Risk Factors Comparison 2024-02-20 to 2023-02-17 Form: 10-K

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

Investing in our stock involves a high degree of risk. You should carefully read and consider the following risk factors and all other information contained in this report. If any of the following risks, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, occur, our business, financial condition or results of operations could be materially and adversely affected. The risk factors summarized below are categorized as follows: (i) Risks Related to Our Business, (ii) Risks Related to the Financial Markets and Our Regulatory Environment, (iii) Risks Related to Our Financing Arrangements, (iv) Risks Related to Our Taxation as a REIT, (v) Risks Related to Our ~~Stock and~~ **Recent Acquisitions,** (vi **) Risks Related to Our Stock and (vii**) General Risks. However, these categories do overlap and should not be considered exclusive ~~. We may not realize some or all of the targeted benefits of the Internalization. The failure to find adequate internal replacements for services that were previously provided by our Former Manager prior to the Internalization could impede our ability to achieve the targeted cost savings of the Internalization and adversely affect our operations. In addition, complexities arising from the Internalization could increase our overhead costs and detract from management' s ability to focus on operating our business. There can be no assurance we will be able to realize the expected cost savings of the Internalization~~ . We may not be able to successfully operate our business strategy or generate sufficient revenue to make or sustain distributions to our stockholders. We cannot assure you that we will be able to successfully operate our business or implement our operating policies and strategies. There can be no assurance that we will be able to generate sufficient returns to pay our operating expenses, satisfy our debt obligations and pay dividends to our stockholders. Our results of operations and our ability to make or sustain distributions to our stockholders depend on several factors, including the availability of opportunities to acquire attractive assets, the **performance of our funds, our ability to integrate recently acquired businesses including Sculptor, the** level and volatility of interest rates, the performance of our origination and servicing businesses, the availability of adequate short- and long- term financing ~~,~~ and conditions in the real estate market, the financial markets and economic conditions. The value of our investments **, including the valuation methodologies used for certain assets in our funds,** is based on various assumptions that could prove to be incorrect and could have a negative impact on our financial results. When we make investments, we base the price we pay on, among other things, our projection of the cash flows from the investments. We generally record such investments on our balance sheet at fair value and we measure their fair value on a recurring basis. Our projections of the cash flow from our investments, and the determination of the fair value thereof, are based on assumptions about various factors, including, but not limited to: **• expected and historical trends;** • rates of prepayment and repayment of the underlying loans; • potential fluctuations in prevailing interest rates and credit spreads; • rates of delinquencies and defaults, and related loss severities; • costs of engaging a subservicer to service MSRs; • market discount rates; • in the case of Excess MSRs, recapture rates; and **/ or** • in the case of ~~Servicer~~ **servicer** ~~Advance~~ **advance** ~~Investments~~ **investments** and servicer advances receivable, the amount and timing of servicer advances and recoveries. Our assumptions could differ materially from actual results. The use of different estimates or assumptions in connection with the valuation of these investments could produce materially different fair values for such investments, which could have a material adverse effect on our consolidated financial position and results of operations. **A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the market value of a private asset depends to a great extent on economic and other conditions beyond our control. Further, valuations do not necessarily represent the price at which a private investment would sell since market prices of private investments can only be determined by negotiation between a willing buyer and seller.** The ultimate realization of the value of our investments may be materially different than the fair values of such investments as reflected in our Consolidated Financial Statements as of any particular date. Significant and widespread decreases in the fair values of our assets could result in the potential impairment of the carrying value of goodwill or other indefinite- lived intangible assets and could also cause us to breach the financial covenants under our borrowing facilities or other agreements related to liquidity, net worth, leverage or other financial metrics. Such covenants, if breached, may require us to immediately repay all outstanding amounts borrowed, if any, under these facilities, could cause these facilities to become unavailable for future financing, and could trigger cross- defaults under other debt agreements. In any such scenario, we could engage in discussions with our financing counterparties with regard to such covenants; however, we cannot predict whether our financing counterparties would negotiate terms or agreements in respect of these financial covenants, the timing of any such negotiations or agreements or the terms thereof. A continued reduction in our cash flows could impact our ability to continue paying dividends to our stockholders at **the** expected levels or at all. We refer to our MSRs, MSR financing receivables, Excess MSRs and the basic fee portion of the related MSRs included in our ~~Servicer~~ **servicer** ~~Advance~~ **advance** ~~Investments~~ **investments** , collectively, as our interests in MSRs. With respect to our investments in interests in MSRs, residential mortgage loans and consumer loans and a portion of our RMBS, when the related loans are prepaid as a result of a refinancing or otherwise, the related cash flows payable to us will either, in the case of interest- only RMBS, and / or interests in MSRs, cease (unless, in the case of our interests in MSRs, the loans are recaptured upon a refinancing), or we will cease to receive interest income on such investments, as applicable. Borrowers under residential mortgage loans and consumer loans are generally permitted to prepay their loans at any time without penalty. Our expectation of prepayment rates is a significant assumption underlying our cash flow projections. Prepayment rate is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. A significant increase in prepayment rates could materially reduce the ultimate cash flows and / or interest income, as applicable, we receive from our investments, and we could ultimately receive substantially less than what we paid for such assets, decreasing the fair value of our investments. If the fair value of our investment portfolio decreases, we would generally be required to record a non- cash charge, which would have a negative impact on our financial results. Consequently, the price we pay to acquire our investments may prove to be too high if there is a significant increase in prepayment rates. The values of our investments are highly sensitive to changes in interest rates. Historically, the value of MSRs, which underpin the value of our investments, including interests in MSRs, has increased when interest rates rise and decreased when interest rates decline due to the effect of changes in interest rates on prepayment rates. ~~The significant dislocation in the financial markets due to the COVID- 19 pandemic caused, among other things, a sharp decrease in interest rates in 2020 and 2021. In 2022, however, in response to the inflationary pressures — driven by ongoing supply chain disruptions, the lingering effects of fiscal stimulus provided during the COVID- 19 pandemic and the war in Ukraine — the Federal Reserve rapidly raised interest rates and indicated it anticipates further interest rate increases.~~ Moreover, delinquency rates have a significant impact on the value of our investments. When the UPB of mortgage loans cease to be a part of the aggregate UPB of the serviced loan pool (for example, when delinquent loans are foreclosed on or repurchased, or otherwise sold, from a securitized pool), the related cash flows payable to us, as the holder of an interest in the related MSR, cease. An increase in delinquencies will generally result in lower revenue because typically we will only collect on our interests in MSRs from the Agencies or mortgage owners for performing loans. An increase in delinquencies with respect to the loans underlying our servicer advances could also result in a higher advance balance and the need to obtain additional financing, which we may not be able to do on favorable terms or at all. Additionally, in the case of residential mortgage loans, consumer loans, business purpose loans ~~,~~ and RMBS that we own, an increase in foreclosures could result in an acceleration of repayments, resulting in a decrease in interest income. Alternatively, increases in delinquencies and defaults could also adversely affect our investments in RMBS, residential mortgage loans, consumer loans ~~,~~ and / or business purpose loans if and to the extent that losses are suffered on residential mortgage loans, consumer loans, business purpose loans or, in the case of RMBS, the residential mortgage loans underlying such RMBS. Accordingly, if delinquencies are significantly greater than expected, the estimated fair value of these investments could be diminished. As a result, we could suffer a loss, which would have a negative impact on our financial results. We are party to several " recapture agreements " whereby our MSR or Excess MSR is retained if the applicable Servicing Partner originates a new loan the proceeds of which are used to repay a loan underlying an MSR or Excess MSR in our portfolio. We believe that such agreements will mitigate the impact on our returns in the event of a rise in voluntary prepayment rates, with respect to investments where we have such agreements. There are no assurances, however, that counterparties will enter into such arrangements with us in connection with any future investment in MSRs or Excess MSRs. We are not party to any such arrangements with respect to any of our investments other than MSRs and Excess MSRs. If the applicable Servicing Partner does not meet anticipated recapture targets, the servicing cash flow on a given pool could be significantly lower than projected, which could have a material adverse effect on the value of our MSRs or Excess MSRs and consequently on our business, financial condition, results of operations and cash flows. Our recapture target for our current recapture agreements is stated in the table in Note 20 to our Consolidated Financial Statements. **Additionally, certain valuation methodologies for certain assets in our funds are subject to significant subjectivity and risk exists that these policies and procedures may not always function effectively. There are no readily ascertainable market prices for the large number of the illiquid investments held by our funds. The fair value of the investments of our funds is determined periodically by us using a number of methodologies permitted by our funds' valuation policies. These methodologies involve a significant degree of judgment and are based on a number of factors, which may include, without limitations, the nature of the investment, the expected cash flows from the investment, bid or ask prices provided by third parties for the investment, the length of time the investment has been held, the trading price of financial instruments (in the case of publicly traded financial instruments), restrictions on transfer and other recognized valuation methodologies. In addition, because certain of the illiquid investments held by our funds may be in industries or sectors that are under distress or undergoing some uncertainty, such investments may be subject to rapid changes in value caused by sudden company- specific or industry- specific developments. Because there is significant uncertainty in the valuation of and in the stability of the value of illiquid investments, the fair values of such investments as reflected in a fund' s net asset value do not necessarily reflect the prices that might actually be obtained when such investments are sold. Realizations at values significantly lower than the values at which investments have been reflected in fund net asset values would result in losses for the applicable funds, a decline in management fees and the loss of potential incentive income. Also, a situation where asset values turn out to be materially different from values reflected in fund net asset values may cause investors to lose confidence in us, which could, in turn, result in redemptions from our funds, difficulties in our ability to raise additional capital or an increased risk of litigation by investors or governmental or self- regulatory organizations. These issues could result in regulatory scrutiny of our valuation methodologies, polices and related disclosures.** Servicer advances may not be recoverable or may take longer to recover than we expect, which could cause us to fail to achieve our targeted return on our ~~Servicer~~ **servicer** ~~Advance~~ **advance** ~~Investments~~ **investments** or MSRs. We are generally required to make servicer advances related to the pools of loans for which we are the named servicer. In addition, we have agreed ~~(in the case of Mr. Cooper, together with certain third- party investors)~~ to purchase from our Servicing Partners all servicer advances related to certain loan pools, as a result of which we are entitled to amounts representing repayment for such advances. During any period in which a borrower is not making payments, a servicer is generally required under the applicable servicing agreement to advance its own funds to cover the principal and interest remittances due to investors in the loans, pay property taxes and insurance premiums to third parties and to make payments for legal expenses and other protective advances. The servicer also advances funds to maintain, repair and market real estate properties on behalf of investors in the loans. Repayment of servicer advances and payment of deferred servicing fees are generally made from late payments and other collections and recoveries on the related residential mortgage loan (including liquidation, insurance and condemnation proceeds) or, if the related servicing agreement provides for a " general collections backstop, " from collections on other residential mortgage loans to which such servicing agreement relates. The rate and timing of payments on servicer advances and deferred servicing fees are unpredictable for several reasons, including the following: • payments on the servicer advances and the deferred servicing fees depend on the source of repayment and whether and when the related servicer receives such payment (certain servicer advances are reimbursable only out of late payments and other collections and recoveries on the related residential mortgage loan, while others are also reimbursable out of principal and interest collections with respect to all residential mortgage loans serviced under the related servicing agreement, and as a consequence, the timing of such reimbursement is highly uncertain); • the length of time necessary to obtain liquidation proceeds may be affected by conditions in the real estate market or the financial markets generally, the availability of financing for the acquisition of the real estate and other factors, including, but not limited to, government intervention; • the length of time necessary to effect a foreclosure may be affected by variations in the laws of the particular jurisdiction in which the related mortgaged property is located, including whether or not foreclosure requires judicial action; • the requirements for judicial actions for foreclosure (which can result in substantial delays in reimbursement of servicer advances and payment of deferred servicing fees), which vary from time to time as a result of changes in applicable state law; and • the ability of the related servicer to sell delinquent residential mortgage loans to third parties prior to a sale of the underlying real estate, resulting in the early reimbursement of outstanding unreimbursed servicer advances in respect of such residential mortgage loans. As home values change, the servicer may have to reconsider certain of the assumptions underlying its decisions to make advances. In certain situations, its contractual obligations may require the servicer to make certain advances for which it may not be reimbursed. For example, a servicer may not ultimately be reimbursed if both (i) the payments from related loan, property or mortgagor payments are insufficient for reimbursement and (ii) a general collections backstop is not available or is insufficient. Also, if a servicer improperly makes a servicer advance, it would not be entitled to reimbursement. In addition, when a residential mortgage loan defaults or becomes delinquent, the repayment of the advance may be delayed until the residential mortgage loan is repaid or refinanced, or a liquidation occurs. To the extent that one of our Servicing Partners fails to recover the servicer advances in which we have invested ~~,~~ or takes longer than we expect to recover such advances, the value of our investment could be adversely affected **,** and we could fail to achieve our expected return and suffer losses. Accordingly, while we do not expect recovery rates to vary materially during the term of our investments, there can be no assurance regarding future recovery rates related to our portfolio. We rely on our Servicing Partners to achieve our investment objective **for certain investments** and have no direct ability to influence their performance. The value **of certain** of our investments is dependent on the satisfactory performance of servicing obligations by the related mortgage servicer or subservicer, as applicable. The duties and obligations of mortgage servicers are defined through contractual agreements, generally referred to as Servicing Guides in the case of GSEs, the MBS Guide in the case of Ginnie Mae or pooling agreements, securitization servicing agreements, pooling and servicing agreements or other similar agreements (collectively, " PSAs ") in the case of Non- Agency RMBS (collectively, the " Servicing Guidelines "). The duties of the subservicers we engage to service the loans underlying our MSRs are contained in subservicing agreements with our subservicers. The duties of a subservicer under a subservicing agreement may not be identical to the obligations of the servicer under Servicing Guidelines. Our interests in MSRs are subject to all of the terms and conditions of the applicable Servicing Guidelines. Servicing Guidelines generally provide for the possibility of termination of the contractual rights of the servicer in the absolute discretion of the owner of the mortgages being serviced (or the required bondholders in the case of Non- Agency RMBS). Under the Agency Servicing Guidelines, the servicer may be terminated by the applicable Agency for any reason, " with " or " without " cause, for all or any portion of the loans being serviced for such Agency. In the event mortgage owners (or bondholders) terminate the servicer (regardless of whether such servicer is a subsidiary of Rithm Capital or one of its subservicers), the related interests in MSRs would under most circumstances lose all value on a going forward basis. If the servicer is terminated as servicer for any Agency pools, the servicer' s right to service the related mortgage loans will be extinguished and our interests in related MSRs will likely lose all of their value. Any recovery in such circumstances, in the case of Non- Agency RMBS, will be highly conditioned and may require, among other things, a new servicer willing to pay for the right to service the applicable residential mortgage loans while assuming responsibility for the origination and prior servicing of the residential mortgage loans. In addition, in the case of Agency MSRs, any payment received from a successor servicer will be applied first to pay the applicable Agency for all of its claims and costs, including claims and costs against the servicer that do not relate to the residential mortgage loans for which we own interests in the MSRs. A termination could also result in an event of default under our related financings. It is expected that any termination of a servicer by mortgage owners (or bondholders) would take effect across all mortgages of such mortgage owners (or bondholders) and would not be limited to a particular vintage or other subset of mortgages. Therefore, it is possible that all investments with a given servicer would lose all their value in the event mortgage owners (or bondholders) terminate such servicer. See " — We have significant counterparty concentration risk in certain of our Servicing Partners and are subject to other counterparty concentration and default risks. " As a result, we could be materially and adversely affected if one of our Servicing Partners is unable to adequately carry out its duties as a result of: • its failure to comply with applicable laws and regulations; • its failure to comply with contractual and financing obligations and covenants; • a downgrade in, or failure to maintain, any of its servicer ratings; • its failure to maintain sufficient liquidity or access to sources of liquidity; • its failure to perform its loss mitigation obligations; • its failure to perform adequately in its external audits; • a failure in or poor performance of its operational systems or infrastructure; • regulatory or legal scrutiny or regulatory actions regarding any aspect of a servicer' s operations, including, but not limited to, servicing practices and foreclosure processes lengthening foreclosure timelines; • an Agency' s or a whole- loan owner' s transfer of servicing to another party; or • any other reason. In the ordinary course of business, our Servicing Partners are subject to numerous legal proceedings, federal, state or local governmental examinations, investigations or enforcement actions which could adversely affect their reputation and their liquidity, financial position and results of operations. Mortgage servicers, including certain of our Servicing Partners, have experienced heightened regulatory scrutiny and enforcement actions and our Servicing Partners could be adversely affected by the market’ s perception that they could experience, or continue to experience, regulatory issues. See “ Risks Related to the Financial Markets and Our Regulatory Environment — Certain of our Servicing Partners have been and are subject to federal and state regulatory matters and other litigation, which may adversely impact us. ” Loss mitigation techniques are intended to reduce the probability that borrowers will default on their loans and to minimize losses when defaults occur, and they may include the modification of mortgage loan rates, principal balances and maturities. If any of our Servicing Partners fail to adequately perform their loss mitigation obligations, we could be required to make or purchase, as applicable, servicer advances in excess of those that we might otherwise have had to make or purchase and the time period for collecting servicer advances may extend. Any increase in servicer advances or material increase in the time to resolution of a defaulted loan could result in increased capital requirements and financing costs for us and our co- investors and could adversely affect our liquidity and net income. In the event that one of our servicers from which we are obligated to purchase servicer