. federal income tax purposes. The 100 % tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of structuring CMOs, which would be treated as prohibited transactions for U. S. federal income tax purposes. The term “prohibited transaction” generally includes a sale or other disposition of property (including mortgage loans, but other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of a trade or business by us or by a borrower that has issued a shared appreciation mortgage or similar debt instrument to us. We could be subject to this tax if we were to dispose of or structure CMOs in a manner that was treated as a prohibited transaction for U. S. federal income tax purposes. We intend to conduct our operations at the REIT level so that no asset that we own (or are treated as owning) will be treated as or as having been, held for sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of our business. As a result, we may choose not to engage in certain transactions at the REIT level, and may limit the structures we utilize for our CMO transactions, even though the sales or structures might otherwise be beneficial to us. In addition, whether property is held “primarily for sale to customers in the ordinary course of a trade or business” depends on the particular facts and circumstances. No assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Code that would prevent such treatment. The 100 % tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates. We intend to structure our activities to avoid the prohibited transaction tax. We may enter into securitization transactions and other financing transactions that could result in us, or a portion of our assets, being treated as a taxable mortgage pool for U. S. federal income tax purposes. If we enter into such a transaction in the future, we could be taxable at the highest corporate income tax rate on a portion of the income arising from a taxable mortgage pool, referred to as “excess inclusion income,” that is allocable to the percentage of our shares held in record name by disqualified organizations (generally tax-exempt entities that are exempt from the tax on unrelated business taxable income, such as state pension plans and charitable remainder trusts and government entities). In that case, we could reduce distributions to such stockholders by the amount of tax paid by us that is attributable to such ~~stockholder~~ **stockholders’** ownership. If we were to realize excess inclusion income, IRS guidance indicates that the excess inclusion income would be allocated among our stockholders in proportion to the dividends paid. Excess inclusion income cannot be offset by losses of a stockholder. If the stockholder is a tax-exempt entity and not a disqualified organization, then this income would be fully taxable as unrelated business taxable income under Section 512 of the Code. If the stockholder is a foreign person, it would be subject to U. S. federal income tax at the maximum tax rate and withholding will be required on this income without reduction or exemption pursuant to any otherwise applicable income tax treaty. We purchase and sell Agency mortgage-backed securities through TBAs and recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise, and may continue to do so in the future. While there is no direct authority with respect to the qualification of TBAs as real estate assets or U. S. Government securities for purposes of the 75 % asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property (including interests in real property and interests in mortgages on real property) or other qualifying income for purposes of the 75 % gross income test, we treat our TBAs as qualifying assets for purposes of the REIT asset tests, and we treat income and gains from our TBAs as qualifying income for purposes of the 75 % gross income test, based on an opinion of counsel substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a TBA should be treated as ownership of real estate assets, and (ii) for purposes of the 75 % REIT gross income test, any gain recognized by us in connection with the settlement of our TBAs should be treated as gain from the sale or disposition of an interest in mortgages on real property. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that the opinion of counsel is based on various assumptions relating to our TBAs and is conditioned upon fact-based representations and covenants made by our management regarding our TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge the opinion of counsel, we could be subject to a penalty tax or we could fail to remain qualified as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs. Qualified dividend income payable to U. S. stockholders that are individuals, trusts and estates is subject to the reduced maximum tax rate applicable to capital gains. Dividends payable by REITs, however, generally are not eligible for the reduced qualified dividend rates. Non-corporate taxpayers may deduct up to 20 % of certain pass-through business income, including “qualified REIT dividends” (generally, dividends received by a REIT shareholder that are not designated as capital gain dividends or qualified dividend income), subject to certain limitations, resulting in an effective maximum U. S. federal income tax rate of 29.6 % on such income. Although the reduced U. S. federal income tax rate applicable to qualified dividend income does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our stock. Tax rates could be changed in future legislation. 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 us. The U. S. federal income tax rules dealing with REITs **are** constantly ~~are~~ under review by persons involved in the legislative process, the IRS and the U. S. Treasury, which results in statutory changes as well as frequent revisions to regulations and interpretations. Future revisions in federal tax laws and interpretations thereof could affect or cause us to change our investments and commitments and affect the tax considerations of an investment in us. Financial services institutions are interrelated as a result of trading, clearing, counterparty, borrower, or other relationships. We have exposure to many different counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, mortgage companies, **mortgage servicers**, and other financial institutions. Many of these transactions expose us to credit or counterparty risk in the event of default of our counterparty or, in certain instances, our counterparty's customers. There is no assurance that any such losses would not materially and adversely impact our revenues, financial condition and earnings. When selling or securitizing mortgage loans, sellers typically make customary representations and warranties about such loans. Residential mortgage loan purchase agreements may entitle the purchaser of the loans to seek indemnity or demand repurchase or substitution of the loans in the event the seller of the loans breaches a representation or warranty given to the purchaser. There can be no assurance that a mortgage loan purchase agreement will contain appropriate representations and warranties, that we or the trust that purchases the mortgage loans would be able to enforce a contractual right to repurchase or substitution, or that the seller of the loans will remain solvent or otherwise be able to honor its obligations under its mortgage loan purchase agreements. The inability to obtain or enforce an indemnity or require repurchase of a significant number of loans could adversely affect our results of operations, financial condition and business. In the event of our insolvency or bankruptcy, certain repurchase and derivative 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 to avoid the automatic stay provisions of the U. S. Bankruptcy Code and to foreclose on and / or liquidate the collateral pledged under such agreements without delay. In the event of the insolvency or bankruptcy of a lender during the term of a repurchase or derivative agreement, the lender may be permitted, under applicable insolvency laws, to repudiate the contract, and our claim against the lender for damages (after any permitted collateral liquidation and setoff) may be treated as an unsecured claim. Net claims in our favor after application of setoff would be subject to significant delay and costs to us and, if and when received, may be substantially less than the damages we actually incur. We **have in the past and may in the future** experience declines in the market value of our assets due to interest rate changes, deterioration of the credit of the borrower or counterparty, or other reasons described in other risk factors. These declines **can may** result in fair value adjustments, impairments, decreases in reported asset and earnings, margin calls, liquidity risks, and other adverse impacts. We invest in MSR and financial instruments whose cash flows are considered to be largely dependent on underlying MSR that either directly or indirectly act as collateral for the investment. We expect to increase our exposure to MSR- related investments in **2024-2025**. Generally, we have the right to receive certain cash flows from the MSR that are generated from the servicing fees and / or excess servicing spread associated with the MSR. Our investments in MSR- related assets **have in the past and may in the future** expose us to risks associated with MSR, including the following:

- Investments in MSR are highly illiquid and subject to numerous restrictions on transfer and, as a result, there is risk that we would be unable to locate a willing buyer or get required approval to sell MSR in the future should we desire to do so.