advances is required by the applicable Servicing Guidelines to make advances in excess of amounts that we or, in the case of Mr. Cooper, the co- investors, are willing or able to fund, such servicer may not be able to fund these advance requests, which could result in a termination event under the applicable Servicing Guidelines, an event of default under our advance facilities and a breach of our purchase agreement with such servicer. As a result, we could experience a partial or total loss of the value of our ~~Servicer~~ **servicer** ~~Advance~~ **advance** ~~Investments~~ **investments** . MSRs and servicer advances are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions. If the Servicing Partner actually or allegedly failed to comply with applicable laws, rules or regulations, it could be terminated as the servicer, and could lead to civil and criminal liability, loss of licensing, damage to our reputation and litigation, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. In addition, servicer advances that are improperly made may not be eligible for financing under our facilities and may not be reimbursable by the related securitization trust or other owner of the residential mortgage loan, which could cause us to suffer losses. Favorable servicer ratings from third- party rating agencies, such as S & P Global Ratings (“ S & P ”), Moody’ s Investors Service (“ Moody’ s ”) and Fitch Ratings (“ Fitch ”), are important to the conduct of a mortgage servicer’ s loan servicing business, and a downgrade in a Servicing Partner’ s servicer ratings could have an adverse effect on the value of our interests in MSRs and result in an event of default under our financings. Downgrades in a Servicing Partner’ s servicer ratings could adversely affect our ability to finance our assets and maintain their status as an approved servicer by Fannie Mae and Freddie Mac. Downgrades in servicer ratings could also lead to the early termination of existing advance facilities and affect the terms and availability of financing that a Servicing Partner or we may seek in the future. A Servicing Partner’ s failure to maintain favorable or specified ratings may cause their termination as a servicer and may impair their ability to consummate future servicing transactions, which could result in an event of default under our financing for servicer advances and have an adverse effect on the value of our investments because we will rely heavily on Servicing Partners to achieve our investment objectives and have no direct ability to influence their performance. For additional information about the ways in which we may be affected by mortgage servicers, see “ — The value of our interests in MSRs, servicer advances, residential mortgage loans, business purpose loans ~~,~~ and RMBS may be adversely affected by deficiencies in servicing and foreclosure practices, as well as related delays in the foreclosure process. ” A number of lawsuits, including class- actions, have been filed against mortgage servicers alleging improper servicing in connection with residential Non- Agency mortgage securitizations. Investors in, and counterparties to, such securitizations may commence legal action against us and responding to such claims, and any related losses, could negatively impact our business. A number of lawsuits, including class actions, have been filed against mortgage servicers alleging improper servicing in connection with residential Non- Agency mortgage securitizations. Investors in, and counterparties to, such securitizations may commence legal action against us and responding to such claims, and any related losses, could negatively impact our business. The number of counterparties on behalf of which we service loans significantly increases as the size of our Non- Agency MSR portfolio increases and we may become subject to claims and legal proceedings, including purported class- actions, in the ordinary course of our business, challenging whether our loan servicing practices and other aspects of our business comply with applicable laws, agreements and regulatory requirements. We are unable to predict whether any such claims will be made, the ultimate outcome of any such claims, the possible loss, if any, associated with the resolution of such claims or the potential impact any such claims may have on us or our business and operations. Regardless of the merit of any such claims or lawsuits, defending any claims or lawsuits may be time consuming and costly and we may be required to expend significant internal resources and incur material expenses, and management time may be diverted from other aspects of our business, in connection therewith. Further, if our efforts to defend any such claims or lawsuits are not successful, our business could be materially and adversely affected. As a result of investor and other counterparty claims, we could also suffer reputational damage and trustees, lenders and other counterparties could cease wanting to do business with us. Failure to successfully modify, resell or refinance early buyout loans or defaults of the early buyout loans beyond expected levels may adversely affect our business, financial condition, liquidity and results of operations. As a mortgage servicer, we have an EBO option for loans at least three months delinquent in our Ginnie Mae MSR portfolio. As of December 31, ~~2022~~ **2023** , Rithm Capital holds approximately $ 1. ~~2~~ **8** billion in residential mortgage loans subject to repurchase on its Consolidated Balance Sheets. Purchasing delinquent Ginnie Mae loans provides us with an alternative to our mortgage servicing obligation of advancing principal and interest at the coupon rate of the related Ginnie Mae security. While our EBO program reduces the cost of servicing the Ginnie Mae loans, it may also accelerate loss recognition when the loans are repurchased because we are required to write off accumulated non- reimbursable interest advances and other costs. In addition, after purchasing the delinquent Ginnie Mae loans, we expect to resecuritize many of the delinquent loans into another Ginnie Mae guaranteed security upon the delinquent loans becoming current either through the borrower’ s reperformance or through the completion of a loan modification; however, there is no guarantee that any delinquent loan will reperform or be modified. Failure to successfully modify, resell or refinance our repurchased Ginnie Mae loans or ~~if~~ **default of** a significant portion of the repurchased Ginnie Mae loans ~~default~~ may adversely affect our business, financial condition, liquidity and results of operations. Our ability to acquire and / or transfer MSRs may be subject to the approval of various third parties and such approvals may not be provided on a timely basis or at all, or may be subject to conditions, representations and warranties and indemnities. Our ability to acquire and / or transfer MSRs may be subject to the approval of various third parties and such approvals may not be provided on a timely basis or at all ~~,~~ or may be conditioned upon our satisfaction of significant conditions which could require material expenditures and the provision of significant representations, warranties and indemnities. Such third parties may include the Agencies and the Federal Housing Finance Agency (" FHFA ") with respect to agency MSRs, and securitization trustees, master servicers, depositors, rating agencies and insurers, among others, with respect to Non- Agency MSRs. The process of obtaining any such approvals required for a servicing transfer, especially with respect to Non- Agency MSRs, may be time consuming and costly and we may be required to expend significant internal resources and incur material expenses in connection with such transactions. Further, the parties from whom approval is necessary may require that we provide significant representations and warranties and broad indemnities as a condition to their consent, which such representations and warranties and indemnities, if given, may expose us to material risks in addition to those arising under the related servicing agreements. Consenting parties may also charge a material consent fee and may require that we reimburse them for the legal expenses they incur in connection with their approval of the servicing transfer, which such expenses may include costs relating to substantial contract due diligence and may be significant. No assurance can be given that we will be able to successfully obtain the consents required to acquire the MSRs that we have agreed to purchase. We ~~have significant counterparty concentration risk in certain of our Servicing Partners and are subject to other counterparty concentration and default risks. We~~ are not restricted from dealing with any particular counterparty or from concentrating any or all of our transactions with a few counterparties. Any loss suffered by us as a result of a counterparty defaulting, refusing to conduct business with us or imposing more onerous terms on us would also negatively affect our business, results of operations, cash flows and financial condition. Our interests in MSRs relate to loans serviced or subserviced, as applicable, by our Servicing Partners. As disclosed in Notes 5, 6 and 7 ~~of~~ **to** our Consolidated Financial Statements, certain of our Servicing Partners service and / or subservice a substantial portion of our interests in MSRs. If any of these Servicing Partners is the named servicer of the related MSR and is terminated, its servicing performance deteriorates, or in the event that any of them files for bankruptcy, our expected returns on these investments could be severely impacted. In addition, a large portion of the loans underlying our Non- Agency RMBS are serviced by certain of our Servicing Partners. We closely monitor our Servicing Partners' mortgage servicing performance and overall operating performance, financial condition and liquidity, as well as their compliance with applicable regulations and Servicing Guidelines. We have various information, access and inspection rights in our agreements with these Servicing Partners that enable us to monitor aspects of their financial and operating performance and credit quality, which we periodically evaluate and discuss with their management. However, we have no direct ability to influence our Servicing Partners' performance, and our diligence cannot prevent, and may not even help us anticipate, the termination of any such Servicing Partners' servicing agreement or a severe deterioration of any of our Servicing Partners' servicing performance on our portfolio of interests in MSRs. Furthermore, certain of our Servicing Partners are subject to numerous legal proceedings, federal, state or local governmental examinations, investigations or enforcement actions, which could adversely affect their operations, reputation and liquidity, financial position and results of operations. See " Risks Related to the Financial Markets and Our Regulatory Environment — Certain of our Servicing Partners have been and are subject to federal and state regulatory matters and other litigation, which may adversely impact us " for more information. None of our Servicing Partners has an obligation to offer us any future co- investment opportunity on the same terms as prior transactions, or at all, and we may not be able to find suitable counterparties from which to acquire interests in MSRs, which could impact our business strategy. See " — We rely ~~heavily~~ on our Servicing Partners to achieve our investment objective **for certain investments** and have no direct ability to influence their performance. " Repayment of the outstanding amount of servicer advances (including payment with respect to deferred servicing fees) may be subject to delay, reduction or set- off in the event that the related Servicing Partner breaches any of its obligations under the Servicing Guidelines, including, without limitation, any failure of such Servicing Partner to perform its servicing and advancing functions in accordance with the terms of such Servicing Guidelines. If any applicable Servicing Partner is terminated or resigns as servicer and the applicable successor servicer does not purchase all outstanding servicer advances at the time of transfer, collection of the servicer advances will be dependent on the performance of such successor servicer and, if applicable, reliance on such successor servicer' s compliance with the " first- in, first- out " or " FIFO " provisions of the Servicing Guidelines. In addition, such successor servicers may not agree to purchase the outstanding advances on the same terms as our current purchase arrangements and may require, as a condition of their purchase, modification to such FIFO provisions, which could further delay our repayment and adversely affect the returns from our investment. We are subject to substantial other operational risks associated with our Servicing Partners in connection with the financing of servicer advances. In our current financing facilities for servicer advances, the failure of our Servicing Partner to satisfy various covenants and tests can result in an amortization event and / or an event of default. We have no direct ability to control our Servicing Partners' compliance with those covenants and tests. Failure of our Servicing Partners to satisfy any such covenants or tests could result in a partial or total loss on our investment. In addition, our Servicing Partners are party to our servicer advance financing agreements, with respect to those advances where they service or subservice the loans underlying the related MSRs. Our ability to obtain financing for these assets is dependent on our Servicing Partners' agreement to be a party to the related financing agreements. If our Servicing Partners do not agree to be a party to these financing agreements for any reason, we may not be able to obtain financing on favorable terms or at all. Our ability to obtain financing on such assets is dependent on our Servicing Partners' ability to satisfy various tests under such financing arrangements. Breaches and other events with respect to our Servicing Partners (which may include, without limitation, failure of a Servicing Partner to satisfy certain financial tests) could cause certain or all of the relevant servicer advance financing to become due and payable prior to maturity. We are dependent on our Servicing Partners as the servicer or subservicer of the residential mortgage loans with respect to which we hold interests in MSRs and their servicing practices may impact the value of certain of our assets. We may be adversely impacted: • by regulatory actions taken against our Servicing Partners; • by a default by one of our Servicing Partners under their debt agreements; • by downgrades in our Servicing Partners' servicer ratings; • if our Servicing Partners fail to ensure their servicer advances comply with the terms of their ~~Pooling and Servicing Agreements ("~~ PSAs ~~")~~ ; • if our Servicing Partners were terminated as servicer under certain PSAs; • if our Servicing Partners become subject to a bankruptcy proceeding; or • if our Servicing Partners fail to meet their obligations or are deemed to be in default under the indenture governing notes issued under any servicer advance facility with respect to which such Servicing Partner is the servicer. Our interests in MSRs relate to loans serviced or subserviced, as applicable, by our Servicing Partners. As disclosed in Notes 5, 6 and 7 ~~of~~ **to** our Consolidated Financial Statements, certain of our Servicing Partners service and / or subservice a substantial portion of our interests in MSRs. In addition, Mr. Cooper is currently the servicer for a significant portion of our loans, and the loans underlying our RMBS. If the servicing performance of one of our subservicers deteriorates, if one of our subservicers files for bankruptcy or if one of our subservicers is otherwise unwilling or unable to continue to subservice MSRs for us, our expected returns on these investments would be severely impacted. In addition, if a subservicer becomes subject to a regulatory consent order or similar enforcement proceeding, that regulatory action could adversely affect us in several ways. For example, the regulatory action could result in delays of transferring servicing from an interim subservicer to our designated successor subservicer or cause the subservicer' s performance to degrade. Any such development would negatively affect our expected returns on these investments and such effect could be materially adverse to our business and results of operations. We closely monitor each subservicer' s mortgage servicing performance and overall operating performance, financial condition and liquidity, as well as its compliance with applicable regulations and GSE servicing guidelines. We have various information, access and inspection rights in our respective agreements with our subservicers that enable us to monitor their financial and operating performance and credit quality, which we periodically evaluate and discuss with each subservicer' s respective management. However, we have no direct ability to influence each subservicer' s performance, and our diligence cannot prevent, and may not even help us anticipate, a severe deterioration of each subservicer' s respective servicing performance on our MSR portfolio. Moreover, we are party to repurchase agreements with a limited number of counterparties. If any of our counterparties elected not to renew our repurchase agreements, we may not be able to find a replacement counterparty, which would have a material adverse effect on our financial condition. **Additionally, our funds enter into numerous types of financial arrangements with a wide array of counterparties around the world, including loans, swaps, repurchase agreements, securities lending agreements and other derivative and non- derivative contracts. The terms of these contracts are often customized and complex and these arrangements may occur in markets or relate to products that are not currently subject to experienced regulatory oversight, although the Dodd- Frank Act provides certain regulation in the U. S. derivatives market. In particular, certain of our funds utilize prime brokerage arrangements with a relatively limited number of counterparties, which has the effect of concentrating the transaction volume (and related counterparty default risk) of these funds with these counterparties.** Our risk- management processes may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not take sufficient action to reduce our risks effectively. Although we will monitor our credit exposures, default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate ~~, such as a pandemic like the COVID- 19 pandemic~~ . In addition, concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose us to significant losses. In the event of a counterparty default, particularly a default by a major investment bank **, commercial bank, other financial institution** or Servicing Partner, we could incur material losses rapidly, and the resulting market impact of a major counterparty default could seriously harm our business, results of operations, cash flows and financial condition. In the event that one of our counterparties becomes insolvent or files for bankruptcy, our ability to eventually recover any losses suffered as a result of that counterparty' s default may be limited by the liquidity of the counterparty or the applicable legal regime governing the bankruptcy proceeding. A bankruptcy of any of our Servicing Partners could materially and adversely affect us. If any of our Servicing Partners becomes subject to a bankruptcy proceeding, we could be materially and adversely affected, and you could suffer losses, as discussed below. A sale of MSRs or interests in MSRs and servicer advances or other assets, including loans, could be re- characterized as a pledge of such assets in a bankruptcy proceeding. We believe that a mortgage servicer' s transfer to us of MSRs or interests in MSRs and servicer advances or any other asset transferred pursuant to a related purchase agreement, including loans, constitutes a sale of such assets, in which case such assets would not be part of such servicer' s bankruptcy estate. The servicer (as debtor-in- possession in the bankruptcy proceeding), a bankruptcy trustee appointed in such servicer' s bankruptcy proceeding, or any other party in interest, however, might assert in a bankruptcy proceeding MSRs or interests in MSRs and servicer advances or any other assets transferred to us pursuant to the related purchase agreement were not sold to us but were instead pledged to us as security for such servicer' s obligation to repay amounts paid by us to the servicer pursuant to the related purchase agreement. If such assertion were successful, all or part of the MSRs or interests in MSRs and servicer advances or any other asset transferred to us pursuant to the related purchase agreement would constitute property of the bankruptcy estate of such servicer and our rights against the servicer could be those of a secured creditor with a lien on such present and future assets. If such a recharacterization occurs, the validity or priority of our security interest in the MSRs or interests in MSRs and servicer advances or other assets could be challenged in a bankruptcy proceeding of such servicer. If the purchases pursuant to the related purchase agreement are recharacterized as secured financings as set forth above, we nevertheless created and perfected security interests with respect to the MSRs or interests in MSRs and servicer advances and other assets that we may have purchased from such servicer by including a pledge of collateral in the related purchase agreement and filing financing statements in appropriate jurisdictions. Nonetheless, to the extent we have created and perfected a security interest, our security interests may be challenged and ruled unenforceable, ineffective or subordinated by a bankruptcy court, and the amount of our claims may be disputed so as not to include all MSRs or interests in MSRs and servicer advances to be collected. If this were to occur, or if we have not created a security interest, then the servicer' s obligations to us with respect to purchased MSRs or interests in MSRs and servicer advances or other assets would be deemed unsecured obligations, payable from unencumbered assets to be shared among all of such servicer' s unsecured creditors. In addition, even if the security interests are found to be valid and enforceable, if a bankruptcy court determines that the value of the collateral is less than such servicer' s underlying obligations to us, the difference between such value and the total amount of such obligations will be deemed an unsecured " deficiency " claim and the same result will occur with respect to such unsecured claim. In addition, even if the security interest is found to be valid and enforceable, such servicer would have the right to use the proceeds of our collateral subject to either (a) our consent or (b) approval by the bankruptcy court, subject to providing us with " adequate protection " under U. S. bankruptcy laws. Such servicer also would have the ability to confirm a chapter 11 plan over our objections if the plan complied with the " cramdown " requirements under U. S. bankruptcy laws. Payments made by a servicer to us could be voided by a court under federal or state preference laws. If one of our Servicing Partners were to file, or to become the subject of, a bankruptcy proceeding under the U. S. Bankruptcy Code or similar state insolvency laws, and our security interest (if any) is declared unenforceable, ineffective or subordinated, payments previously made by a servicer to us pursuant to the related purchase agreement may be recoverable on behalf of the bankruptcy estate as preferential transfers. If the court were to determine that any payments were avoidable as preferential transfers, we would be required to return such payments to such servicer' s bankruptcy estate and would have an unsecured claim against such servicer with respect to such returned amounts. Payments made to us by such servicer, or obligations incurred by it, could be voided by a court under federal or state fraudulent conveyance laws. The mortgage servicer (as debtor- in- possession in the bankruptcy proceeding), a bankruptcy trustee appointed in such servicer' s bankruptcy proceeding, or another party in interest could also claim that such servicer' s transfer to us of MSRs or interests in MSRs and servicer advances or other assets or such servicer' s agreement to incur obligations to us under the related purchase agreement was a fraudulent conveyance. Although we believe that no such transfer, interest, advance or agreement constitutes a fraudulent conveyance, if any transfer or incurrence is determined to be a fraudulent conveyance, our Servicing Partner, as applicable (as debtor- in- possession in the bankruptcy proceeding), or a bankruptcy trustee on such Servicing Partner' s behalf would be entitled to recover such transfer or to avoid the obligation previously incurred. Additionally, any bankruptcy proceeding of one of our Servicing Partners could create the following risks: • Any purchase agreement pursuant to which we purchase interests in MSRs, servicer advances or other assets, including loans, or any subservicing agreement between us and a subservicer on our behalf could be rejected in a bankruptcy proceeding of one of our Servicing Partners or counterparties; • A bankruptcy court could stay a transfer of servicing to another servicer; • Any ~~Subservicing~~ **subservicing** ~~Agreement~~ **agreement** could be rejected in a bankruptcy proceeding; • Our Servicing Partners could discontinue servicing; • An automatic stay under the U. S. Bankruptcy Code may prevent the ongoing receipt of servicing fees or other amounts due; and • A default on our MSR, Excess MSR and servicer advance financing facilities could negatively impact our ability to continue to purchase interests in MSRs. Certain of our subsidiaries originate and service residential mortgage loans, which subject us to various operational risks that could have a negative impact on our financial results. Certain subsidiaries of Rithm Capital perform various mortgage and real estate related services and have origination and servicing operations, which entail borrower- facing activities and employing personnel. Owning entities that perform these and other operations could expose us to risks similar to those of our Servicing Partners, as well as various other risks, including, but not limited to those pertaining to: • risks related to compliance with applicable laws, regulations and other requirements; • significant increases in delinquencies for the loans; • compliance with the terms of related servicing agreements; • financing related servicer advances and the origination business; • expenses related to servicing high risk loans; • unrecovered or delayed recovery of servicing advances; • a general risk in foreclosure rates, which may ultimately reduce the number of mortgages that we service (also see " — The residential mortgage loans underlying the securities we invest in and the loans we directly invest in are subject to delinquency, foreclosure and loss, which could result in losses to us. "); • maintaining the size of the related servicing portfolio and the volume of the origination business; • compliance with FHA underwriting guidelines; and • termination of government mortgage refinancing programs. Any of the foregoing risks, among others, could have a material adverse effect on our business, financial condition, results of operations and liquidity. ~~Climate~~ **Our asset management business, including Sculptor and its funds, involves certain risks, which could adversely affect our business, financial condition and results of operations. Our asset management business, including Sculptor and its funds, is subject to certain risks related to the asset management business, the management of funds and the related regulatory environment, which include, but are not limited to: • Redemption Risk. Investors in certain of our funds have the right to redeem their investments in such funds on either an annual or quarterly basis following the expiration of a specified period of time (typically between one and three years) and have in the past and could in the future redeem a significant amount of AUM during any given quarterly period. • Market Risk. Difficult market conditions can adversely affect our funds in many ways, including by negatively impacting their performance and reducing their ability to raise or deploy capital, reducing AUM and lowering management fee income and incentive income, increasing the cost of financial instruments and executing transactions. In addition, market or idiosyncratic factors may make it difficult to raise new capital from investors into our funds. Either or both of these circumstances could result in significantly decreased revenues and could have a material adverse effect on our business, financial condition and results of operations. • Historical Returns. The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or any future funds we may raise. Our funds' returns, particularly during periods of more extreme market and economic conditions, have benefited from or been impaired by the existence or lack of investment opportunities and such general market and economic conditions, which may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of profitable investment opportunities. Additionally, the historical rates of return of our funds reflect such funds' historical**

expenses, which may vary in the future due to factors beyond our control, including changes in laws or regulations. • Investment Professionals. Our business and financial condition may be materially adversely impacted by the loss of any of our key executive managing directors. Our ability to retain and attract executive managing directors, managing directors and other investment professionals is critical to the success and growth of our business. • Leverage Risk. Our funds may determine to use leverage in investments, which could materially adversely affect our ability to achieve positive rates of return on those investments. The use of leverage poses a significant degree of risk, most notably by significantly increasing the risk of loss associated with leveraged investments that decline in value and enhances the possibility of a significant loss in the value of the investments in our funds. • Diligence Risk. The due diligence process that we undertake in connection with investments by our funds may not reveal all facts that may be relevant in connection with making an investment. • Liquidity Risk. Our funds may invest in relatively high- risk, illiquid assets, including structured products, and may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal investments. See " — Many of our investments may be illiquid, and this lack of liquidity could significantly impede our ability to vary our portfolio in response to changes in economic and other conditions or to realize the value at which such investments are carried if we are required to dispose of them. " • Valuation Risk. Valuation methodologies for certain assets in our funds are subject to significant subjectivity and the values established pursuant to such methodologies may never be realized, which could result in significant losses for our funds. See " — The value of our investments, including the valuation methodologies used for certain assets in our funds, is based on various assumptions that could prove to be incorrect and could have a negative impact on our financial results. " • Minority Investments. Our funds make investments in companies that we do not control, exposing us to the risk of decisions made by others with whom we may not agree. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions contrary to our expectations, with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. In addition, we may make investments in which we share control over the investment with co- investors, which may make it more difficult for us to implement our investment approach or exit the investment when we otherwise would. If any of the foregoing were to occur with respect to one or more significant investments, the value of such investments by our funds could decrease and our business, financial condition or results of operations could suffer as a result. • Foreign Investment Risk. Our funds make investments in companies that are based outside of the U. S., exposing us to additional risks not typically associated with investing in companies that are based in the U. S. Such risks include, but are not limited to, currency exchange matters; less developed or efficient financial markets; the absence of uniform accounting, financing and auditing standards and policies; differences in legal and regulatory requirements; fewer investor protections and less stringent requirements relating to fiduciary duties; difficulties in enforcing contracts or claims; a lack of publicly available information; higher rates of inflation; heightened exposure to corruption risk; certain and / or increased economic and political risks; the potential imposition of non- U. S. taxes. Any of these risks could adversely affect our funds' investments. • Regulatory Risk. Tariffs, sanctions and other restrictions imposed by the U. S. government, and the potential for further regulatory reform, may create regulatory uncertainty and adversely affect our investment strategies and the profitability of our funds. See " Risks Related to the Financial Markets and Our Regulatory Environment. " • Hedging and Risk Management. Risk management activities may materially adversely affect the return on our funds' investments. When managing our funds' exposure to market risks, we may from time to time use hedging strategies and if our risk management processes and systems are ineffective, we may be exposed to material unanticipated losses. See " Risks Related to Our Business — Any hedging transactions that we enter into may limit our gains or result in losses. " • Investment Strategy Risk. We invest in a number of industries, products, geographical locations and strategies that entail significant risks and uncertainties, which may, if realized, have a material adverse effect on our business and results of operations. For example: ◦ The funds may engage in short selling, which is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. ◦ Our funds may invest in companies with weak financial conditions, poor operating results, substantial financial needs, negative net worth and / or special competitive problems or that are involved in bankruptcy or reorganization proceedings. In such " distressed " situations, it may be difficult to obtain full information as to the exact financial and operating condition of the issuer. Distressed investments may be involved in work- outs, liquidations, spin- offs, reorganizations and similar transactions and may purchase high- risk receivables. ◦ Credit risk may be exacerbated through a default by or because of one of several large institutions that are dependent on one another fail to meet their liquidity or operational needs, so that default by one institution causes a series of defaults by the other institutions. ◦ Fund investments are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances, including if the funds write a call option. ◦ Our funds may make real estate investments, including, without limitation, the acquisition of real estate assets, the purchase of loans secured directly or indirectly by real estate and the purchase of public and private market securities backed by real estate assets or mortgage loans secured by real estate, which will be subject to the risks incident to the lending, ownership and operation of commercial and residential real estate. Our funds and fund investments may be subject to numerous additional risks, which we may not be able to foresee or anticipate. Many of these factors are outside of our control and any one of them could result in a material adverse effect on our financial position, results of operations and cash flows. Competitive pressures in the asset management business could materially adversely affect our business, financial condition or results of operations. The asset management business remains intensely competitive, with competition based on a variety of factors, including

investment performance, the quality of service and level of desired information provided to fund investors, brand recognition and business reputation. We compete for fund investors, highly qualified talent, including investment professionals, and for investment opportunities with a number of hedge funds, private equity firms, specialized funds, traditional asset managers, commercial banks, investment banks and other financial institutions. A number of factors create competitive risks for us: • We compete in an international arena and, to remain competitive, we may need to further expand our business into new geographic regions or new business areas where our competitors may have a more established presence or greater experience and expertise. • A number of our competitors have greater financial, technical, marketing and other resources and more personnel than we do. • Several of our competitors have raised and continue to raise significant amounts of capital, and many of them have or may pursue investment objectives that are similar to ours, which would create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit. • 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 to bid more aggressively than us for investments that we may want to make. • Some of our competitors may be subject to less extensive regulation and thus may be better positioned to pursue certain investment objectives and / or be subject to lower expenses related to compliance than us. • Other industry participants will from time to time seek to recruit our active executive managing directors, investment professionals and other professional talent away from us. We may lose fund investors in the future if we do not match or provide more attractive management fees, incentive income arrangements, structures and terms than those offered by competitors. However, we may experience decreased revenues if we match or provide more attractive management fees, incentive income arrangements, structures and terms offered by competitors. In addition, changes in the global capital markets could diminish the attractiveness of our funds relative to investments in other investment products. This competitive pressure could materially adversely affect our ability to make successful investments and limit our ability to raise future successful funds, either of which would materially adversely impact our business, financial condition or results of operations. If our investment performance, including the level and consistency of returns or other performance criteria, does not meet the expectations of our fund investors, it will be difficult for our funds to retain or raise capital and for us to grow our business. Additionally, even if our fund performance is strong, it is possible that we will not be able to attract additional capital. Further, the allocation of increasing amounts of capital to alternative investment strategies over the long term by institutional and individual investors may lead to a reduction in profitable investment opportunities, including by driving prices for investments higher and increasing the difficulty of achieving consistent, positive, absolute returns. Competition for fund investors is based on a variety of factors, including: • Investment performance; • Investor liquidity and willingness to invest; • Investor perception of investment managers' ability, drive, focus and alignment of interest with them; • Investor perception of robustness of business infrastructure and financial controls; • Transparency with regard to portfolio composition; • Investment and risk management processes; • Quality of service provided to and duration of relationship with investors; • Business reputation, including the reputation of a firm' s investment professionals; and • Level of fees and incentive income charged for services. If we are not able to compete successfully based on these and other factors, our AUM, earnings and revenues may be significantly reduced and our business, financial condition or results of operations may be materially adversely affected. Furthermore, if we are forced to compete with other alternative asset managers on the basis of fees, we may not be able to maintain our current management fee and incentive income structures, which drive our revenues and earnings. Sculptor has historically competed for fund investors primarily on the investment performance of their funds and their reputation, and not on the level of their fees or incentive income relative to those of their competitors. However, as the alternative asset management sector continues to mature and addresses current market and competitive conditions, there is increasing downward pressure on management fees and a risk that incentive income rates will decline, without regard to the historical performance of a manager. Management fee or incentive income rate reductions on existing or future funds, particularly without corresponding increases in AUM or decreases in our operating costs, could materially adversely affect our business, financial condition or results of operations. In addition to the competitive pressures described above, as we diversify by offering new or enhanced products and investment platforms, the average management fee rate we earn on our AUM may fall as a result of a larger proportion of our AUM being invested in products that earn lower management fee rates. Our average management fee will vary from period to period based on the mix of products that comprise our AUM. Even if we are able to compete successfully based on the factors noted above, it is possible we could lose AUM to our competitors. It is possible that similar circumstances could cause us to experience unusually high redemptions or a decrease in inflows, even if our investment performance and other business attributes are otherwise competitive or superior. We have, through our recently acquired subsidiary Sculptor, experienced and may again experience periods of rapid growth and significant declines in AUM, which place significant demands on our legal, compliance, accounting, risk management, administrative and operational resources. Rapid changes in our AUM may impose substantial demands on our legal, compliance, accounting, risk management, administrative and operational infrastructures. The complexity of these demands, and the time and expense required to address them, is a function not simply of the size of the increase or decrease, but also of significant differences in the investing strategies employed within our funds and the time periods during which these changes occur. For example, expanding our product offerings and entering new lines of business place additional demands on our infrastructure. Furthermore, our future growth will depend on, among other things, our ability to maintain and develop highly reliable operating platforms, management systems and financial reporting and compliance infrastructures that are also sufficiently flexible to promptly and appropriately address our business needs, applicable legal and regulatory requirements and relevant market and other operating conditions, all of which

can change **rapidly. Addressing the matters described above may require us to incur significant additional expenses and to commit additional senior management and operational resources** , ~~climate~~ **even if we are experiencing declines in AUM. There can be no assurance that we will be able to manage our operations effectively without incurring substantial additional expense or that we will be able to grow our business and AUM, and any failure to do so could materially adversely affect our ability to generate revenues and control our expenses. Our failure to appropriately manage or address conflicts of interest could damage our reputation and adversely affect our business, financial condition and results of operations. As we expand the number and scope of our business, we increasingly confront potential conflicts of interest relating to our investment activities and our funds' investment activities. Certain of our funds have overlapping investment objectives, and such investment objectives may additionally overlap with any investment objectives of Rithm Capital or one of Rithm Capital' s operating companies. Potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among us, our funds and our various operating companies and affiliates. For example, we may allocate an investment opportunity that is appropriate for two or more investment funds in a manner that excludes one or more funds or results in a disproportionate allocation based on factors or criteria that we determine, such as sourcing of the transaction, specific nature of the investment or size and type of the investment, among other factors. Additionally, a decision to acquire material non- public information about a company while pursuing an investment opportunity for a particular fund gives rise to a potential conflict of interest when it results in our having to restrict the ability of other funds to buy or sell securities in the public markets. Our fund investors and our public stockholders may perceive conflicts of interest regarding investment decisions. In addition, the challenge of allocating investment opportunities to certain funds may be exacerbated as we expand our business to include more lines of business. Allocating investment opportunities appropriately frequently involves significant and subjective judgments. In addition, the perception of non- compliance with such requirements or policies could harm our reputation with fund investors and our public stockholders. Our affiliates or portfolio companies may be service providers or counterparties to our funds or portfolio companies and receive fees or other compensation for services that are not shared with our fund investors. In such instances, we may be incentivized to cause our funds or portfolio companies to purchase such services from our affiliates or portfolio companies rather than an unaffiliated service provider despite the fact that a third- party service provider could potentially provide higher quality services or offer them at a lower cost. It is possible that actual, potential or perceived conflicts could give rise to investor dissatisfaction or litigation or regulatory enforcement actions. While we believe we have appropriate policies and procedures in place to manage conflicts of interest, this process is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest would have a material adverse effect on our reputation, which would materially adversely affect our business, financial condition or results of operations in a number of ways, including an inability to raise additional funds and a reluctance of counterparties to do business with us. We may not be able to successfully execute on our strategy, and any acquisitions or dispositions of assets or financing or other transactions that we pursue may not be successfully consummated or consummated on favorable terms. In executing our strategy to transition to a leading global asset manager, from time to time, we explore and will continue to explore various opportunities for acquisitions and dispositions of assets and financing transactions, which may include equity or debt offerings by one or more of our subsidiaries, business combinations, spin- off transactions or other similar transactions. Evaluating these potential transactions requires additional expenditures and may divert the attention of our management from day- to- day operating matters. These transactions may not be successful or may not achieve the anticipated strategic, financial, operational or other benefits. Moreover, we may determine to** change **our strategy, including to pursue, modify or abandon any such potential transactions at any time, and, in any event, there can be no assurance we will be successful in executing on our current strategy or any changed strategy. In 2023, the subsidiary that owns our mortgage origination and servicing platform business and related real estate assets confidentially submitted with the SEC a draft Registration Statement on Form S** - ~~related~~ **1** ~~regulation~~ --- **relating to a proposed initial public offering of its equity securities. Any initial public offering would be subject to market and other conditions and there can be no assurances as to the timing of the completion of** ~~and~~ - **an offering or that an offering will be completed at all, and the Company may determine to explore or execute (or to not explore or execute)** ~~the~~ **other alternatives with respect to this or other business lines. If we do not complete the initial public offering, we may incur significant expenses which we will be unable to recover, and for which we will not receive any benefit. If an initial public offering is completed, our mortgage origination and servicing platform business would be a new public company which may** ~~increased~~ - **increase our expenses. We are unable to predict what the market price of our common stock would be after a potential initial public offering of such business, and the market price of our common stock could be volatile for several months after such public offering and could continue to be more volatile than our common stock would have been if a transaction had not occurred. Increased** focus on environmental, social and governance **(ESG)** issues **, including climate change and related regulations** , may adversely affect our business and financial results and damage our reputation. ~~Recently~~ **We** , ~~there has been growing concern~~ **our operating companies and portfolio companies in which our funds invest are subject to increasing scrutiny** from advocacy groups, government agencies and the general public over ~~the effects of~~ **various ESG matters. For example, transition risks related to** climate change ~~on the environment. Transition risks~~ , such as government restrictions, standards or regulations intended to reduce greenhouse gas emissions and potential climate change impacts, are emerging and may increase in the future in the form of restrictions or additional requirements on the development of real estate. Such restrictions and requirements could impact our investment strategy or could increase costs for certain of our operating companies, which could adversely affect our results of operations. **Further, significant physical effects of climate change, including extreme weather events such as hurricanes or floods,**