- Our rights to the excess servicing spread are subordinate to the interests of Fannie Mae, Freddie Mac and Ginnie Mae, and are subject to extinguishment. Fannie Mae and Freddie Mac each require approval of the sale of excess servicing spreads pertaining to their respective MSR. We have entered into acknowledgment agreements or subordination of interest agreements with them, which acknowledge our subordinated rights.
- Changes in minimum servicing compensation for agency loans could occur at any time and could negatively impact the value of the income derived from MSR.
- The value of MSR is highly sensitive to changes in prepayment rates. Decreasing market interest rates are generally associated with increases in prepayment rates as borrowers are able to refinance their loans at lower costs. Prepayments result in the partial or complete loss of the cash flows from the related MSR. Accordingly, an increase in prepayments can result in a reduction in the value and income we may earn of our MSR related assets and negatively affect our profitability.
- While we have executed recapture agreements with our subservicers to attempt to retain the MSR investment resulting from a refinance transaction, the effectiveness of these efforts is impacted by borrower, subservicer, and unaffiliated lender behavior.
- Servicers are responsible for advancing the payment of principal, interest, and escrow items on mortgage loans when those payments are not timely made by the borrower (including during periods of forbearance) and the timing and amount of recovery of those advances is unpredictable. If we are not able to successfully manage these and other risks related to investing in MSR, it may adversely affect the value of our MSR- related assets. Our non- Agency mortgage- backed securities, mortgage loans, and MSR **are affected by** ~~may be susceptible to~~ economic slowdowns or recessions, which could lead to financial losses in our assets and a decrease in revenues, net income and asset values. Owners of Agency mortgage- backed securities are protected from the risk of default on the underlying mortgages by guarantees from Fannie Mae, Freddie Mac or, in the case of the Ginnie Mae, the U. S. Government. A default on those underlying mortgages exposes us to prepayment risk described ~~above~~ **below**, but not a credit loss. However, we also acquire CRTs, non- Agency mortgage- backed securities and residential loans, which are backed by residential real property but, in contrast to Agency mortgage- backed securities, the principal and interest payments are not guaranteed by GSEs or the U. S. Government. Our CRT, non- Agency mortgage- backed securities and residential loan investments are therefore particularly sensitive to recessions and declining real estate values. In the event of a default on one of the residential mortgage loans that we hold in our portfolio or a mortgage loan underlying CRT or non- Agency mortgage- backed securities in our portfolio, we bear the risk of loss as a result of the potential deficiency between the value of the collateral and the debt owed, as well as the costs and delays of foreclosure or other remedies, and the costs of maintaining and ultimately selling a property after foreclosure. Delinquencies and defaults on mortgage loans for which we own the servicing rights will adversely affect the amount of servicing fee income we receive and may result in increased servicing costs and operational risks due to the increased

complexity of servicing delinquent and defaulted mortgage loans. Increases in interest rates **have in the past and may in the future** negatively affect the market value of our interest earning assets because in a period of rising interest rates, the value of certain interest earning assets may fall and reduce our book value. For example, our fixed- rate interest earning assets are generally negatively affected by increases in interest rates because in a period of rising rates, the coupon we earn on our fixed- rate interest earning assets would not change. Our book value would be reduced by the amount of a decline in the market value of our interest earning assets. The Federal Reserve (the “ Fed ”) owns approximately \$ 2. 43 trillion of Agency mortgage- backed securities as of December 31, 2023-2024. Certain actions taken by the U. S. government, including the Fed, may **have a negative impact on** our results. For example, rising short- term interest rates **as if** the Fed lifts its monetary policy rate to slow **an the currently** elevated rate of inflation may have a negative impact on our results. Meanwhile, any potential future reduction of the Fed’ s balance sheet might lead to higher interest rate volatility and wider mortgage- backed security spreads that could negatively impact Annaly’ s portfolio. We invest in securities in the credit risk transfer CRT sector. The CRT sector is comprised of the risk sharing transactions issued by Fannie Mae (“ CAS ”) and Freddie Mac (“ STACR ”), and similarly structured transactions arranged by third party market participants. The securities issued in the CRT sector are designed to synthetically transfer mortgage credit risk from Fannie Mae and Freddie Mac to private investors. The holder of the securities in the CRT sector has the risk that the borrowers may default on their obligations to make full and timely payments of principal and interest. Investments in securities in the CRT sector **could have in the past and may in the future** cause us to incur losses of income from, and / or losses in market value relating to, these assets if there are defaults of principal and / or interest on the pool of mortgages referenced in the transaction. The holder of the CRT may also bear the risk of the default of the issuer of the security . ~~Changes in credit spreads may affect the market price of credit- sensitive investments.~~ A significant component of the fair value of CRT and non- Agency securities and other credit risk- oriented investments is attributable to the credit spread, or the difference between the value of the credit instrument and the value of a financial instrument with similar interest rate exposure, but with no credit risk, such as a U. S. Treasury note. Credit spreads can be highly volatile and **have in the past and may in the future** fluctuate due to changes in economic conditions, liquidity, investor demand and other factors. Credit spreads typically widen in times of increased market uncertainty or when economic conditions have or are expected to deteriorate. Credit spreads may also widen due to actual or anticipated rating downgrades on the securities or similar securities. Hedging fair value changes associated with credit spreads **can may** be inefficient and our hedging strategies are not primarily designed to mitigate credit spread risk. Widening credit spreads could **cause** net unrealized gains to decrease or result in net losses. Repayments by borrowers and the market value of the related assets could be affected by economic conditions generally or specific to geographic areas or regions of the United States, and concentrations of mortgaged residential properties in particular geographic areas may increase the risk that adverse economic or other developments or natural or man- made disasters affecting a particular region of the country could increase the frequency and severity of losses on mortgage loans or other real estate debt secured by those properties. From time to time, regions of the United States experience significant real estate downturns when others do not. Regional economic declines or conditions in regional real estate markets could adversely affect the income from, and market value of, the mortgaged properties. In addition, local or regional economies may be adversely affected to a greater degree than other areas of the country by developments affecting industries concentrated in such area. A decline in the general economic condition in the region in which mortgaged properties securing the related mortgage loans are located would result in a decrease in consumer demand in the region, and the income from and market value of the mortgaged properties may be adversely affected. Other regional factors – e. g., rising sea levels, earthquakes, floods, forest fires, hurricanes or changes in governmental rules or fiscal policies – **also have in the past and may in the future** adversely affect the mortgaged properties. Assets in certain regional areas **are may be** more susceptible to certain hazards (such as earthquakes, widespread fires, floods or hurricanes) than properties in other parts of the country and collateral properties located in coastal states may be more susceptible to hurricanes than properties in other parts of the country . **Furthermore, increasing financial losses related to climate change have caused, and may continue to cause, insurers to reassess their presence in certain impacted areas.