can also have an adverse impact on the businesses of certain of our operating companies. As the effects of climate change increase, we expect the frequency and impact of weather and climate- related events and conditions to increase as well. For example, unseasonal or violent weather events can have a material impact on properties owned by our subsidiaries through physical damage to, or a decrease in demand for, properties in the areas affected by these conditions. Additionally, ~~environmental, social and governance (“~~ ESG ~~”)~~ concerns and other sustainability matters and our response to these matters could harm our business, including in areas such as diversity, equity and inclusion, human rights, climate change and environmental stewardship, support for local communities, corporate governance and transparency and consideration of ESG factors in our investment processes. Increasing governmental, investor and societal attention to ESG matters, including expanding mandatory and voluntary reporting, diligence ~~,~~ and disclosure on topics such as climate change, human capital, labor and risk oversight, could expand the nature, scope ~~,~~ and complexity of matters that we are required to control, assess and report. These factors may alter the environment in which we do business and may increase the ongoing costs of compliance and adversely impact our results of operations and cash flows. If we or our operating companies are unable to adequately address such ESG matters or fail or are perceived to fail to comply with all laws, regulations, policies and related interpretations, it could negatively impact our reputation, our ability to recruit and retain key personnel and our business results. ~~Further~~ **In addition** , ~~significant physical effects of climate change~~ **if our ESG practices or external ratings do not meet the standards set by investors or other stakeholders** , **or if we fail, or are perceived to fail, to demonstrate progress toward our ESG goals and initiatives, they may choose not to invest in us or our funds. Conversely, anti- ESG sentiment has gained momentum across the U. S., with several states having enacted or proposed “ anti- ESG ” policies, legislation or issued related legal opinions. For example, (i) boycott bills target financial institutions that “ boycott ” or “ discriminate against ” companies in certain industries (e. g., energy and mining) and prohibit state entities from doing business with such institutions and / or investing the state’ s assets (** including ~~extreme weather events~~ **pension plan assets) through** such **institutions** ~~as hurricanes or floods, can also have an~~ **and** ~~adverse impact~~ **(ii) ESG investment prohibitions require that state entities or managers / administrators of state investments make investments based solely** on ~~the businesses~~ **pecuniary factors without consideration** of ~~certain of~~ **ESG factors. If investors subject to such legislation viewed our funds** ~~our~~ - **or ESG practices** ~~operating companies. As the effects of climate change increase~~ , **including our** ~~we expect the frequency and impact of weather and~~ climate- related ~~events~~ **goals** and **commitments,** ~~conditions to increase~~ as ~~well.~~ **being in contradiction of such “ anti- ESG ” policies, legislation** ~~For~~ - **or** ~~example~~ **legal opinions** , ~~unseasonal~~ **such investors may not invest in** ~~or~~ **our** ~~violent weather events can~~ **funds, our ability to maintain the size of our funds could be impaired, and it could negatively affect the price of our common stock. Further, asset managers** have ~~a material~~ **been subject to recent scrutiny related to ESG- focused industry working groups, initiatives and associations, including organizations advancing action to address climate change or climate- related risk. Such scrutiny could expose us to the risk of antitrust investigations or challenges by federal authorities, result in reputational harm and discourage certain investors from investing in our funds. To the extent we consider ESG factors in connection with investments for certain of our funds and other investments, because ESG factors are not universally agreed upon or accepted by investors, our consideration of ESG factors or construction of specific ESG or** impact **funds could attract opposition from certain segments of** ~~on properties owned by our subsidiaries through physical damage to, or~~ **our** ~~a decrease in demand~~ **existing and potential client base. Any actual opposition to our consideration of ESG factors could impact our ability to maintain or raise capital** for **our funds** , **which may adversely impact our revenues** ~~properties in the areas affected by these conditions~~ . A failure to maintain minimum servicer ratings could have an adverse effect on our business, financing activities, financial condition or results of operations. S & P, Moody’ s and Fitch ~~rates~~ - **rate** ~~each of~~ Newrez ~~and Caliber~~ as a residential loan servicer, and a downgrade of, or failure to maintain, any of these servicer ratings could: • adversely affect Newrez’ s ~~and Caliber’ s~~ ability to maintain our status as an approved servicer by Fannie Mae and Freddie Mac; • adversely affect Newrez’ s ~~, Caliber’ s~~ and / or Rithm Capital’ s ability to finance servicing advance receivables and certain other assets; • lead to the early termination of existing advance facilities and affect the terms and availability of advance facilities that we may seek in the future; • cause Newrez’ s ~~and / or Caliber’ s~~ termination as servicer in our servicing agreements that require Newrez ~~and / or Caliber~~ to maintain specified servicer ratings; and • further impair Newrez ~~’ s and / or Caliber~~ ’ s ability to consummate future servicing transactions. Any of the above could adversely affect our business, financial condition and results of operations. Our interests in MSRs may involve complex or novel structures. Interests in MSRs may entail new types of transactions and may involve complex or novel structures. Accordingly, the risks associated with the transactions and structures are not fully known to buyers and sellers. In the case of interests in MSRs on Agency pools, Agencies may require that we submit to costly or burdensome conditions as a prerequisite to their consent to an investment in, or our financing of, interests in MSRs on Agency pools. Agency conditions, including capital requirements, may diminish or eliminate the investment potential of interests in MSRs on Agency pools by making such investments too expensive for us or by severely limiting the potential returns available from interests in MSRs on Agency pools. It is possible that an Agency’ s views on whether any such acquisition structure is appropriate or acceptable may not be known to us when we make an investment and may change from time to time for any reason or for no reason, even with respect to a completed investment. An Agency’ s evolving posture toward an acquisition or disposition structure through which we invest in or dispose of interests in MSRs on Agency pools may cause such Agency to impose new conditions on our existing interests in MSRs on Agency pools, including the owner’ s ability to hold such interests in MSRs on Agency pools directly or indirectly through a grantor trust or other means. Such new conditions may be costly or burdensome and may diminish or eliminate the investment potential of the interests in MSRs on Agency pools that are already owned by us. Moreover, obtaining such consent may require us or our co- investment counterparties to agree to material structural or economic changes, as well as agree to indemnification or other terms that expose us to risks to which we have not previously been exposed and that could negatively affect our returns from our investments. Our ability to finance the MSRs and servicer advance receivables acquired in the MSR Transactions may depend on the related

Servicing Partner' s cooperation with our financing sources and compliance with certain covenants. We have in the past and intend to continue to finance some or all of the MSRs or servicer advance receivables acquired in **certain transactions related to MSRs (** the **"** MSR Transactions **")** , and as a result, we will be subject to substantial operational risks associated with the related Servicing Partners. In our current financing facilities for interests in MSRs and servicer advance receivables, the failure of the related Servicing Partner to satisfy various covenants and tests can result in an amortization event and / or an event of default. Our financing sources may require us to include similar provisions in any financing we obtain relating to the MSRs and servicer advances acquired in the MSR Transactions. If we decide to finance such assets, we will not have the direct ability to control any party' s compliance with any such covenants and tests and the failure of any party to satisfy any such covenants or tests could result in a partial or total loss on our investment. Some financing sources may be unwilling to finance any assets acquired in the MSR Transactions. Although we have upsized certain of our advance facilities, if we are not successful in upsizing our facilities in the future, we will need to explore other sources of liquidity and if we are unable to obtain additional liquidity, we may have to take additional actions, including selling assets and reducing our originations to generate liquidity to support our servicer advance obligations. In addition, any financing for the MSRs and servicer advances acquired in the MSR Transactions may be subject to regulatory approval and the agreement of the relevant Servicing Partner to be party to such financing agreements. If we cannot get regulatory approval or these parties do not agree to be a party to such financing agreements, we may not be able to obtain financing on favorable terms or at all. We do not have legal title to the MSRs underlying our Excess MSRs or certain of our ~~Servicer~~ **servicer** ~~Advance~~ **advance** ~~Investments~~ **investments** . We do not have legal title to the MSRs underlying our Excess MSRs or certain of the MSRs related to the transactions contemplated by the purchase agreements pursuant to which we acquire ~~Servicer~~ **servicer** ~~Advance~~ **advance** ~~Investments~~ **investments** or MSR financing receivables from Ocwen **Loan Servicing LLC (" Ocwen ")** , SLS and Mr. Cooper and are subject to increased risks as a result of the related servicer continuing to own the **MSRs** ~~mortgage servicing rights~~ . The validity or priority of our interest in the underlying mortgage servicing could be challenged in a bankruptcy proceeding of the servicer and the related purchase agreement could be rejected in such proceeding. Any of the foregoing events might have a material adverse effect on our business, financial condition, results of operations and liquidity. As part of the Ocwen Transaction, we and Ocwen have agreed to cooperate to obtain any third **-** party consents required to transfer Ocwen' s remaining interest in the Ocwen Subject MSRs to us. As noted above, however, there is no assurance that we will be successful in obtaining those consents ~~. Many of our investments may be illiquid, and this lack of liquidity could significantly impede our ability to vary our portfolio in response to changes in economic and other conditions or to realize the value at which such investments are carried if we are required to dispose of them~~ . Many of our investments are illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale, refinancing or other disposition. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. Interests in MSRs are highly illiquid and may be subject to numerous restrictions on transfers, including without limitation the receipt of third- party consents. For example, the Servicing Guidelines of a mortgage owner may require that holders of Excess MSRs obtain the mortgage owner' s prior approval of any change of direct ownership of such Excess MSRs. Such approval may be withheld for any reason or no reason in the discretion of the mortgage owner. Moreover, we have not received and do not expect to receive any assurances from any GSEs that their conditions for the sale by us of any interests in MSRs will not change. Therefore, the potential costs, issues or restrictions associated with receiving such GSEs' consent for any such dispositions by us cannot be determined with any certainty. Additionally, interests in MSRs may entail complex transaction structures and the risks associated with the transactions and structures are not fully known to buyers or sellers. As a result of the foregoing, we may be unable to locate a buyer at the time we wish to sell interests in MSRs. There is some risk that we will be required to dispose of interests in MSRs either through an in- kind distribution or other liquidation vehicle, which will, in either case, provide little or no economic benefit to us, or a sale to a co- investor in the interests in MSRs, which may be an affiliate. Accordingly, we cannot provide any assurance that we will obtain any return or any benefit of any kind from any disposition of interests in MSRs. We may not benefit from the full term of the assets and for the aforementioned reasons may not receive any benefits from the disposition, if any, of such assets. In addition, some of our real estate and other ~~securities~~ **financial instruments, including many of the investments held by our funds,** may not be registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. There are also no established trading markets for a majority of our intended investments. Moreover, certain of our investments, including our investments in consumer loans and certain of our interests in MSRs, are made indirectly through a vehicle that owns the underlying assets. Our ability to sell our interest may be contractually limited or prohibited. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be limited. Our real estate and other securities have historically been valued based primarily on third- party quotations, which are subject to significant variability based on the liquidity and price transparency created by market trading activity. A disruption in these trading markets could reduce the trading for many real estate and other securities, resulting in less transparent prices for those securities, which would make selling such assets more difficult. Moreover, a decline in market demand for the types of assets that we hold would make it more difficult to sell our assets. If we are required to liquidate all or a portion of our illiquid investments quickly, we may realize significantly less than the amount at which we have previously valued these investments **or may lose some or all of the investment made by our funds** . The geographic distribution of the loans underlying, and collateral securing, certain of our investments subjects us to geographic real estate market risks, which could adversely affect the performance of our investments, our results of operations and financial condition. The geographic distribution of the loans underlying, and collateral securing, our investments, including our interests in MSRs, servicer advances ~~,~~ and loans, exposes us to risks associated with the real estate and commercial lending industry in general within the states and regions in which we hold significant investments. These risks include, without limitation: possible declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds; overbuilding; extended vacancies of properties; increases in competition, property taxes and operating expenses; changes in zoning laws; increased energy costs; unemployment; costs resulting from the clean- up of, and liability to **,** third parties for damages resulting from, environmental problems; casualty or condemnation losses; uninsured damages from floods, hurricanes, earthquakes or other natural disasters; and changes in interest rates. As of December 31, ~~2022~~ **2023** , ~~24~~ **25** . ~~7~~ **2** % and 17. ~~4~~ **1** % of the total UPB of the residential mortgage loans underlying our Excess MSRs and MSRs, respectively, was secured by properties located in California, which are particularly susceptible to natural disasters such as fires, earthquakes and mudslides. 7. ~~2~~ **1** % and 8. 6 % of the total UPB of the residential mortgage loans underlying our Excess MSRs and MSRs, respectively, was secured by properties located in Florida, which are particularly susceptible to natural disasters such as hurricanes and floods. As a result of this concentration, we may be more susceptible to adverse developments in those markets than if we owned a more geographically diverse portfolio. To the extent any of the foregoing risks arise in states and regions where we hold significant investments, the performance of our investments, our results of operations, cash flows and financial condition could suffer a material adverse effect **. The value of our interests in MSRs, servicer advances, residential mortgage loans, business purpose loans, and RMBS may be adversely affected by deficiencies in servicing and foreclosure practices, as well as related delays in the foreclosure process** . Allegations of deficiencies in servicing and foreclosure practices among several large sellers and servicers of residential mortgage loans that surfaced in 2010 raised various concerns relating to such practices, including the improper execution of the documents used in foreclosure proceedings (so- called " robo signing "), inadequate documentation of transfers and registrations of mortgages and assignments of loans, improper modifications of loans, violations of representations and warranties at the date of securitization and failure to enforce put- backs. As a result of alleged deficiencies in foreclosure practices, a number of servicers temporarily suspended foreclosure proceedings beginning in the second half of 2010 while they evaluated their foreclosure practices. In late 2010, a group of state attorneys general and state bank and mortgage regulators representing nearly all 50 states and the District of Columbia, along with the U. S. Justice Department and HUD, began an investigation into foreclosure practices of banks and servicers. The investigations and lawsuits by several state attorneys general led to a settlement agreement in early February 2012 with five of the nation' s largest banks, pursuant to which the banks agreed to pay more than $ 25. 0 billion to settle claims relating to improper foreclosure practices. The settlement does not prohibit the states, the federal government, individuals or investors from pursuing additional actions against the banks and servicers in the future. Under the terms of the agreements governing our ~~Servicer~~ **servicer** ~~Advance~~ **advance** ~~Investments~~ **investments** and MSRs, we (in certain cases, together with third- party co- investors) are required to make or purchase from certain of our Servicing Partners ~~,~~ servicer advances on certain loan pools. While a residential mortgage loan is in foreclosure, servicers are generally required to continue to advance delinquent principal and interest and to also make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent it determines that such amounts are recoverable. Servicer advances are generally recovered when the delinquency is resolved. Foreclosure moratoria or other actions that lengthen the foreclosure process increase the amount of servicer advances we or our Servicing Partners are required to make and we are required to purchase, lengthen the time it takes for us to be repaid for such advances and increase the costs incurred during the foreclosure process. In addition, servicer advance financing facilities contain provisions that modify the advance rates for, and limit the eligibility of, servicer advances to be financed based on the length of time that servicer advances are outstanding, and, as a result, an increase in foreclosure timelines could further increase the amount of servicer advances that we need to fund with our own capital. Such increases in foreclosure timelines could increase our need for capital to fund servicer advances (which do not bear interest), which would increase our interest expense, reduce the value of our investment and potentially reduce the cash that we have available to pay our operating expenses or to pay dividends. Even in states where servicers have not suspended foreclosure proceedings or have lifted (or will soon lift) any such delayed foreclosures, servicers, including our Servicing Partners, have faced, and may continue to face, increased delays and costs in the foreclosure process. For example, the current legislative and regulatory climate could lead borrowers to contest foreclosures that they would not otherwise have contested under ordinary circumstances, and servicers may incur increased litigation costs if the validity of a foreclosure action is challenged by a borrower. In general, regulatory developments with respect to foreclosure practices could result in increases in the amount of servicer advances and the length of time to recover servicer advances, fines or increases in operating expenses, and decreases in the advance rate and availability of financing for servicer advances. This would lead to increased borrowings, reduced cash and higher interest ~~expense~~ **expenses** which could negatively impact our liquidity and profitability. Although the terms of our ~~Servicer~~ **servicer** ~~Advance~~ **advance** ~~Investments~~ **investments** contain adjustment mechanisms that would reduce the amount of performance fees payable to the related Servicing Partner if servicer advances exceed pre- determined amounts, those fee reductions may not be sufficient to cover the expenses resulting from longer foreclosure timelines. The integrity of the servicing and foreclosure processes is critical to the value of the residential mortgage loans in which we invest and of the portfolios of loans underlying our interests in MSRs and RMBS, and our financial results could be adversely affected by deficiencies in the conduct of those processes. For example, delays in the foreclosure process that have resulted from investigations into improper servicing practices may adversely affect the values of, and result in losses on, these investments. Foreclosure delays may also increase the administrative expenses of the securitization trusts for the RMBS, thereby reducing the amount of funds available for distribution to investors. In addition, the subordinate classes of securities issued by the securitization trusts may continue to receive interest payments while the defaulted loans remain in the trusts, rather than absorbing the default losses. This may reduce the amount of credit support available for senior classes of RMBS that we may own, thus possibly adversely affecting these securities. Additionally, a substantial portion of the $ 25. 0 billion settlement is a " credit " to the banks and servicers for principal write- downs or reductions they may make to certain mortgages underlying RMBS. There remains uncertainty as to how these principal reductions will work and what effect they will have on the value of related RMBS. As a result, there can be no assurance that any such principal reductions will not adversely affect the value of our interests in MSRs and RMBS. While we believe that the sellers and servicers would be in violation of the applicable Servicing Guidelines to the extent that they have improperly serviced mortgage loans or improperly executed documents in foreclosure or bankruptcy proceedings, or do not comply with the terms of servicing contracts when deciding whether to apply principal reductions, it may be difficult, expensive, time consuming and, ultimately, uneconomic for us to enforce our contractual rights. While we cannot predict exactly how the servicing and foreclosure matters or the resulting litigation or settlement agreements will affect our business, there can be no assurance that these matters will not have an adverse impact on our results of operations, cash flows and financial condition. A failure by any or all of the members of **Advance Purchaser LLC** ~~Buyer (as defined below)~~ to make capital contributions for amounts required to fund servicer advances could result in an event of default under our advance facilities and a complete loss of our investment. Rithm Capital and third- party co- investors, through a joint venture entity, Advance Purchaser LLC ~~(the " Buyer ")~~ , have agreed to purchase all future arising servicer advances from Mr. Cooper under certain residential mortgage servicing agreements. ~~Buyer~~ **Advanced Purchaser** relies, in part, on its members to make committed capital contributions in order to pay the purchase price for future servicer advances. A failure by any or all of the members to make such capital contributions for amounts required to fund servicer advances could result in an event of default under our advance facilities and a complete loss of our investment. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors may impair borrowers' abilities to repay their loans, including, among other things, changes in the borrower' s employment status, changes in national, regional or local economic conditions, changes in interest rates or the availability of credit on favorable terms, changes in regional or local real estate values, changes in regional or local rental rates and changes in real estate taxes. Rapidly rising interest rates and / or economic downturns may impair borrowers' ability to repay their loans, particularly if the impact were to be sustained. Our mortgage **-** backed securities are securities backed by mortgage loans. Many of the RMBS in which we invest are backed by collateral pools of subprime residential mortgage loans. " Subprime " mortgage loans refer to mortgage loans that have been originated using underwriting standards that are less restrictive than the underwriting requirements used as standards for other first and junior lien mortgage loan purchase programs, such as the programs of Fannie Mae and Freddie Mac. These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories (including outstanding judgments or prior bankruptcies), mortgage loans where the amount of the loan at origination is 80 % or more of the value of the mortgage property, mortgage loans made to borrowers with low credit scores, mortgage loans made to borrowers who have other debt that ~~represents~~ - **represent** a large portion of their income and mortgage loans made to borrowers whose income is not required to be disclosed or verified. Subprime mortgage loans may 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. To the extent losses are realized on the loans underlying the securities in which we invest, we may not recover the amount invested in, or, in extreme cases, any of our investment in such securities. Residential mortgage loans, including manufactured housing loans and subprime mortgage loans are secured by single- family residential property and are also subject to risks of delinquency and foreclosure and risks of loss. A significant portion of the residential mortgage loans that we acquire are, or may become, sub- performing loans, non- performing loans or REO assets where the borrower has failed to make timely payments of principal and / or interest. As part of the residential mortgage loan portfolios we purchase, we also may acquire performing loans that are or subsequently become sub- performing or non- performing, meaning the borrowers fail to timely pay some or all of the required payments of principal and / or interest. Under current market conditions, it is likely that some of these loans will have current **loan- to- value ("** LTV **")** ratios in excess of 100 %, meaning the amount owed on the loan exceeds the value of the underlying real estate. In the event of default under a residential mortgage loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the outstanding principal and accrued but unpaid interest of the loan. Even though we typically pay less than the amount owed on these loans to acquire them, if actual results differ from our assumptions in determining the price we paid to acquire such loans, we may incur significant losses. In addition, we may acquire REO assets directly, which involves the same risks. Any loss we incur may be significant and could materially and adversely affect us. 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. Real estate and other securities **, including CLOs,** are subject to changes in credit spreads. Credit spreads measure the yield demanded on securities by the market based on their credit relative to a specific benchmark. The significant dislocation in the financial markets due to ongoing supply- demand imbalances ~~exacerbated by the war in Ukraine~~ have caused, among other things, credit spread widening. **CLOs invest on a leveraged basis in loans or securities that are themselves highly leveraged investments in the underlying collateral, which increases both the opportunity for higher returns as well as the magnitude of losses when compared to unlevered investments. As a result of CLOs' leveraged position, CLOs and their investors are at greater risk of suffering losses. Any failure by our CLOs to meet certain overcollateralization and interest coverage tests will result in reduced cash flows that may have been otherwise available for distribution to us. This could reduce the value of our investment. Additionally,** ~~Fixed~~ **fixed -** rate securities are valued based on a market credit spread over the rate payable on fixed **-** rate U. S. Treasuries of like maturity. **Certain of our** ~~Floating~~ **floating** rate securities are valued based on a market credit spread over ~~LIBOR and / or~~ **the Secured Overnight Financing Rate ("** SOFR **")** and are affected similarly by changes in ~~LIBOR and / or~~ SOFR spreads. **Additionally, the interest rates on the CLO Investments Loans are variable based on SOFR or the Euro Interbank Offered Rate (" EURIBOR ") (subject to a floor of zero percent).** As of December 31, ~~2022~~ **2023** , 35. ~~0~~ **6** % of our Non- Agency RMBS Portfolio ~~consisted~~ **consists** of floating rate securities and ~~65~~ **64** . ~~0~~ **4** % ~~consisted~~ **consists** of fixed **-** rate securities, and 100. 0 % of our Agency RMBS portfolio ~~consisted~~ **consists** of fixed **-** rate securities, based on the amortized cost basis of all securities (including the amortized cost basis of interest- only and residual classes). Excessive supply of these securities combined with reduced demand will generally cause the market to require a higher yield on these securities, resulting in the use of a higher, or " wider, " spread over the benchmark rate to value such securities. Under such conditions, the value of our real estate and other securities portfolios would tend to decline. Conversely, if the spread used to value such securities were to decrease, or " tighten, " the value of our real estate and other securities portfolio would tend to increase. Such changes in the market value of our real estate securities portfolios may affect our net equity, net income or cash flow directly through their impact on unrealized gains or losses on available- for- sale securities, and therefore our ability to realize gains on such securities, or indirectly through their impact on our ability to borrow and access capital. Widening credit spreads could cause the net unrealized gains on our securities and derivatives, recorded in accumulated other comprehensive income or retained earnings, and therefore our book value per share, to decrease and result in net losses. Prepayment rates on our residential mortgage loans and those underlying our real estate and other securities may adversely affect our profitability. In general, residential mortgage loans may be prepaid at any time without penalty. Prepayments result when homeowners / mortgagors satisfy (i. e., pay off) the mortgage upon selling or refinancing their mortgaged property. When we acquire a particular loan or security, we anticipate that the loan or underlying residential mortgage loans will prepay at a projected rate which, together with expected coupon income, provides us with an expected yield on such investments. If we purchase assets at a premium to par value, and borrowers prepay their mortgage loans faster than expected, the corresponding prepayments on our assets may reduce the expected yield on such assets because we will have to amortize the related premium on an accelerated basis. Conversely, if we purchase assets at a discount to par value, when borrowers prepay their mortgage loans slower than expected, the decrease in corresponding prepayments on our assets may reduce the expected yield on such assets because we will not be able to accrete the related discount as quickly as originally anticipated. Prepayment rates on loans are influenced by changes in mortgage and market interest rates and a variety of economic, geographic, political and other factors, all of which are beyond our control. Consequently, such prepayment rates cannot be predicted with certainty and no strategy can completely insulate us from prepayment or other such risks. In periods of declining interest rates, prepayment rates on mortgage loans generally increase. If general interest rates decline at the same time, the proceeds of such prepayments received during such periods are likely to be reinvested by us in assets yielding less than the yields on the assets that were prepaid. In addition, the market value of our loans and real estate and other securities may, because of the risk of prepayment, benefit less than other fixed- income securities from declining interest rates. We may purchase assets that have a higher or lower coupon rate than the prevailing market interest rates. In exchange for a higher coupon rate, we would then pay a premium over par value to acquire these securities. In accordance with **U. S. generally accepted accounting principles ("** GAAP **")** , we would amortize the premiums over the life of the related assets. If the mortgage loans securing these assets prepay at a more rapid rate than anticipated, we would have to amortize our premiums on an accelerated basis which may adversely affect our profitability. As compensation for a lower coupon rate, we would then pay a discount to par value to acquire these assets. In accordance with GAAP, we would accrete any discounts over the life of the related assets. If the mortgage loans securing these assets prepay at a slower rate than anticipated, we would have to accrete our discounts on an extended basis which may adversely affect our profitability. Defaults on the mortgage loans underlying Agency RMBS typically have the same effect as prepayments because of the underlying Agency guarantee. Prepayments, which are the primary feature of mortgage **-** backed securities that distinguish them from other types of bonds, are difficult to predict and can vary significantly over time. As the holder of the security, on a monthly basis, we receive a payment equal to a portion of our investment principal in a particular security as the underlying mortgages are prepaid. In general, on the date each month that principal prepayments are announced (i. e., factor day), the value of our real estate related security pledged as collateral under our repurchase agreements is reduced by the amount of the prepaid principal and, as a result, our lenders will typically initiate a margin call requiring the pledge of additional collateral or cash, in an amount equal to such prepaid principal, in order to re- establish the required ratio of borrowing to collateral value under such repurchase agreements. Accordingly, with respect to our Agency RMBS, the announcement on factor day of principal prepayments is in advance of our receipt of the related scheduled payment, thereby creating a short- term receivable for us in the amount of any such principal prepayments. However, under our repurchase agreements, we may receive a margin call relating to the related reduction in value of our Agency RMBS and, prior to receipt of this short- term receivable, be required to post additional collateral or cash in the amount of the principal prepayment on or about factor day, which would reduce our liquidity during the period in which the short- term receivable is outstanding. As a result, in order to meet any such margin calls, we could be forced to sell assets in order to maintain liquidity. Forced sales under adverse market conditions may result in lower sales prices than ordinary market sales made in the normal course of business. If our real estate and other securities were liquidated at prices below our amortized cost (i. e., the cost basis) of such assets, we would incur losses, which could adversely affect our earnings. In addition, in order to continue to earn a return on this prepaid principal, we must reinvest it in additional real estate and other securities or other assets; however, if interest rates decline, we may earn a lower return on our new investments as compared to the real estate and other securities that prepay. Prepayments may have a negative impact on our financial results, the effects of which depend on, among other things, the timing and amount of the prepayment delay on our Agency RMBS, the amount of unamortized premium or discount on our loans and real estate and other securities, the rate at which prepayments are made on our Non-Agency RMBS, the reinvestment lag and the availability of suitable reinvestment opportunities. Our investments in residential mortgage loans, business purpose loans, REO and RMBS may be subject to significant impairment charges, which would adversely affect our results of operations. We are required to periodically evaluate our investments for impairment indicators. The judgment regarding the existence of impairment indicators is based on a variety of factors depending upon the nature of the investment and the manner in which the income related to such investment was calculated for purposes of our financial statements. If we determine that an impairment has occurred, we are required to make an adjustment to the net carrying value of the investment, which would adversely affect our results of operations in the applicable period and thereby adversely affect our ability to pay dividends to our stockholders. Our determination of how much leverage to apply to our investments may adversely affect our return on our investments and may reduce cash available for distribution. We leverage certain of our assets through a variety of borrowings. Our investment guidelines do not limit the amount of leverage we may incur with respect to any specific asset or pool of assets. The return we are able to earn on our investments and cash available for distribution to our stockholders may be significantly reduced due to changes in market conditions, which may cause the cost of our financing to increase relative to the income that can be derived from our assets. A significant portion of our investments are not match funded, which may increase the risks associated with these investments. When available, a match funding strategy mitigates the risk of not being able to refinance an investment on favorable terms or at all. However, we may elect for us to bear a level of refinancing risk on a short- term or longer- term basis, as in the case of investments financed with repurchase agreements, when, based on its analysis, we determine that bearing such risk is advisable or unavoidable. In addition, we may be unable, as a result of conditions in the credit markets, to match fund our investments. For example, non- recourse term financing not subject to margin requirements has been more difficult to obtain, which impairs our ability to match fund our investments. Moreover, we may not be able to enter into interest rate swaps. A decision not to, or the inability to, match fund certain investments exposes us to additional risks. Furthermore, we anticipate that, in most cases, for any period during which our floating rate assets are not match funded with respect to maturity, the income from such assets may respond more slowly to interest rate fluctuations than the cost of our borrowings. Because of this dynamic, interest income from such investments may rise more slowly than the related interest expense, with a consequent decrease in our net income. Interest rate fluctuations resulting in our interest expense exceeding interest income would result in operating losses for us from these investments. Accordingly, to the extent our investments are not match funded with respect to maturities and interest rates, we are exposed to the risk that we may not be able to finance or refinance our investments on economically favorable terms, or at all, or may have to liquidate assets at a loss. **The discontinuation of LIBOR and** ~~Changes~~ **changes** in banks' inter- bank lending rate reporting practices ~~or the method pursuant to which LIBOR is determined~~ may adversely affect the value of the financial obligations to be held or issued by us ~~that are linked to LIBOR~~. We are subject to risks related to ~~uncertainty regarding~~ **the cessation of the use of** LIBOR **as** ~~, which is in the process~~ of ~~being phased out~~ **June 30, 2023** . The publication of USD LIBOR for certain tenors and all non- USD LIBOR tenors ceased after December 31, 2021 (other than certain sterling and Japanese yen settings being published on a synthetic temporary basis). Banks reporting information used to set USD LIBOR for all other tenors **were required** ~~are currently expected~~ to stop doing so after June 30, 2023 ~~, although the ICE Benchmark Administration, the administrator of LIBOR, may discontinue or modify LIBOR prior to that date. It is likely that, over time, U. S. Dollar LIBOR will be replaced by the Secured Overnight Financing Rate (" SOFR ") published by the Federal Reserve Bank of New York. However, there continues to be uncertainty regarding the nature of potential changes to and future utilization of specific LIBOR tenors, the development and acceptance of alternative reference rates and other reforms. For example, SOFR is an overnight rate instead of a term rate, making SOFR an inexact replacement for LIBOR~~ . We **completed** ~~cannot predict the consequences and timing of these developments or~~ **our** ~~other market or regulatory changes related to the phase- out of LIBOR. It is possible that not all of our assets and liabilities will~~ transition away from LIBOR ~~at the same time~~ **as of June 30** , **2023. As** ~~and~~ - **an alternative to LIBOR, in the U. S., the Alternative Reference Rates Committee (" ARRC ") has identified SOFR as** ~~it~~ **its preferred alternative rate for U. S. dollar- based LIBOR. SOFR** is **a measure** ~~possible that not all~~ of ~~our assets~~ **the cost of borrowing cash overnight, collateralized by U. S. Treasury securities** and ~~liabilities will~~ **is based on directly observable U. S. Treasury- backed repurchase** ~~transition~~ **transactions . There are inherent differences between LIBOR and SOFR, which may lead** to **uncertainties or risks related to the general acceptance of SOFR, the value of and market for securities linked to SOFR or result in a reduction in our interest income. We cannot predict the consequences of** ~~the~~ **these developments or** ~~same alternative reference rate, in each case increasing the~~ **other** ~~difficulty~~ **market or regulatory changes related to the phase- out** of ~~hedging~~ **LIBOR** . Switching existing financial instruments and hedging transactions from LIBOR to SOFR ~~requires~~ **required** ~~calculations~~ - **calculation** of a spread. Industry organizations **attempted** ~~are attempting~~ to structure the spread calculation in a manner that minimizes the possibility of value transfer between counterparties, borrowers and lenders by virtue of the transition, but there is no assurance that the calculated spread will be fair and accurate or that all asset types and all types of securitization vehicles will use the same spread. We and other market participants have less experience understanding and modeling SOFR- based assets and liabilities than LIBOR- based assets and liabilities, increasing the difficulty of investing, hedging and risk management. **Additionally, we do** ~~The process of transition involves operational risks. It is also possible that no~~ **not** ~~transition will~~ **currently intend to amend** ~~occur~~ -- **our 7. 50 % Series A Fixed- to- Floating Rate Cumulative Redeemable Preferred Stock (our " Series A "), 7. 125 % Series B Fixed- to- Floating Rate Cumulative Redeemable Preferred Stock (our " Series B "),** ~~for~~ - **or** ~~many financial instruments, meaning that~~ **6. 375 % Series C Fixed- to- Floating Rate Cumulative Redeemable Preferred Stock (our " Series C ") to change** ~~those~~ -- **the existing USD-** ~~instruments would continue to be subject to the weaknesses of the~~ LIBOR **cessation fallback language** ~~calculation process. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be implemented. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the market for or value of any securities on which the interest or dividend is determined by reference to LIBOR, loans, derivatives and other financial obligations or on our overall financial condition or results of operations~~ . More generally, any of the above changes or any other consequential changes to ~~LIBOR~~ **SOFR** or any other " benchmark **,** " **including EURIBOR,** as a result of international, national or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on the value of and return on any securities based on or linked to a " benchmark. " ~~Any hedging transactions that we enter into may limit our gains or result in losses.