** As a result, areas affected by such events often experience disruptions in travel, transportation and tourism, loss of jobs and an overall decrease in consumer activity, and often a decline in real estate- related investments. These types of occurrences may increase over time or become more severe due to changes in weather patterns and other climate changes. There can be no assurance that the economies in such impacted areas will recover sufficiently to support income producing real estate at pre- event levels or that the costs of the related clean- up will not have a material adverse effect on the local or national economy. Residential real estate assets may suffer casualty losses due to risks (including acts of terrorism) that are not covered by insurance or for which insurance coverage requirements have been contractually limited by the related loan documents. Moreover, if reconstruction or major repairs are required following a casualty, changes in laws that have occurred since the time of original construction may materially impair the borrower’ s ability to effect such reconstruction or major repairs or may materially increase the cost thereof. There is no assurance that borrowers have maintained or will maintain the insurance required under the applicable loan documents or that such insurance will be adequate. 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 certain areas. In addition, since the residential mortgage loans generally do not require maintenance of terrorism insurance, we cannot assure you that any property will be covered by terrorism insurance. Therefore, damage to a collateral property that is not adequately insured or damage to a collateral property caused by acts of terror may not be covered by insurance and may result in substantial losses to us. Our assets may in the near or the long term become non- performing or sub- performing assets, which are subject to increased risks relative to performing assets. Residential mortgage loans **have in the past and may in the future** become non- performing or sub- performing for a variety of reasons that result in the borrower being unable to meet its debt service and / or repayment obligations, such as the underlying property being too highly leveraged or the financial distress of the borrower. Such non- performing or sub- performing assets may require a substantial amount of

workout negotiations and / or restructuring, which may involve substantial cost and divert the attention of our management from other activities and may entail, among other things, a substantial reduction in interest rate, the capitalization of interest payments and / or a substantial write- down of the principal of the loan. Even if a restructuring were successfully accomplished, the borrower may not be able or willing to maintain the restructured payments or refinance the restructured loan upon maturity. From time to time, we may find it necessary or desirable to foreclose the liens of loans we acquire or originate, and the foreclosure process may be lengthy and expensive. Borrowers may resist foreclosure actions by asserting numerous claims, counterclaims and defenses to payment against us (such as lender liability claims and defenses) even when such assertions may have no basis in fact or law, in an effort to prolong the foreclosure action and force the lender into a modification of the loan or a favorable buy- out of the borrower' s position. In some states, foreclosure actions can take several years or more to litigate. At any time prior to or during the foreclosure proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the resolution of our claims. Foreclosure may create a negative public perception of the related property, resulting in a diminution of its value. **Depending on the results of the foreclosure process, we may assume direct ownership of the underlying real estate.** Even if we are successful in foreclosing on a loan, **and irrespective of whether we assume ownership of the property**, the liquidation proceeds upon sale of the underlying real estate ~~may are not be always~~ sufficient to recover our cost basis in the loan, resulting in a loss to us. Furthermore, any costs or delays involved in the foreclosure of a loan or a liquidation of the underlying property will further reduce the proceeds and thus increase our loss. Any such reductions could materially and adversely affect the value of the residential mortgage loans in which we invest. Whether or not we have participated in the negotiation of the terms of a loan, there can be no assurance as to the adequacy of the protection of the terms of the loan, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, claims **have in the past and may in the future** be asserted that might interfere with enforcement of our rights. ~~In the event of a foreclosure, we may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of that real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and increase our loss.~~ Whole loan mortgages are also subject to “ special hazard ” risk (property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property insurance policies), and to bankruptcy risk (reduction in a borrower' s mortgage debt by a bankruptcy court). In addition, claims **have in the past and may in the future** be assessed against us on account of our position as mortgage holder or property owner, as applicable, including responsibility for tax payments, environmental hazards and other liabilities, which could have a material adverse effect on our results of operations, financial condition and our ability to make distributions to our stockholders. When we sell or securitize loans, we will be required to make customary representations and warranties about such loans to the loan purchaser. Our mortgage loan sale agreements will require us to repurchase or substitute loans in the event we breach a representation or warranty given to the loan purchaser. In addition, we **have in the past and may in the future** be required to repurchase loans as a result of borrower fraud or in the event of early payment default on a mortgage loan. Likewise, we ~~may be are not always~~ required to repurchase or substitute loans if we breach a representation or warranty in connection with our securitizations. The remedies available to a purchaser of mortgage loans are generally broader than those available to us against the originating broker or correspondent. Further, if a purchaser enforces its remedies against us, we **have in the past and may in the future** not be able to enforce the remedies we have against the sellers. The repurchased loans typically can only be financed at a steep discount to their repurchase price, if at all. They are also typically sold at a significant discount to the unpaid principal balance. Significant repurchase activity could adversely affect our cash flow, results of operations, financial condition and business prospects. Our and our third party service providers' and servicers' due diligence of potential assets may not reveal all weaknesses in such assets. Before acquiring a residential real estate debt asset, we will assess the strengths and weaknesses of the borrower, originator or issuer of the asset as well as other factors and characteristics that are material to the performance of the asset. In making the assessment and otherwise conducting customary due diligence, we will rely on resources available to us, including our third party service providers and servicers. This process is particularly important with respect to newly formed originators or issuers because there may be little or no information publicly available about these entities and assets. There can be no assurance that our due diligence process will uncover all relevant facts or that any asset acquisition will be successful. When we foreclose on a residential real estate asset, we **have in the past and may in the future** take title to the property securing that asset, and if we do not or cannot sell the property, we would then come to own and operate it as “ real estate owned. ” Owning and operating real property involves risks that are different (and in many ways more significant) than the risks faced in owning a debt instrument secured by that property. In addition, we **have in the past and may in the future** end up owning a property that we would not otherwise have decided to acquire directly at the price of our original investment or at all. If we foreclose on and come to own property, our financial performance and returns to investors could suffer. **Proposals to acquire mortgage loans by eminent domain may adversely affect the value of our assets.