~~ We may use, when feasible and appropriate, derivatives to hedge a portion of our interest rate exposure, and this approach has certain risks, including the risk that losses on a hedge position will reduce the cash available for distribution to stockholders and that such losses may exceed the amount invested in such instruments. We have adopted a general policy with respect to the use of derivatives, which generally allows us to use derivatives where appropriate, but does not set forth specific policies and procedures or require that we hedge any specific amount of risk. From time to time, we may use derivative instruments, including forwards, futures, swaps and options, in our risk management strategy to limit the effects of changes in interest rates on our operations. A hedge may not be effective in eliminating all of the risks inherent in any particular position. Our profitability may be adversely affected during any period as a result of the use of derivatives. There are limits to the ability of any hedging strategy to protect us completely against interest rate risks. When rates change, we expect the gain or loss on derivatives to be offset by a related but inverse change in the value of any items that we hedge. We cannot assure you, however, that our use of derivatives will offset the risks related to changes in interest rates. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses. In addition, our hedging strategy may limit our flexibility by causing us to refrain from taking certain actions that would be potentially profitable but would cause adverse consequences under the terms of our hedging arrangements. Moreover, our hedging strategy may reduce our liquidity position by causing us to take certain actions, such as taking physical delivery of the underlying securities and funding those assets with cash or other financing sources if it were to become uneconomical to roll our TBA contracts into future months. The REIT provisions of the Internal Revenue Code limit our ability to hedge. In managing our hedge instruments, we consider the effect of the expected hedging income on the REIT qualification tests that limit the amount of gross income that a REIT may receive from hedging. We need to carefully monitor, and may have to limit, our hedging strategy to assure that we do not realize hedging income, or hold hedges having a value, in excess of the amounts that would cause us to fail the REIT gross income and asset tests. See " — Risks Related to Our Taxation as a REIT — Complying with the REIT requirements may limit our ability to hedge effectively. " Accounting for derivatives under GAAP is complicated. Any failure by us to account for our derivatives properly in accordance with GAAP in our financial statements could adversely affect us. In addition, under applicable accounting standards, we may be required to treat some of our investments as derivatives, which could adversely affect our results of operations. Market conditions could negatively impact our business, results of operations, cash flows and financial condition. The market in which we operate is affected by a number of factors that are largely beyond our control but can nonetheless have a potentially significant, negative impact on us. These factors include, among other things: • interest rates, including increases thereof and credit spreads; • the availability of credit, including the price, terms and conditions under which it can be obtained; • the quality, pricing and availability of suitable investments; • **liquidity in the credit markets; •** the ability to obtain accurate market- based valuations; • volatility associated with asset valuations and margin calls; • the ability of securities dealers to make markets in relevant securities and loans; • loan values relative to the value of the underlying real estate assets; • default rates on the loans underlying our investments and the amount of the related losses and credit losses with respect to our investments; • prepayment and repayment rates, delinquency rates and legislative / regulatory changes with respect to our investments and the timing and amount of servicer advances; • the availability and cost of quality Servicing Partners, and advance, recovery and recapture rates; • competition; • the actual and perceived state of the real estate markets, bond markets, market for dividend- paying stocks and public capital markets generally; • **uncertainty related to U. S. federal fiscal, tax, trade or regulatory policy; • terrorism or cyber terrorism; •** unemployment rates; and • the attractiveness of other types of investments relative to investments in real estate or REITs generally **. Additionally, these factors could result in a decline in our AUM, lowering management fees and incentive income, an increase in the cost of financial instruments or executing transactions, lower or negative investment returns, reduced demand for assets held by our funds and increased investor redemptions** . Changes in these factors are difficult to predict and a change in one factor can affect other factors. Further, at various points in time, increased default rates in the subprime mortgage market played a role in causing credit spreads to widen, reducing availability of credit on favorable terms, reducing liquidity and price transparency of ~~real estate related~~ assets, resulting in difficulty in obtaining accurate mark- to- market valuations and causing a negative perception of the state of the real estate markets and of REITs generally. Market conditions could be volatile or could deteriorate as a result of a variety of factors beyond our control with adverse effects to our financial condition. We are subject to risks related to securitization of any loans originated and / or serviced by our subsidiaries. The securitization of any loans that we originate and / or service subject us to various risks that may increase our compliance costs and adversely impact our financial results, including: • compliance with the terms of the agreements governing the securitized pools of loans, including any indemnification and repurchase provisions; • reliance on programs administered by the GSEs and Ginnie Mae that facilitate the issuance of mortgage- backed securities in the secondary market and the effect of any changes or modifications thereto (see — " GSE initiatives and other actions, including changes to the minimum servicing amount for GSE loans, could occur at any time and could impact us in significantly negative ways that we are unable to predict or protect against " and **see** — " The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U. S. government, may adversely affect our business. "); and • federal and state legislation in securitizations, such as the risk retention requirements under the Dodd- Frank Act, could result in higher costs of certain lending operations and impose on us additional compliance requirements to meet servicing and origination criteria for securitized mortgage loans. Certain vendors have operations in India that could be adversely affected by changes in political or economic stability or by government policies. Certain vendors currently have operations located in India, which is subject to relatively higher political and social instability than the U. S. and may lack the infrastructure to withstand political unrest, natural disasters or global pandemics. The political or regulatory climate in the U. S., or elsewhere, also could change so that it would not be lawful or practical for us to use vendors with international operations in the manner in which we currently use them. If we could no longer utilize vendors operating in India or if those vendors were required to transfer some or all of their operations to another geographic area, we would incur significant transition costs as well as higher future overhead costs that could materially and adversely affect our results of operations. There are certain risks associated with our Genesis business ~~. In December 2021, we completed the acquisition of~~

~~Genesis from affiliates Goldman Sachs as well as an associated portfolio of loans originated by Genesis~~ . The Genesis business is subject to a number of risks including, but not limited to, the following: • Borrower Risk: Borrowers under Genesis originated loans are sometimes persons who do not qualify for conventional bank financing or who could be regarded to be higher risk borrowers. Consequently, these borrowers are more likely to default on the repayment of their obligations. In the event of any default under a mortgage loan issued by Genesis, Genesis will bear a risk of loss to the extent of any deficiency between the value of the collateral and the outstanding principal and accrued interest of the mortgage loan. • Short- Term Loans / Balloon Payments: Typically, Genesis originates short- term mortgage loans with initial terms of less than 18 months (subject to extension) **,** and which require a balloon payment at maturity. Genesis therefore depends on a borrower' s ability to obtain permanent financing or to sell the property to repay Genesis' s loan (including the balloon payment at maturity), which could depend on market conditions and other factors. In a period of rising interest rates or tightening credit markets, it may be more difficult for borrowers to obtain long- term financing, which increases the risk of non- payment. Short- term loans are also subject to risks of borrower defaults, bankruptcies, fraud, losses and special hazard losses that are not covered by standard hazard insurance. In the event of a default, Genesis will bear the risk of loss of principal and non- payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest of the loan. • Construction Loans: Most of Genesis' s loans are construction or renovations loans, which are subject to additional risks. Construction loans are subject to risks of unrealistic budgets, cost overruns and non- completion of construction, renovation, refurbishment or expansion by a borrower of a mortgaged property as well as other unforeseen variables. These risks may prolong the development and increase the costs of the construction project, which may delay the borrower' s ability to sell or rent the finished property or possibly making a project uneconomical which could adversely affect repayment of the loan. Other risks may include environmental risks, permitting risks, other construction risks, subsequent leasing of the property not being completed on schedule or at projected rental rates, and the likelihood that we will incur losses on our loans in the event of default because the value of the collateral may be insufficient to cover our cost on the loan. While we believe Genesis has reasonable procedures in place to manage construction funding loans, there can be no certainty that Genesis will not suffer losses on construction loans. In addition, if a builder fails to complete a project, Genesis may be required to complete the project. Any such default could result in a substantial increase in costs in excess of the original budget and delays in **the** completion of the project. • Concentration Risk: Genesis' s portfolio of active loans is mainly secured by residential real estate located in California and the Los Angeles, California area specifically. Genesis' s loan portfolio is also concentrated within construction, renovation and bridge loans. The geographic distribution of Genesis' s loan portfolio exposes it to risks associated with the real estate and commercial lending industry in general, and to a greater extent within the states and regions in which Genesis has concentrated its loans. Many of these factors are outside of our control and any one of them could result in delays, increased costs, decreases in the amount of expected revenues and diversion of management' s time and energy, which could materially affect our financial position, results of operations and cash flows. ~~The valuations~~ **A failure to maintain appropriate reserves for the wind- down** of **Caliber could have an adverse effect on our business, financial condition** ~~our~~ - **or** ~~assets~~ **results of operations. Under the General Corporation Law of the State of Delaware, the dissolution period and Caliber' s corporate existence will continue for at least three years from the date we filed the Certificate of Dissolution. Subject to uncertainties inherent in the winding up of our business, if we** are ~~subject~~ **unable** to ~~uncertainty because most~~ **make a fair and orderly wind- down** of **Caliber' s business operations,** ~~our~~ - **or** ~~assets~~ **if our existing reserves** are not ~~traded in~~ **adequate to cover Caliber' s ultimate liability, our financial condition** ~~an~~ **and results of operations could** ~~active market. There is not anticipated to~~ be **adversely affected** ~~an active market for most of the assets in which we will invest~~ . **Given** ~~In the absence of market comparisons, we will use other~~ -- **the** ~~pricing methodologies~~ **stage of the exit activities** , **our estimates of losses are** ~~including, for example, models~~ based on ~~assumptions regarding expected trends, historical trends following market conditions believed to~~ **currently available information and our assessment of the validity of certain claims. These estimates may change as new information becomes available. No assurances can** be ~~comparable~~ **made as** to ~~the then~~ - **the** ~~current market conditions~~ **ultimate amount of reserves which will be necessary to cover all wind- down costs, charges, expenses** and **liabilities. Any final amounts could also be affected or diminished due to** other factors ~~believed at~~ **, including, without limitation: • if we become a party to lawsuits or** ~~the~~ **other claims asserted by or against us** ~~time to be likely to influence the potential resale price of~~ , **including any claims or litigation arising in connection with** ~~or~~ **our** ~~the potential~~ **decision to liquidate and dissolve; or • if we are unable to resolve any claims with creditors or third parties, or if such resolutions take longer than expected. Accordingly, we expect to continue to maintain insurance coverage and set aside a reasonable amount of** cash **or other** ~~flows derived from, an investment. Such methodologies may not prove to be accurate and any inability to accurately price~~ assets ~~may result in adverse consequences for us. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the market value of a private asset depends to a great extent on economic and other conditions beyond our control. Further, valuations do not necessarily represent the price at which a private investment would sell since market prices of private investments can only be determined by negotiation between a willing buyer and seller. If we were to liquidate a particular private investment, the realized value may be more than or less than the valuation of such asset~~ as ~~carried on our books~~ **a contingency reserve to satisfy claims against and obligations of Caliber that may arise during the remainder of the wind down period** . There may be difficulties with integrating the loans underlying MSR acquisitions involving servicing transfers into the successor servicer' s servicing platform, which could have a material adverse effect on our results of operations, financial condition and liquidity. In connection with certain MSR acquisitions, servicing is transferred from the seller to a subservicer appointed by us. The ability to integrate and service the assets acquired will depend in large part on the success of our subservicer' s integration of expanded servicing capabilities with its current operations. We may fail to realize some or all of the anticipated benefits of these transactions if the integration process takes longer, or is more costly, than expected. Potential difficulties we may encounter during the integration process with the assets acquired in MSR acquisitions involving servicing transfers include, but are not limited to, the following: • the integration of the portfolio into our applicable subservicer' s information technology platforms and servicing systems; • the quality of servicing during any interim servicing period after we purchase the portfolio but before our applicable subservicer assumes servicing obligations from the seller or its agents; • the disruption to our ongoing businesses and distraction of our management teams from ongoing business concerns; • incomplete or inaccurate files and records; • the retention of existing customers; • the creation of uniform standards, controls, procedures, policies and information systems; • the occurrence of unanticipated expenses; and • potential unknown liabilities associated with the transactions, including legal liability related to origination and servicing prior to the acquisition. Our failure to meet the challenges involved in successfully integrating the assets acquired in MSR acquisitions involving servicing transfers with our current business could impair our operations. For example, it is possible that the data our applicable subservicer acquires upon assuming the direct servicing obligations for the loans may not transfer from the seller' s platform to its systems properly. This may result in data being lost, key information not being locatable on our applicable subservicer' s systems, or the complete failure of the transfer. If our employees are unable to access customer information easily ~~,~~ or ~~is~~ **are** unable to produce originals or copies of documents or accurate information about the loans, collections could be affected significantly, and our subservicer may not be able to enforce its right to collect in some cases. Similarly, collections could be affected by any changes to our applicable subservicer' s collections practices, the restructuring of any key servicing functions, transfer of files and other changes that occur as a result of the transfer of servicing obligations from the seller to our subservicer. Certain of our Servicing Partners have triggered termination events or events of default under some PSAs underlying the MSRs with respect to which we are entitled to the basic fee component or Excess MSRs. In certain of these circumstances, the related Servicing Partner may be terminated without any right to compensation for its loss, other than the right to be reimbursed for any outstanding servicer advances as the related loans are brought current, modified, liquidated or charged off. So long as we are in compliance with our obligations under our servicing agreements and purchase agreements, if we or one of our Servicing Partners is terminated as servicer, we may have the right to receive an indemnification payment from the applicable Servicing Partner, even if such termination related to servicer termination events or events of default existing at the time of any transaction with such Servicing Partner. If one of our Servicing Partners is terminated as servicer under a PSA, we will lose any investment related to such Servicing Partner' s MSRs. If we or such Servicing Partner is terminated as servicer with respect to a PSA and we are unable to enforce our contractual rights against such Servicing Partner, or if such Servicing Partner is unable to make any resulting indemnification payments to us, if any such payment is due and payable, it may have a material adverse effect on our financial condition, results of operations, ability to make distributions, liquidity and financing arrangements, including our servicer advance financing facilities, and may make it more difficult for us to acquire additional interests in MSRs in the future. Our ability to exercise our cleanup call rights may be limited or delayed if a third party contests our ability to exercise our cleanup call rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings. Certain servicing contracts permit more than one party to exercise a cleanup call — meaning the right of a party to collapse a securitization trust by purchasing all of the remaining loans held by the securitization trust pursuant to the terms set forth in the applicable servicing agreement. While the servicers from which we acquired our cleanup call rights (or other servicers from which these servicers acquired MSRs) may be named as the party entitled to exercise such rights, certain third parties may also be permitted to exercise such rights. If any such third party exercises a cleanup call, we could lose our ability to exercise our cleanup call right and, as a result, lose the ability to generate positive returns with respect to the related securitization transaction. In addition, another party could impair our ability to exercise our cleanup call rights by contesting our rights (for example, by claiming that they hold the exclusive cleanup call right with respect to the applicable securitization trust). Moreover, because the ability to exercise a cleanup call right is governed by the terms of the applicable servicing agreement, any ambiguous or conflicting language regarding the exercise of such rights in the agreement may make it more difficult and costly to exercise a cleanup call right. Finally, many of our call rights are not currently exercisable and may not become exercisable for a period of years. As a result, our ability to realize the benefits from these rights will depend on a number of factors at the time they become exercisable many of which are outside our control, including interest rates, conditions in the capital markets and conditions in the residential mortgage market. The exercise of cleanup calls could negatively impact our interests in MSRs. The exercise of cleanup call rights results in the termination of the MSRs on the loans held within the related securitization trusts. To the extent we own interests in MSRs with respect to loans held within securitization trusts where cleanup call rights are exercised, whether they are exercised by us or a third party, the value of our interests in those MSRs will likely be reduced to zero and we could incur losses and reduced cash flows from any such interests. We may become subject to fines or other penalties based on the conduct of mortgage loan originators and brokers that originate residential mortgage loans related to MSRs that we acquire, and the third- party servicers we may engage to subservice the loans underlying MSRs we acquire. We have acquired MSRs and may in the future acquire additional MSRs from third- party mortgage loan originators, brokers or other sellers, and we therefore are or will become dependent on such third parties for the related mortgage loans' compliance with applicable law, and on third- party mortgage servicers, including our Servicing Partners, to perform the day- to-day servicing on the mortgage loans underlying any such MSRs. Mortgage loan originators and brokers are subject to strict and evolving consumer protection laws and other legal obligations with respect to the origination of residential mortgage loans. These laws and regulations include the residential mortgage servicing standards, " ability- to- repay " and " qualified mortgage " regulations promulgated by the CFPB, which became effective in 2014. In addition, there are various other federal, state, and local laws and regulations that are intended to discourage predatory lending practices by residential mortgage loan originators. These laws may be highly subjective and open to interpretation **,** and, as a result, a regulator or court may determine that that there has been a violation where an originator or servicer of mortgage loans reasonably believed that the law or requirement had been satisfied. Failure or alleged failure by originators or servicers to comply with these laws and regulations could subject us to state or CFPB administrative proceedings, which could result in monetary