** Local governments have taken steps to consider how the power of eminent domain could be used to acquire residential mortgage loans. There can be no certainty whether any mortgage loans sought to be purchased will be mortgage loans held in securitization trusts and what purchase price would be paid for any such mortgage loans. Any such actions could have a material adverse effect on the market value of our mortgage- backed securities, mortgage loans and MSR. There is also no certainty as to whether any such action without the consent of investors would face legal challenge, and, if so, the outcome of any such challenge. Our investments may include subordinated tranches of non- Agency mortgage- backed securities, which are subordinated classes of securities in a structure of securities collateralized by a pool of mortgage loans and, accordingly, are the first or among the first to bear the loss upon a restructuring or liquidation of the underlying collateral and the last to receive payment of interest and principal. Additionally, estimated fair values of these subordinated interests tend to be more sensitive to changes in economic conditions than more senior securities. As a result, such subordinated interests generally are not actively

traded and may not be liquid investments. Our policies permit us to enter into interest rate swaps, caps and floors, interest rate swaptions, interest rate futures, and other derivative transactions to help us mitigate our interest rate and prepayment risks described **above in other risk factors** subject to maintaining our qualification as a REIT and our Investment Company Act exemption. We have used interest rate swaps and options to enter into interest rate swaps (commonly referred to as interest rate swaptions) to provide a level of protection against interest rate risks. We may also purchase or sell TBAs on Agency mortgage-backed securities, purchase or write put or call options on TBAs, invest in other types of mortgage derivatives, such as interest-only securities, and hold short positions in U. S. Treasury securities. No hedging strategy can protect us completely. Interest rate hedging may fail to protect or could adversely affect us because, among other things: interest rate hedging can be expensive, particularly during periods of volatile interest rates; available hedges may not correspond directly with the risk for which protection is sought; and the duration of the hedge may not match the duration of the related asset or liability. Assets in which we hold a direct or indirect interest **could have in the past and may in the future** experience severe weather, including hurricanes, severe winter storms, **wildfires** and flooding (including as a result of sea level rise), all of which may become more severe as a result of climate change, which among other effects could impact house prices and housing-related costs and / or disrupt borrowers' ability to pay their mortgage and or loan. In addition, such events, particularly if they are not adequately covered by insurance or have a broader negative impact on the local economy, may decrease the value of land and property secured by mortgages. Moreover, long - term climate change could trigger extreme weather conditions that result in macroeconomic and demographic shifts. Over time, these conditions could result in repricing of the assets (land, property, securities) that we hold. There can be no assurance that climate change and severe weather will not have a material adverse effect on our financial performance. Given our strategies and the complexity of the valuation of our assets, we must rely heavily on analytical models (both proprietary models developed by us and those supplied by third parties) and information and data supplied by our third party vendors and servicers. Models and data are used to value assets or potential asset purchases and also in connection with hedging our assets. **Some of these models may use artificial intelligence.** When models and data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose us to potential risks. For example, by relying on models and data, especially valuation models, we may be induced to buy certain assets at prices that are too high, to sell certain other assets at prices that are too low or to miss favorable opportunities altogether. Similarly, any hedging based on faulty models and data may prove to be unsuccessful. Furthermore, despite our valuation validation processes our models may nevertheless prove to be incorrect. Some of the risks of relying on analytical models and third party data are particular to analyzing tranches from securitizations, such as commercial or residential mortgage- backed securities. These risks include, but are not limited to, the following: (i) collateral cash flows and / or liability structures may be incorrectly modeled in all or only certain scenarios, or may be modeled based on simplifying assumptions that lead to errors; (ii) information about collateral may be incorrect, incomplete, or misleading; (iii) collateral or bond historical performance (such as historical prepayments, defaults, cash flows, etc.) may be incorrectly reported, or subject to interpretation (e. g., different issuers may report delinquency statistics based on different definitions of what constitutes a delinquent loan); or (iv) collateral or bond information may be outdated, in which case the models may contain incorrect assumptions as to what has occurred since the date information was last updated. Some of the analytical models used by us, such as mortgage prepayment models or mortgage default models, are predictive in nature. The use of predictive models has inherent risks. For example, such models **have in the past and may in the future** incorrectly forecast future behavior, leading to potential losses on a cash flow and / or a mark- to- market basis. In addition, the predictive models used by us may differ substantially from those models used by other market participants, with the result that valuations based on these predictive models may be substantially higher or lower for certain assets than actual market prices. Furthermore, 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. However, even if market data is inputted correctly, " model prices " will often differ substantially from market prices, especially for securities with complex characteristics, such as derivative instruments or structured notes. Our business is highly dependent on communications and information systems and networks. Any failure or interruption of our **or our counterparties'** systems or networks or cyberattacks or other information security breaches of our networks or systems **could may** cause delays or other problems in our securities trading activities, including mortgage- backed securities trading activities. In addition, we also face the risk of operational failure, termination or capacity constraints of any of the third parties with which we do business or that facilitate our business activities, including clearing agents or other financial intermediaries we use to facilitate our securities transactions, if their respective systems experience failure, interruption, cyberattacks, or other information security breaches, **including those caused by software bugs or errors, network failures, computer and telecommunication failures, usage errors, power, communications or other service outages or failures, fires, earthquakes, severe weather conditions or other catastrophic events**. Certain third parties provide information needed for our financial statements that we cannot obtain or verify from other sources. If one of those third parties experiences a system or network failure or cybersecurity incident, we may not have access to that information or may not have confidence in its accuracy. **Any of the controls and procedures, business continuity systems and information security systems we or third parties upon whom we rely have in place could prove to be inadequate**. Any failure to maintain performance, reliability and security of our technical infrastructure, systems or networks, or any such failure by third parties upon whom we rely, could materially and adversely affect our business. **Cyberattacks or other information security breaches of our Company' s, service providers' or counterparties' systems or networks affect our business, reputation and financial condition.** Cybersecurity risks for financial services businesses **are increasing in their frequency, sophistication and intensity, and have significantly increased in recent years become increasingly difficult to detect,** in part because of the proliferation of new technologies, including generative artificial