penalties, license suspensions or revocations, or restrictions to our business, all of which could adversely impact our business and financial results and damage our reputation. The final servicing rules promulgated by the CFPB to implement certain sections of the Dodd- Frank Act include provisions relating to, among other things, periodic billing statements and disclosures, responding to borrower inquiries and complaints, force- placed insurance, and adjustable **-** rate mortgage interest rate adjustment notices. Further, the mortgage servicing rules require servicers to, among other things, make good faith early intervention efforts to notify delinquent borrowers of loss mitigation options, to implement specified loss mitigation procedures, and if feasible, exhaust all loss mitigation options before proceeding to foreclosure. Proposed updates to further refine these rules have been published and will likely lead to further changes in requirements applicable to servicing mortgage loans. In addition to Newrez ~~and Caliber~~, we engage third- party servicers to subservice mortgage loans relating to any MSRs we acquire. It is therefore possible that a third- party servicer' s failure to comply with the new and evolving servicing protocols could adversely affect the value of the MSRs we acquire. Additionally, we may become subject to fines, penalties or civil liability based upon the conduct of any third- party servicer who services mortgage loans related to MSRs that we have acquired or will acquire in the future. Investments in MSRs may expose us to additional risks. We hold investments in MSRs. Our investments in MSRs may subject us to certain additional risks, including the following: • Although ownership of MSRs and the operation of a servicer includes many of the same risks as our other target assets and business activities, including risks related to prepayments, borrower credit, defaults, interest rates, hedging, and regulatory changes, there can be no assurance that we will be able to successfully operate a servicer subsidiary and integrate MSR investments into our business operations. • As of today, we rely on subservicers to subservice the mortgage loans underlying our MSRs on our behalf. We are generally responsible under the applicable Servicing Guidelines for any subservicer' s non- compliance with any such applicable Servicing Guideline. In addition, there is a risk that our current subservicers will be unwilling or unable to continue subservicing on our behalf on terms favorable to us in the future. In such a situation, we may be unable to locate a replacement subservicer on favorable terms. • NRM ~~,~~ **and** Newrez ~~and Caliber~~' s existing approvals from government- related entities or federal agencies are subject to compliance with their respective servicing guidelines, minimum capital requirements, reporting requirements and other conditions that they may impose from time to time at their discretion. Failure to satisfy such guidelines or conditions could result in the unilateral termination of NRM' s ~~,~~ **and** Newrez ~~or Caliber~~' s existing approvals or pending applications by one or more entities or agencies. • NRM ~~,~~ **and** Newrez ~~and Caliber~~ are presently licensed, approved, or otherwise eligible to hold MSRs in all states within the U. S. and the District of Columbia. Such state licenses may be suspended or revoked by a state regulatory authority **,** and we may as a result lose the ability to own MSRs under the regulatory jurisdiction of such state regulatory authority. • Changes in minimum servicing compensation for Agency loans could occur at any time and could negatively impact the value of the income derived from any MSRs that we hold or may acquire in the future. • Investments in MSRs 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 approval to sell any MSRs in the future should we desire to do so. Our business, results of operations, financial condition and reputation could be adversely impacted if we are not able to successfully manage these or other risks related to investing **in** and managing MSR investments. A downturn or slowdown in the rental demand for **SFR** ~~single- family~~ housing caused by adverse economic, regulatory, or environmental conditions, or other events, may have an impact on the value of our properties or our operating results. Furthermore, we believe that there are seasonal fluctuations in rental demand **, which** may impact our operating results. In addition to general, regional, national, and international economic conditions, our operating performance will be impacted by the economic conditions in our markets. We base a part of our business plan on our belief that property values and operating fundamentals for **SFR** ~~single- family~~ properties in our markets will continue to improve over the near to intermediate term. However, these markets could experience substantial economic downturns in the future. We can provide no assurance as to the extent property values and operating fundamentals in these markets will improve, if at all. If an economic downturn in these markets occurs or if we fail to accurately predict the timing of economic improvement in these markets, the value of our properties could decline and our ability to execute our business plan may be adversely affected to a greater extent than if we owned a real estate portfolio that was more geographically diversified, which could adversely affect our financial condition, operating results and ability to make distributions to our stockholders and cause the value of our common stock to decline. We face significant competition in the leasing market for quality residents, which may limit our ability to lease our **SFR** ~~single- family~~ homes on favorable terms. Our success with respect to our SFR properties business depends in large part upon our ability to attract and retain qualified residents for our properties. We face competition for residents from other lessors of **SFR** ~~single- family~~ properties, apartment buildings and condominium units. Competing properties may be newer, better located and more attractive to residents. Potential competitors may have lower rates of occupancy than we do or may have superior access to capital and other resources, which may result in competing owners more easily locating residents and leasing available housing at lower rental rates than we might offer at our homes. Many of these competitors may successfully attract residents with better incentives and amenities, which could adversely affect our ability to obtain quality residents and lease our **SFR** ~~single- family~~ properties on favorable terms. Additionally, some competing housing options may qualify for government subsidies that may make such options more accessible and therefore more attractive than our properties. This competition may affect our ability to attract and retain residents and may reduce the rental rates we are able to charge. In addition, increases in unemployment levels and other adverse changes in economic conditions in our markets may adversely affect the creditworthiness of potential residents, which may decrease the overall number of qualified residents for our properties within such markets. We could also be adversely affected by overbuilding or high vacancy rates of homes in our markets, which could result in an excess supply of homes and reduce occupancy and rental rates. Continuing development of apartment buildings and condominium units in many of our markets will increase the supply of housing and exacerbate competition for residents. In addition, improving economic conditions, along with government sponsored programs to promote home ownership, have made home ownership more accessible for potential renters who have strong credit. These factors may encourage potential renters to purchase residences rather than lease them, thereby causing a decline in the number and quality of potential residents available to us. No assurance can be given that we will be able to attract and retain suitable residents. If we are unable to lease our homes to suitable residents, we would be adversely affected **,** and the value of our common stock could decline. **We face risks associated with the operation of mixed- use commercial properties, which may impact our operating results. We currently operate, and in the future may develop, either alone or through joint ventures, " commercial " and " mixed- use " developments. This means that in addition to the development of office space, projects may also include space for residential, retail or other commercial purposes. Generally, we have less experience developing and managing commercial and mixed- use real estate. As a result, we currently complete our commercial real estate projects through joint ventures. In the future, we may seek to partner with a third- party developer or manager with more experience. If we do not partner with such a developer or manager, we would be exposed to specific risks associated with such development and ownership. In addition, if we elect to participate in the development through a joint venture, we may be exposed to the risks associated with the failure of the other party to complete the development or management of the property as expected, which could require that we identify another joint venture partner and / or complete the project ourselves (including providing any necessary financing). As such, we are dependent on these third parties and their key personnel to provide services to us, and we may not find a suitable replacement if the management agreement is terminated, or if key personnel leave or otherwise become unavailable to us. Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co- venturers' financial condition, and disputes between us and our co- venturers and could expose us to potential liabilities and losses. In addition to our current joint venture investments, we may continue to co- invest in the future with third parties through partnerships, joint ventures or other entities, or through acquiring non- controlling interests in, or sharing responsibility for, managing the affairs of a property, partnership, joint venture or other entity, which may subject us to risks that may not be present with other methods of ownership, including the following: • we would not be able to exercise sole decision- making authority regarding the property, partnership, joint venture or other entity, which would allow for impasses on decisions that could restrict our ability to sell or transfer our interests in such entity or such entity' s ability to transfer or sell its assets; • partners or co- venturers might become bankrupt or fail to fund their share of required capital contributions, which could delay progress on a project or increase our financial commitment to the partnership or joint venture; • partners or co- venturers may pursue economic or other business interests, policies or objectives that are competitive or inconsistent with ours; • if we become a limited partner or non- managing member in any partnership or limited liability company, and such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity; • disputes between us and partners or co- venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and / or directors from focusing their time and effort on our business; and • we may, in certain circumstances, be liable for the actions of our third- party partners or co- venturers.** A significant portion of our **SFR** costs and expenses are fixed, and we may not be able to adapt our cost structure to offset declines in our revenue. Many of the expenses associated with our **SFR** business, such as property taxes, HOA fees, insurance, utilities, acquisition, renovation and maintenance costs and other general corporate expenses are relatively inflexible and will not necessarily decrease with a reduction in revenue from our business. Some components of our fixed assets depreciate more rapidly and require ongoing capital expenditures. Our expenses and ongoing capital expenditures are also affected by inflationary increases and certain of our cost increases may exceed the rate of inflation in any given period or market. Our rental income is affected by many factors beyond our control, such as the availability of alternative rental housing and economic conditions in our markets. In addition, state and local regulations may require us to maintain properties that we own, even if the cost of maintenance is greater than the value of the property or any potential benefit from renting the property, or pass regulations that limit our ability to increase rental rates. As a result, we may not be able to fully offset rising costs and capital spending by increasing rental rates, which could have a material adverse effect on our results of operations and cash available for distribution. Interest rate fluctuations and shifts in the yield curve may cause losses. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Our primary interest rate exposures relate to our interests in MSRs, RMBS, loans, derivatives, **CLOs,** any floating rate debt obligations that we may incur and preferred stock that periodically resets. Changes in interest rates, including changes in expected interest rates or " yield curves, " affect our business in a number of ways. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on our interest- earning assets and the interest expense incurred in connection with our interest- bearing liabilities and hedges. Changes in the level of interest rates also can affect, among other things, our ability to acquire real estate and other securities and loans at attractive prices, the value of our real estate and other securities, loans and derivatives and our ability to realize gains from the sale of such assets. Additionally, with respect to our SFR business, in an inflationary environment, we may not be able to raise rents sufficiently to keep up with the rate of inflation. We may wish to use hedging transactions to protect certain positions from interest rate fluctuations, but we may not be able to do so as a result of market conditions, regulations and other legal rules applicable to REITs or other reasons. In such event, interest rate fluctuations could adversely affect our financial condition, cash flows and results of operations. Until recently, the Federal Reserve maintained interest rates close to zero. In 2022, however, in response to the inflationary pressures — driven by ongoing supply chain disruptions, the lingering effect of fiscal stimulus, and the war in Ukraine — the Federal Reserve rapidly raised interest rates ~~and~~ **. The Federal Reserve continued to steadily increase interest rates through July 2023, holding interest rates steady through the remainder of 2023. Additionally, the Federal Reserve has** indicated it anticipates **three** ~~further interest~~ rate ~~increases~~ **cuts over the course of 2024** . Rising interest rates have resulted in increased interest expense on our outstanding variable rate and future variable and fixed **-** rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions. In addition, in the event of a significant rising interest rate environment and / or economic downturn, loan origination volume may decrease and negatively impact our operating results. Additionally, loan and collateral defaults may increase and result in credit losses that would adversely affect our liquidity and operating results. Our ability to execute our business strategy, particularly the growth of our investment portfolio, depends to a significant degree on our ability to obtain additional capital. Our financing strategy is **mainly** dependent on our ability to place the debt we use to finance our investments at rates that provide a positive net spread. If spreads for such liabilities widen or if demand for such liabilities ceases to exist, then our ability to execute future financings will be severely restricted. Interest rate changes may also impact our net book value as most of our investments are marked to market each quarter. Debt obligations are not marked to market. Generally, as interest rates increase, the value of our fixed **-** rate securities decreases, which will decrease the book value of our equity. Furthermore, shifts in the U. S. Treasury yield curve reflecting an increase in interest rates would also affect the yield required on our investments and therefore their value. For example, increasing interest rates would reduce the value of the fixed **-** rate assets we hold at the time because the higher yields required by increased interest rates result in lower market prices on existing fixed **-** rate assets in order to adjust the yield upward to meet the market and vice versa. This would have similar effects on our real estate and other securities and loan portfolio and our financial position and operations to a change in interest rates generally. A prolonged economic slowdown, a lengthy or severe recession, or declining real estate values could harm our operations. ~~We~~ **A prolonged economic slowdown could adversely affect our operations due to unstable or unpredictable market conditions. Additionally, we** believe the risks associated with our business are more severe during periods in which an economic slowdown or recession is accompanied by declining real estate values. Declining real estate values generally reduce the level of new mortgage loan originations, since borrowers often use increases in the value of their existing properties to support the purchase of, or investment in, additional properties. Borrowers may also be less able to pay principal and interest on our loans or the loans underlying our securities, interests in MSRs and servicer advances, in a weakening real estate economy. Further, declining real estate values significantly increase the likelihood that we will incur losses on our investments in the event of default because the value of our collateral may be insufficient to cover our basis. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect our net interest income from the assets in our portfolio, which would significantly harm our revenues, results of operations, financial condition, liquidity, business prospects and our ability to make distributions to our stockholders. **Additionally, as a global alternative asset manager, we seek to generate consistent, positive, absolute returns across all market cycles for the investors in our funds. Our ability to do this has been, and in the future may be, materially impacted by conditions in the global credit or equity financial markets and economic and geopolitical conditions worldwide. Unpredictable or unstable market, economic or geopolitical conditions have resulted and may in the future result in reduced opportunities to find suitable risk- adjusted investments to deploy capital and make it more difficult to exit and realize value from our existing investments, which could materially adversely affect our ability to raise new funds and increase our AUM and, therefore, may have a material adverse effect on our business, financial condition or results of operations. Certain of our Servicing Partners and subsidiaries have been and are subject to federal and state regulatory matters and other litigation, which may adversely impact us.** Regulatory actions or legal proceedings against certain of our Servicing Partners **or our subsidiaries** could increase our financing costs or operating expenses, reduce our revenues or otherwise materially adversely affect our business, financial condition, results of operations and liquidity. Such Servicing Partners **or subsidiaries** may be subject to additional federal and state regulatory matters in the future that could materially and adversely affect the value of our investments to the extent we rely on them to achieve our investment objectives because we have no direct ability to influence their performance. Certain of our Servicing Partners **and subsidiaries** have disclosed certain matters in their periodic reports filed with the SEC and there can be no assurance that such events will not have a material adverse effect on them. We are currently evaluating the impact of such events and cannot assure you what impact these events may have or what actions we may take under our agreements with the servicer. In addition, any of our Servicing Partners could be removed as servicer by the related loan owner or certain other transaction counterparties, which could have a material adverse effect on our interests in the loans and MSRs serviced by such Servicing Partner. In addition, certain of our Servicing Partners **and subsidiaries** have been and continue to be subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations and threatened legal actions and proceedings. In connection with formal and informal inquiries, such Servicing Partners **and subsidiaries** may receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their activities, including whether certain of their residential loan servicing and origination practices, bankruptcy practices and other aspects of their business comply with applicable laws and regulatory requirements. Such Servicing Partners **and subsidiaries** cannot provide any assurance as to the outcome of any of the aforementioned actions, proceedings or inquiries, or that such outcomes will not have a material adverse effect on their reputation, business, prospects, results of operations, liquidity or financial condition. Mortgage servicing is heavily regulated at the U. S. federal, state and local levels, and each transfer of MSRs to our subservicer of such MSRs may not be approved by the requisite regulators. Mortgage servicers must comply with U. S. federal, state and local laws and regulations. These laws and regulations cover topics such as licensing; allowable fees and loan terms; permissible servicing and debt collection practices; limitations on forced- placed insurance; special consumer protections in connection with default and foreclosure; and protection of confidential, nonpublic consumer information. The volume of new or modified laws and regulations has increased in recent years, and states and individual cities and counties continue to enact laws that either restrict or impose additional obligations in connection with certain loan origination, acquisition and servicing activities in those cities and counties. The laws and regulations are complex and vary greatly among the states and localities, and in some cases, these laws are in conflict with each other or with U. S. federal law. In connection with the MSR Transactions, there is no assurance that each transfer of MSRs to our selected subservicer will be approved by the requisite regulators. If regulatory approval for each such transfer is not obtained, we may incur additional costs and expenses in connection with the approval of another replacement subservicer. Certain jurisdictions require licenses to purchase, hold, enforce or sell residential mortgage loans and / or MSRs, and we may not be able to obtain and / or maintain such licenses. Certain jurisdictions require a license to purchase, hold, enforce or sell residential mortgage loans and / or MSRs. In the event that any licensing requirement is applicable to us, and we do not hold such licenses, there can be no assurance that we will obtain such licenses or, if obtained, that we will be able to maintain them. Our failure to obtain or maintain such licenses could restrict our ability to invest in loans in these jurisdictions if such licensing requirements are applicable. With respect to mortgage loans, in lieu of obtaining such licenses, we may contribute our acquired residential mortgage loans to one or more wholly **-** owned trusts whose trustee is a national bank, which may be exempt from state licensing requirements. We have formed one or more subsidiaries to apply for certain state licenses. If these subsidiaries obtain the required licenses, any trust holding loans in the applicable jurisdictions may transfer such loans to such subsidiaries, resulting in these loans being held by a state- licensed entity. There can be no assurance that we will be able to obtain the requisite