intelligence, and the increased sophistication and activities of organized crime, hackers, terrorists, nation- states, state-sponsored actors and other external parties. **Computer Cyberattacks could include wrongful conduct by hostile foreign governments, industrial espionage, wire fraud and other forms of cyber fraud, the deployment of harmful** malware, ransomware, viruses, computer hacking, denial- of- service attacks, and social engineering **fraud attacks (including phishing attacks) have become more prevalent in our or other means** industry and we are subject to such attempted attacks **threaten data security, confidentiality, integrity and availability**. Cybersecurity risks also may derive from fraud or malice on the part of our employees or third parties, or may result from human error, software bugs, server malfunctions, software or hardware failure or other technological failure. Such threats may be difficult to detect for long periods of time and also may be further enhanced in frequency or effectiveness through threat actors' use of artificial intelligence. **Further, cybersecurity risks may be heightened as a result of ongoing global conflicts.** We rely heavily on our financial, accounting and other data processing systems. A cyberattack or other information security breach of such systems could lead to unauthorized access to and release, misuse, **alteration, exfiltration, theft, loss, damage** or destruction of our confidential information or personal or confidential information of our clients, employees or third parties, which could lead to regulatory fines, costs of remediating the breach, reputational harm, financial losses, litigation and increased difficulty doing business with third parties that rely on us to meet their own data protection requirements. While we generally perform cybersecurity diligence on our key service providers, we do not control our service providers and our ability to monitor their cybersecurity is limited. Some of our service providers may store or have access to our data and may not have effective controls, processes, or practices to protect our information from loss, unauthorized disclosure, unauthorized use or misappropriation, cyberattacks or other information security breach. A vulnerability in our service providers' software or systems, a failure of our service providers' safeguards, policies or procedures, or a cyberattack or other information security breach affecting any of these third parties could harm our business. Although we have not detected a material cybersecurity breach to date, other financial institutions have reported material breaches of their systems, some of which have been significant. Even with all reasonable security efforts, not every breach can be prevented or even detected. It is possible that we have experienced an undetected breach. There is no assurance that we **have not or the will not experience a breach. In addition, certain** third parties that facilitate our business activities **have reported breaches in the past and may experience breaches in the future, and there is no assurance that the third parties that have not reported breaches** or will not experience a breach **in the future**. We may be held responsible if certain third parties that facilitate our business activities experience a breach. Additionally, we cannot be certain that our insurance coverage will be adequate for cybersecurity liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that our insurer will not deny coverage as to any future claim. We may face increased costs as we continue to evolve our cyber defenses in order to contend with changing risks, and possible increased costs of complying with cybersecurity laws and regulations. These costs and losses associated with these risks are difficult to predict and quantify, but could have a significant adverse effect on our operating results. It is difficult to determine what, if any, negative impact may directly result from any specific interruption or cyberattacks or other information security breaches of our networks or systems (or the networks or systems of third parties that facilitate our business activities), but any cyberattack or other information security breach may negatively affect our operations. Further, we could be exposed to litigation, regulatory enforcement, investigations or other legal action as a result of an incident, carrying the potential for damages, fines, sanctions or other penalties, injunctive relief requiring costly compliance measures, and reputational damage. We **may utilize artificial intelligence, which exposes us to liability and affects our business. We use, or may in the future use, artificial intelligence, generative artificial intelligence, machine learning and similar tools and technologies (collectively, " AI ") in connection with our business. The use of generative artificial intelligence, a relatively new and emerging technology in the early stages of commercial use, exposes us to additional risks, such as damage to our reputation, competitive position, and business, legal and regulatory risks and additional costs. For example, generative artificial intelligence has been known to produce false or " hallucinatory " inferences or output, and certain generative artificial intelligence uses machine learning and predictive analytics, which can create inaccurate, incomplete, or misleading content, unintended biases and other discriminatory or unexpected results, errors or inadequacies, any of which may not be easily detectable by us or any of our related service providers. Accordingly, while AI systems may help provide more tailored or personalized user experiences, if the content, analyses, or recommendations that AI systems assist in producing in our products and solutions are, or are perceived to be, deficient, inaccurate, biased, unethical or otherwise flawed, our reputation, competitive position and business may be materially and adversely affected. Additionally, if any of our employees, contractors, consultants, vendors or service providers use any third- party AI- powered software in connection with our business or the services they provide to us, it may lead to the inadvertent disclosure or incorporation of our confidential information into publicly available training sets, which may impact our ability to realize the benefit of, or adequately maintain, protect and enforce our intellectual property or confidential information, harming our competitive position and business. Any output created by us using AI tools may not be subject to copyright protection, which may adversely affect our intellectual property rights in, or ability to commercialize or use, any such content. In the United States, a number of civil lawsuits have been initiated related to the foregoing and other concerns, any one of which may, among other things, require us to limit the ways in which our AI systems are trained and may affect our ability to develop our AI- powered products and solutions. To the extent that we do not have sufficient rights to use the data or other material or content used in or produced by the AI tools used in our business, or if we experience cybersecurity incidents in connection with our use of AI, it could adversely affect our reputation and expose us to legal liability or regulatory risk, including with respect to third- party intellectual property, privacy, data protection and cybersecurity, publicity, contractual or other rights. Further, our competitors or other third parties may incorporate AI into their products more quickly or more successfully than us, which could impair our ability to compete effectively. In addition, the regulatory framework for AI**

and similar technologies, and automated decision making, is changing rapidly. It is possible that new laws and regulations will be adopted in the United States and in non- U. S. jurisdictions, or that existing laws and regulations may be interpreted, in ways that would affect the operation of our products and solutions and the way in which we use AI and similar technologies. For example, in Europe, on August 1, 2024, the European Union’ s Artificial Intelligence Act (the “ AI Act ”) was entered into force. The AI Act establishes, among other things, a risk- based governance framework for regulating AI systems operating in the European Union. This framework would categorize AI systems, based on the risks associated with such AI systems’ intended purposes, as creating unacceptable or high risks, with all other AI systems being considered low risk. We may not be able to adequately anticipate or respond to these evolving laws and regulations, and we may need to expend additional resources to adjust our offerings in certain jurisdictions if applicable legal frameworks are inconsistent across jurisdictions. Moreover, because these technologies are themselves highly complex and rapidly developing, it is not possible to predict all of the legal or regulatory risks that may arise relating to our use of such technologies. Further, the cost to comply with such laws or regulations could be significant and would increase our operating expenses, which could adversely affect our business, financial condition and results of operations. As the utilization of AI becomes more prevalent, we anticipate that it will continue to present new or unanticipated ethical, reputational, technical, operational, legal, competitive and regulatory issues, among others. We expect that our incorporation of AI in our business will require additional resources, including the incurrence of additional costs, to develop and maintain our products and solutions and features to minimize potentially harmful or unintended consequences, to comply with applicable and emerging laws and regulations, to maintain or extend our competitive position, and to address any ethical, reputational, technical, operational, legal, competitive or regulatory issues which may arise as a result of any of the foregoing. As a result, the challenges presented with our use of AI could adversely affect our business, financial condition and results of operations. We depend on a variety of services provided by third party service providers related to our investments in MSR as well as for general operating purposes. For example, we rely on the mortgage servicers who service the mortgage loans underlying our MSR to, among other things, collect principal and interest payments on such mortgage loans and perform loss mitigation services in accordance with applicable laws and regulations. Mortgage servicers and other service providers, such as trustees, bond insurance providers, due diligence vendors and document custodians, **have in the past and may in the future** fail to perform or otherwise not perform in a manner that promotes our interests. For example, any legislation or regulation intended to reduce or prevent foreclosures through, among other things, loan modifications may reduce the value of mortgage loans, including those underlying our MSR. Mortgage servicers **have in the past and may in the future** be required or otherwise incentivized by the Federal or state governments to pursue actions designed to assist mortgagors, such as loan modifications, forbearance plans and other actions intended to prevent foreclosure even if such loan modifications and other actions are not in the best interests of the beneficial owners of the mortgage loans. Similarly, legislation delaying the initiation or completion of foreclosure proceedings on specified types of residential mortgage loans or otherwise limiting the ability of mortgage servicers to take actions that may be essential to preserve the value of the mortgage loans may also reduce the value of mortgage loans underlying our MSR. Any such limitations are likely to cause delayed or reduced collections from mortgagors and generally increase servicing costs. As a consequence of the foregoing matters, our business, financial condition and results of operations **may could** be adversely affected. In connection with the acquisition and securitization of residential whole loans, we rely on unaffiliated servicing companies to service and manage the mortgages underlying our non- Agency mortgage- backed securities and our residential whole loans. If a servicer is not vigilant in seeing that borrowers make their required monthly payments, borrowers may be less likely to make these payments, resulting in a higher frequency of default. If a servicer takes longer to liquidate non- performing mortgages, our losses related to those loans may be higher than originally anticipated. Any failure by servicers to service these mortgages and related real estate owned (“ REO ”) properties **could negatively impact impacts** the value of these investments and our financial performance. In addition, while we have contracted, and will continue to contract, with unaffiliated servicing companies to carry out the actual servicing of the loans we purchase together with the related MSR (including all direct interface with the borrowers), we are nevertheless ultimately responsible, vis- à- vis the borrowers and state and federal regulators, for ensuring that the loans are serviced in accordance with the terms of the related notes and mortgages and applicable law and regulation. In light of the current regulatory environment, such exposure could be significant even though we might have contractual claims against our servicers for any failure to service the loans to the required standard. A default by the mortgage servicer in its capacity as servicer and / or failure of the mortgage servicer to perform its obligations related to any MSR **could have in the past and may in the future** result in a loss of value of servicing fees and / or excess servicing spread. Mortgage servicers are subject to extensive federal, state and local laws, regulations and administrative decisions and failure to comply with such regulations can expose the servicer to fines, damages and losses. In the capacity of servicer, mortgage servicers operate in a highly litigious industry that subject it to potential lawsuits related to billing and collections practices, modification protocols or foreclosure practices. When a residential whole loan we own is foreclosed upon, title to the underlying property would be taken by one of our subsidiaries. The foreclosure process, especially in judicial foreclosure states such as New York, Florida and New Jersey can be lengthy and expensive, and the delays and costs involved in completing a foreclosure, and then liquidating the property through sale, may materially increase any related loss. Finally, at such time as title is taken to a foreclosed property, it may require more extensive rehabilitation than we estimated at acquisition or a previously unknown environmental liability may be discovered that would require expensive and time- consuming remediation. Additionally, given the magnitude of the 2008- 2009 housing crisis, and in response to the well- publicized failures of many servicers to follow proper foreclosure procedures, mortgage servicers are being held to much higher foreclosure- related documentation standards than they previously were. However, because many mortgages have been transferred and assigned multiple times (and by means of varying assignment procedures) throughout the origination, warehouse, and securitization processes, mortgage servicers have generally had much

more difficulty furnishing the requisite documentation to initiate or complete foreclosures. In addition, unexpected macro- level events such as the COVID- 19 pandemic or natural disasters have led, and could continue to lead, to delays in the foreclosure process, both by operation of state law (e. g., foreclosure moratoriums in certain states) and by delays in the judicial system. These circumstances have led to stalled or suspended foreclosure proceedings, and ultimately additional foreclosure- related costs. Foreclosure- related delays also tend to increase ultimate loan loss severities as a result of property deterioration, amplified legal and other costs, and other factors. Many factors delaying foreclosure, such as borrower lawsuits and judicial backlog and scrutiny, are outside of a servicer' s control and have delayed, and will likely continue to delay, foreclosure processing in both judicial states (where foreclosures require court involvement) and non- judicial states. The concerns about deficiencies in foreclosure practices of servicers and related delays in the foreclosure process may impact our loss assumptions and has affected and may continue to affect the values of, and our returns on, our investments in residential whole loans. The performance of the loans underlying our MSR related assets is subject to risks associated with inadequate or untimely servicing. If our mortgage servicers commit a material breach of their obligations as a servicer, we may be subject to damages if the breach is not cured within a specified period of time following notice. In addition, poor performance by a mortgage servicer **have in the past and may in the future** result in greater than expected delinquencies and foreclosures and losses on the mortgage loans underlying our MSR related assets. A substantial increase in our delinquency or foreclosure rate or the inability to process claims could adversely affect our ability to access the capital and secondary markets for our financing needs. ~~Similarly--~~ **Similar** to the way in which we service residential whole loans, we have also contracted, and will continue to contract, with unaffiliated servicing companies to carry out the actual servicing activities (including all direct interface with the borrowers). However, we are nevertheless ultimately responsible, vis- à- vis the borrowers and state and federal regulators, for ensuring that these activities are performed in accordance with the terms of the related notes and mortgages and applicable laws and regulations. In light of the current regulatory environment, such exposure could be significant even though we might have contractual claims against our servicers for any failure to service the loans to the required standard. A default by the mortgage servicer in its capacity as servicer and / or failure of the mortgage servicer to perform its obligations related to any MSR could result in a loss of value of servicing fees and / or excess servicing spread. Mortgage servicers are subject to extensive federal, state and local laws, regulations and administrative decisions and failure to comply with such regulations can expose the servicer to fines, damages and losses. In the capacity of servicer, mortgage servicers operate in a highly litigious industry that subject them to potential lawsuits related to billing and collections practices, modification protocols or foreclosure practices. The mortgage- backed securities we acquire are backed by pools of mortgage loans. We receive payments, generally, from the payments that are made on the underlying mortgage loans. We often purchase mortgage- backed securities that have a higher coupon rate than the prevailing market interest rates. In exchange for a higher coupon rate, we typically pay a premium over par value to acquire these mortgage- backed securities. In accordance with U. S. ~~generally accepted accounting principles (“GAAP”)~~, we amortize the premiums on our mortgage- backed securities over the expected life of the related mortgage- backed securities. If the mortgage loans securing these mortgage- backed securities prepay at a more rapid rate than anticipated, we will have to amortize our premiums on an accelerated basis that may adversely affect our profitability. Defaults on mortgage loans underlying Agency mortgage- backed securities typically have the same effect as prepayments because of the underlying Agency guarantee. Prepayment rates generally increase when interest rates fall and decrease when interest rates rise, but changes in prepayment rates are difficult to predict. Prepayment rates also **have in the past and may in the future** be affected by conditions in the housing and financial markets, general economic conditions and the relative interest rates on fixed- rate and adjustable- rate mortgage loans. We ~~may~~ seek to minimize prepayment risk to the extent practical, and in selecting investments we must balance prepayment risk against other risks and the potential returns of each investment. No strategy can completely insulate us from prepayment risk. We **have in the past and may in the future** choose to bear increased prepayment risk if we believe that the potential returns justify the risk. Conversely, a decline in prepayment rates on our investments will reduce the amount of principal we receive and therefore reduce the amount of cash we otherwise could have reinvested in higher yielding assets at that time, which could negatively impact our future operating results. We are subject to reinvestment risk as a result of changes in interest rates. Declines in interest rates are generally accompanied by increased prepayments of mortgage loans, which in turn results in a prepayment of the related mortgage- backed securities. An increase in prepayments ~~could~~ **has in the past and may in the future** result in the reinvestment of the proceeds we receive from such prepayments into lower yielding assets. Conversely, increases in interest rates are generally accompanied by decreased prepayments of mortgage loans, which ~~could~~ **have in the past and may in the future** reduce our capital available to reinvest into higher- yielding assets. Competition may affect ability and pricing of our target assets. We operate in a highly competitive market for investment opportunities. Our profitability depends, in large part, on our ability to acquire our target assets at attractive prices. In acquiring our target assets, we compete with a variety of institutional investors, including other REITs, specialty finance companies, public and private funds, government entities, commercial and investment banks, commercial finance and insurance companies and other financial institutions. Many of our competitors are substantially larger and have considerably greater financial, technical, technological, marketing and other resources than we do. Other REITs with investment objectives that overlap with ours may elect to raise significant amounts of capital, which **have in the past and may in the future** create additional competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that may not be available to us. Many of our competitors are not subject to the operating constraints associated with REIT compliance or maintenance of an exemption from the Investment Company Act. 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 investments and establish more relationships than us. Furthermore, competition for investments in our target assets may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. We cannot provide assurance that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition,

desirable investments in our target assets may be limited in the future and we may not be able to take advantage of attractive investment opportunities from time to time, as we can provide no assurance that we will be able to identify and make investments that are consistent with our investment objectives. We may enter into new lines of business, acquire other companies or engage in other strategic initiatives, each of which may result in additional risks and uncertainties in our businesses. We **have in the past and may in the future** pursue growth through acquisitions of other companies or other strategic initiatives. To the extent we pursue strategic investments or acquisitions, undertake other strategic initiatives or consider new lines of business, we will face numerous risks and uncertainties, including risks associated with: • the availability of suitable opportunities; • the level of competition from other companies that may have greater financial resources; • our ability to assess the value, strengths, weaknesses, liabilities and potential profitability of potential acquisition opportunities accurately and negotiate acceptable terms for those opportunities; • the required investment of capital and other resources; • the lack of availability of financing and, if available, the terms of any financings; • the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk; • the diversion of management's attention from our core businesses; • the potential loss of key personnel of an acquired business; • assumption of liabilities in any acquired business; • the disruption of our ongoing businesses; • the increasing demands on or issues related to the combining or integrating operational and management systems and controls; • compliance with additional regulatory requirements; • costs associated with integrating and overseeing the operations of the new businesses; • failure to realize the full benefits of an acquisition, including expected synergies, cost savings, or growth opportunities, within the anticipated timeframe or at all; and • post-acquisition deterioration in an acquired business that could result in lower or negative earnings contribution and / or goodwill impairment charges. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. The decision to increase or decrease investments within a line of business may lead to additional risks and uncertainties. In addition, if a new or acquired business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives **have in the past and may in the future** include joint ventures, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability for, losses or reputational damage relating to systems, controls and personnel that are not under our control. Our current investment strategy includes seeking growth in our residential credit business. The holder of a mortgage or mortgage-backed securities assumes the risk that the related borrowers may default on their obligations to make full and timely payments of principal and interest. Under our investment policy, we have the ability to acquire non-Agency mortgage-backed securities, residential whole loans, MSR and other investment assets of lower credit quality. In general, non-Agency mortgage-backed securities carry greater investment risk than Agency mortgage-backed securities because they are not guaranteed as to principal or interest by the U. S. Government, any federal agency or any federally chartered corporation. Non-investment grade, non-Agency securities tend to be less liquid, may have a higher risk of default and may be more difficult to value than investment grade bonds. Higher-than-expected rates of default and / or higher-than-expected loss severities on the mortgages underlying our non-Agency mortgage-backed securities, MSR or on our residential whole loan investments may adversely affect the value of those assets. Accordingly, defaults in the payment of principal and / or interest on our non-Agency mortgage-backed securities, residential whole loan investments, MSR and other investment assets of lower credit quality **would likely have in the past and may in the future** result in our incurring losses of income from, and / or losses in market value relating to, these assets. We have certain investments in non-Agency mortgage-backed securities backed by collateral pools containing mortgage loans that were originated under underwriting standards that were less strict than those used in underwriting "prime mortgage loans." These lower standards permitted mortgage loans, often with LTV ratios in excess of 80 %, to be made to borrowers having impaired credit histories, lower credit scores, higher debt-to-income ratios and / or unverified income. Difficult economic conditions, including increased interest rates and lower home prices, ~~can~~ **have in the past and may in the future** result in non-prime and subprime mortgage loans having increased rates of delinquency, foreclosure, bankruptcy and loss (including such as during the credit crisis of 2007- 2008 and the housing crisis that followed), and are likely to otherwise experience delinquency, foreclosure, bankruptcy and loss rates that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner. Thus, because of higher delinquency rates and losses associated with non-prime and subprime mortgage loans, the performance of our non-Agency mortgage-backed securities that are backed by these types of loans could be correspondingly adversely affected, which could materially adversely impact our results of operations, financial condition and business. Our success and our ability to manage anticipated future growth depend, in large part, upon the efforts of our highly skilled employees, and particularly on our key personnel, including our executive officers. Our executive officers have extensive experience and strong reputations in the sectors in which we operate and have been instrumental in setting our strategic direction, operating our business, identifying, recruiting, and training our other key personnel, and arranging necessary financing. The departure of any of our executive officers or other key personnel, or our inability to attract, motivate and retain highly qualified employees at all levels of the firm in light of the intense competition for talent, could adversely affect our business, operating results or financial condition; diminish our investment opportunities; or weaken our relationships with lenders, business partners and industry personnel. The market price and trading volume of our shares of common stock may be volatile and issuances of large amounts of shares of our common stock could cause the market price of our common stock to decline. If we issue a significant number of shares of common stock or securities convertible into common stock in a short period of time, there could be a dilution of the existing common stock and a decrease in the market price of the common stock. The market price of our shares of common stock **has in the past and may in the future** be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our shares of common stock may fluctuate and cause significant price variations to occur. We cannot assure you that the market price of our shares of common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect our share price or result in

fluctuations in the price or trading volume of our shares of common stock include those set forth under “ Special Note Regarding Forward- Looking Statements ” as well as: • actual or anticipated variations in our quarterly operating results or business prospects; • changes in our earnings estimates or publication of research reports about us or the real estate industry; • an inability to meet or exceed securities analysts’ estimates or expectations; • increases in market interest rates; • hedging or arbitrage trading activity in our shares of common stock; • capital commitments; • changes in market valuations of similar companies; • adverse market reaction to any increased indebtedness we incur in the future; • additions or departures of management personnel; • actions by institutional stockholders or activist investors; • speculation in the press or investment community; • changes in our distribution policy; • government action or regulation; • general market and economic conditions; and • future sales of our shares of common stock or securities convertible into, or exchangeable or exercisable for, our shares of common stock. Holders of our shares of common stock will be subject to the risk of volatile market prices and wide fluctuations in the market price of our shares of common stock. These factors **have in the past and** may **in the future** cause the market price of our shares of common stock to decline, regardless of our financial condition, results of operations, business or prospects. It is impossible to assure you that the market prices of our shares of common stock will not fall in the future. Under our charter, we have 1, 531, 750, 000 authorized shares of capital stock, par value of \$ 0. 01 per share. Sales of a substantial number of shares of our common stock or other equity- related securities in the public market, or any hedging or arbitrage trading activity that may develop involving our common stock, could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. Our Board has established very broad investment guidelines that may be amended from time to time. Our Board and management determine all of our significant policies, including our investment, financing, capital and asset allocation and distribution policies. They **have in the past and** may **in the future** amend or revise these policies at any time without a vote of our stockholders, or otherwise initiate a change in asset allocation. Policy changes could adversely affect our financial condition, results of operations, the market price of our common stock or our ability to pay dividends or distributions. 42