licenses in a timely manner or at all or in all necessary jurisdictions, or that the use of the trusts will reduce the requirement for licensing. In addition, even if we obtain necessary licenses, we may not be able to maintain them. Any of these circumstances could limit our ability to invest in residential mortgage loans or MSRs in the future and have a material adverse effect on us. Maintenance of our 1940 Act exclusion imposes limits on our operations. We intend to continue to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. We believe we will not be considered an investment company under Section 3 (a) (1) (A) of the 1940 Act because we will not engage primarily, or hold ourselves out as being engaged primarily, in the business of investing, reinvesting or trading in securities. However, under Section 3 (a) (1) (C) of the 1940 Act, because we are a holding company that will conduct its businesses primarily through wholly **-** owned and majority owned subsidiaries, the securities issued by our subsidiaries that are excluded from the definition of " investment company " under Section 3 (c) (1) or Section 3 (c) (7) of the 1940 Act, together with any other investment securities we may own, may not have a combined value in excess of 40 % of the value of our total assets (exclusive of U. S. Government securities and cash items) on an unconsolidated basis, unless another exclusion from the definition of " investment company " is available to us. For purposes of the foregoing, we currently treat our interest in our SLS Servicer Advance Investment and our subsidiaries that hold consumer loans as investment securities because these subsidiaries presently rely on the exclusion provided by Section 3 (c) (7) of the 1940 Act. The 40 % test under Section 3 (a) (1) (C) of the 1940 Act limits the types of businesses in which we may engage through our subsidiaries. In addition, the assets we and our subsidiaries may originate or acquire are limited by the provisions of the 1940 Act and the rules and regulations promulgated under the 1940 Act, which may adversely affect our business. If the value of securities issued by our subsidiaries that are excluded from the definition of " investment company " by Section 3 (c) (1) or 3 (c) (7) of the 1940 Act, together with any other investment securities we own, exceeds the 40 % test under Section 3 (a) (1) (C) of the 1940 Act (e. g., the value of our interests in the **TRSs** ~~taxable REIT subsidiaries~~ that hold ~~Servicer~~ **servicer** ~~Advance~~ **advance** ~~Investments~~ **investments** and are not excluded from the definition of " investment company " by Section 3 (c) (5) (A), (B) or (C) of the 1940 Act increases significantly in proportion to the value of our other assets), or if one or more of such subsidiaries fail to maintain an exclusion or exception from the 1940 Act, we could, among other things, be required either to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, any of which could negatively affect the market price of our common stock, the sustainability of our business model and our ability to make distributions. If we or any of our subsidiaries were required to register as an investment company under the 1940 Act, the registered entity would become subject to substantial regulation with respect to capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations. Failure to maintain an exclusion would require us to significantly restructure our investment strategy. For example, because affiliate transactions are generally prohibited under the 1940 Act, we would not be able to enter into transactions with any of our affiliates if we are required to register as an investment company. If we were required to register ~~us~~ as an investment company but failed to do so, we would be prohibited from engaging in our business and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement and a court could appoint a receiver to take control of us and liquidate our business. For purposes of the foregoing, we treat our interests in certain of our wholly **-** owned and majority owned subsidiaries, which constitute more than 60 % of the value of our adjusted total assets on an unconsolidated basis, as non- investment securities because such subsidiaries qualify for exclusion from the definition of an investment company under the 1940 Act pursuant to Section 3 (c) (5) (C) of the 1940 Act. The Section 3 (c) (5) (C) exclusion is available for entities " primarily engaged " in the business of " purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. " The Section 3 (c) (5) (C) exclusion generally requires that at least 55 % of these subsidiaries' assets must comprise qualifying real estate assets and at least 80 % of each of their portfolios must comprise qualifying real estate assets and real estate- related assets under the 1940 Act. We expect each of our subsidiaries relying on Section 3 (c) (5) (C) to rely on guidance published by the SEC staff or on our analyses of such guidance to determine which assets are qualifying real estate assets and real estate- related assets. However, the SEC' s guidance was issued in accordance with factual situations that may be substantially different from the factual situations each of our subsidiaries may face, and much of the guidance was issued more than 20 years ago. No assurance can be given that the SEC staff will concur with the classification of each of our subsidiaries' assets. In addition, the SEC staff may, in the future, issue further guidance that may require us to re- classify some of our subsidiaries' assets for **the** ~~purposes~~ - **purpose** of qualifying for an exclusion from regulation under the 1940 Act. For example, the SEC and its staff have not published guidance with respect to the treatment of whole pool Non- Agency RMBS for purposes of the Section 3 (c) (5) (C) exclusion. Accordingly, based on our own judgment and analysis of the guidance from the SEC and its staff identifying Agency whole pool certificates as qualifying real estate assets under Section 3 (c) (5) (C), we treat whole pool Non- Agency RMBS issued with respect to an underlying pool of mortgage loans in which our subsidiary relying on Section 3 (c) (5) (C) holds all of the certificates issued by the pool as qualifying real estate assets. Based on our own judgment and analysis of the guidance from the SEC and its staff with respect to analogous assets, we treat Excess MSRs for which we do not own the related servicing rights as real estate- related assets for purposes of satisfying the 80 % test under the Section 3 (c) (5) (C) exclusion. If we are required to re- classify any of our subsidiaries' assets, including those subsidiaries holding whole pool Non- Agency RMBS and / or Excess MSRs, such subsidiaries may no longer be in compliance with the exclusion from the definition of an " investment company " provided by Section 3 (c) (5) (C) of the 1940 Act, and in turn, we may not satisfy the requirements to avoid falling within the definition of an " investment company " provided by Section 3 (a) (1) (C). To the extent that the SEC staff publishes new or different guidance or disagrees with our analysis with respect to any assets of our subsidiaries we have determined to be qualifying real estate assets or real estate- related assets, we may be required to adjust our strategy accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in a subsidiary holding assets we might wish to sell or selling assets we might wish to hold. Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT or our exclusion from the 1940 Act. If the market value or income potential of qualifying assets for purposes of our qualification as a REIT or our exclusion from registration as an investment company under the 1940 Act declines as a result of increased interest rates, changes in prepayment rates or other factors, or the market value or income from non- qualifying assets increases, we may need to increase our investments in qualifying assets and / or liquidate our non- qualifying assets to maintain our REIT qualification or our exclusion from registration under the 1940 Act. If the change in market values or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of any non- qualifying assets we may own. We may have to make investment decisions that we otherwise would not make absent the intent to maintain our qualification as a REIT and exclusion from registration under the 1940 Act. We may be required to register as an investment adviser in the future, which could impose limits on our operations. While ~~we are~~ **Rithm Capital is** currently not registered as an investment adviser under the ~~Investment~~ Advisers Act ~~of 1940 (the " Advisers Act ")~~, one or more of our **subsidiaries, including Sculptor, is currently required to be registered as an investment adviser and other** subsidiaries may be required to register as such in the future, which could subject us to extensive regulation as an investment adviser and could adversely affect our ability to manage our business. If we register as an investment adviser under the Advisers Act, we will become subject to various requirements under the Advisers Act such as fiduciary duties to clients, anti- fraud provisions, substantive prohibitions and requirements, contractual and record- keeping requirements and administrative oversight by the SEC (primarily by inspection). In addition, if we register as an investment adviser under the Advisers Act, we must continually address potential conflicts between our interests and those of our clients. Although we have established certain policies and procedures designed to mitigate conflicts of interest, there can be no assurance that these policies and procedures will be effective in doing so. It is possible that actual, potential or perceived conflicts of interest could give rise to investor dissatisfaction, litigation or regulatory enforcement actions. If we are deemed to be out of compliance with any such rules and regulations, we may be subject to civil liability, criminal liability and / or regulatory sanctions. Regulatory scrutiny regarding foreclosure processes could lengthen foreclosure timelines, which could increase advances and materially and adversely affect our business, financial condition, results of operations and liquidity. When a residential mortgage loan is in foreclosure, the servicer is generally required to continue to advance delinquent principal and interest to the securitization trust and to also make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent it determines that such amounts are recoverable. These servicer advances are generally recovered when the delinquency is resolved. Foreclosure moratoria or other actions that lengthen the foreclosure process increase the amount of servicer advances, lengthen the time it takes for reimbursement of such advances and increase the costs incurred during the foreclosure process. In addition, servicer advance financing facilities generally contain provisions that limit the eligibility of servicer advances to be financed based on the length of time that servicer advances are outstanding, and, as a result, an increase in foreclosure timelines could further increase the amount of servicer advances that need to be funded from the related servicer' s own capital. Such increases in foreclosure timelines could increase the need for capital to fund servicer advances, which would increase our interest expense, delay the collection of interest income or servicing revenue until the foreclosure has been resolved and, therefore, reduce the cash that we have available to pay our operating expenses or to pay dividends. The impact of legislative and regulatory changes on our business, as well as the market and industry in which we operate, are uncertain and may adversely affect our business. The Dodd- Frank Act was enacted in July 2010, which affects almost every aspect of the U. S. financial services industry, including certain aspects of the markets in which we operate and imposes new regulations on us and how we conduct our business. As we describe in more detail below, it affects our business in many ways **,** but it is difficult at this time to know exactly how or what the cumulative impact will be. Generally, the Dodd- Frank Act strengthens the regulatory oversight of securities and capital markets activities by the SEC and established the CFPB to enforce laws and regulations for consumer financial products and services. It requires market participants to undertake additional record- keeping activities and imposes many additional disclosure requirements for public companies. Moreover, the Dodd- Frank Act contains a risk retention requirement for all asset- backed securities ~~,~~ which we issue. In October 2014, final rules were promulgated by a consortium of regulators implementing the final credit risk retention requirements of Section 941 (b) of the Dodd- Frank Act. Under these " Risk Retention Rules, " sponsors of both public and private securitization transactions or one of their majority owned affiliates are required to retain at least 5 % of the credit risk of the assets collateralizing such securitization transactions. These regulations generally prohibit the sponsor or its affiliate from directly or indirectly hedging or otherwise selling or transferring the retained interest for a specified period of time, depending on the type of asset that is securitized. Certain limited exemptions from these rules are available for certain types of assets, which may be of limited use under our current market practices. In any event, compliance with these new Risk Retention Rules has increased and will likely continue to increase the administrative and operational costs of asset securitization. Further, the Dodd- Frank Act imposes mandatory clearing and exchange- trading requirements on many derivatives transactions (including formerly unregulated over- the- counter derivatives) in which we may engage. In addition, the Dodd- Frank Act is expected to increase the margin requirements for derivatives transactions that are not subject to mandatory clearing requirements, which may impact our activities. The Dodd- Frank Act also creates new categories of regulated market participants, such as " swap- dealers, " " security- based swap dealers, " " major swap participants " and " major security- based swap participants, " and subjects or may subject these regulated entities to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements that will give rise to new administrative costs. Also, under the Dodd- Frank Act, financial regulators belonging to the Financial Stability Oversight Council are authorized to designate nonbank financial institutions and financial activities as systemically important to the economy and therefore subject to closer regulatory supervision. Such systemically important financial institutions (" SIFIs ") may be required to operate with greater safety margins, such as higher levels of capital and may face further limitations on their activities. The determination of what constitutes a SIFI is evolving and in time SIFIs may include large investment funds and even asset managers. There can be no assurance that we will not be deemed to be a SIFI or engage in activities later determined to be systemically important and thus subject to further regulation. **Additionally, in 2013, financial regulators adopted final regulations to implement the statutory mandate of the " Volcker Rule " contained in Section 619 of the Dodd- Frank Act. The Volcker Rule limits the ability of certain banking entities to acquire as principal, directly or indirectly, ownership interests in certain private investment funds (referred to in the Volcker Rule as covered funds). As a result, the Volcker Rule may cause banking entities and their affiliates that would otherwise invest in our funds to not invest in our funds or CLOs, to invest less capital in our funds or CLOs, reduce or eliminate such investments, or require modifications to the documents governing our funds or CLOs that may adversely affect their performance or attractiveness to other investors or that otherwise may be adverse to our business. The Volcker Rule also includes a general prohibition on certain banking entities engaging in activities defined as " proprietary trading. " Applicable regulators have proposed amendments and invited comments to the Volcker Rule and the requirements of the Volcker Rule may change over time. The Volcker Rule (including any changes thereto) and its effects could negatively impact our business, financial condition or results of operations.** Even new requirements that are not directly applicable to us may still increase our costs of entering into transactions with the parties to whom the requirements are directly applicable. For instance, if the exchange- trading and trade reporting requirements lead to reductions in the liquidity of derivative transactions we may experience higher pricing or reduced availability of derivatives, or the reduction of arbitrage opportunities for us, which could adversely affect the performance of certain of our trading strategies. Importantly, many key aspects of the changes imposed by the Dodd- Frank Act will continue to be established by various regulatory bodies and other groups over the next several years. In addition, there is significant uncertainty regarding the legislative and regulatory outlook for the Dodd- Frank Act and related statutes governing financial services, which may include Dodd- Frank Act amendments, mortgage finance and housing policy in the U. S., and the future structure and responsibilities of regulatory agencies such as the CFPB and the FHFA. For example, in March 2018, the U. S. Senate approved banking reform legislation intended to ease some of the restrictions imposed by the Dodd- Frank Act. Due to this uncertainty, it is not possible for us to predict how future legislative or regulatory proposals by Congress and the current ~~Administration~~ **administration** will affect us or the market and industry in which we operate, and there can be no assurance that the resulting changes will not have an adverse impact on our business, results of operations, or financial condition. It is possible that such regulatory changes could, among other things, increase our costs of operating as a public company, impose restrictions on our ability to securitize assets and reduce our investment returns on securitized assets. The payments we receive on the Agency RMBS in which we invest depend upon a steady stream of payments by borrowers on the underlying mortgages and the fulfillment of guarantees by GSEs. Ginnie Mae is part of a U. S. Government agency **,** and its guarantees are backed by the full faith and credit of the U. S. Fannie Mae and Freddie Mac are GSEs, but their guarantees are not backed by the full faith and credit of the U. S. Government. In response to the deteriorating financial condition of Fannie Mae and Freddie Mac and the credit market disruption beginning in 2007, Congress and the U. S. Treasury undertook a series of actions to stabilize these GSEs and the financial markets, generally. The Housing and Economic Recovery Act of 2008 was signed into law on July 30, 2008, and established the FHFA, with enhanced regulatory authority over, among other things, the business activities of Fannie Mae and Freddie Mac and the size of their portfolio holdings. On September 7, 2008, FHFA placed Fannie Mae and Freddie Mac into federal conservatorship and, together with the U. S. Treasury, established a program designed to boost investor confidence in Fannie Mae' s and Freddie Mac' s debt and Agency RMBS. As the conservator of Fannie Mae and Freddie Mac, the FHFA controls and directs the operations of Fannie Mae and Freddie Mac and may (1) take over the assets of and operate Fannie Mae and Freddie Mac with all the powers of the stockholders, the directors and the officers of Fannie Mae and Freddie Mac and conduct all business of Fannie Mae and Freddie Mac; (2) collect all obligations and money due to Fannie Mae and Freddie Mac; (3) perform all functions of Fannie Mae and Freddie Mac which are consistent with the conservator' s appointment; (4) preserve and conserve the assets and property of Fannie Mae and Freddie Mac; and (5) contract for assistance in fulfilling any function, activity, action or duty of the conservator. Those efforts resulted in significant U. S. Government financial support and increased control of the GSEs. The Federal Reserve announced in November 2008 a program of large- scale purchases of Agency RMBS in an attempt to lower longer- term interest rates and contribute to an overall easing of adverse financial conditions. Subject to specified investment guidelines, the portfolios of Agency RMBS purchased through the programs established by the U. S. Treasury and the Federal Reserve may be held to maturity and, based on mortgage market conditions, adjustments may be made to these portfolios. This flexibility may adversely affect the pricing and availability of Agency RMBS that we seek to acquire during the remaining term of these portfolios. There can be no assurance that the U. S. Government' s intervention in Fannie Mae and Freddie Mac will be adequate for the longer- term viability of these GSEs. These uncertainties lead to questions about the availability of and trading market for, Agency RMBS. Accordingly, if these government actions are inadequate and the GSEs defaulted on their guaranteed obligations, suffered losses or ceased to exist, the value of our Agency RMBS and our business, operations and financial condition could be materially and adversely affected. Additionally, because of the financial problems faced by Fannie Mae and Freddie Mac that led to their federal conservatorships, the ~~Administration~~ **administration** and Congress have been examining reform of the GSEs, including the value of a federal mortgage guarantee and the appropriate role for the U. S. government in providing liquidity for residential mortgage loans. It is unclear to what degree any reform will be undertaken and the final details of any plans, policies or proposals with respect to the housing GSEs are unknown at this time. In the past and potentially in this Congress, bills have been introduced that change the GSEs' business charters and eliminate the entities or make other changes to the existing framework. We cannot predict whether or when such legislation may be enacted. If enacted, such legislation could materially and adversely affect the availability of, and trading market for, Agency RMBS and could, therefore, materially and adversely affect the value of our Agency RMBS and our business, operations and financial condition. Our subsidiaries that perform mortgage lending and servicing activities are subject to extensive regulation by federal, state and local governmental and regulatory authorities, and our subsidiaries' business results may be significantly impacted by the existing and future laws and regulations to which they are subject. If our subsidiaries performing mortgage lending and servicing activities fail to operate in compliance with both existing and future statutory, regulatory and other requirements, our business, financial condition, liquidity and / or results of operations could be materially and adversely affected. Our subsidiaries that perform mortgage lending and servicing activities are subject to extensive regulation by federal, state and local governmental and regulatory authorities, including the CFPB, the Federal Trade Commission, HUD, VA, the SEC and various state agencies that license, audit, investigate and conduct examinations of such subsidiaries' mortgage servicing, origination, debt collection and other activities. In the current regulatory environment, the policies, laws, rules and regulations applicable to our subsidiaries' mortgage origination and servicing businesses have been rapidly evolving. Federal, state or local governmental authorities may continue to enact laws, rules or regulations that will result in changes in our and our subsidiaries' business practices and may materially increase the costs of compliance. We are unable to predict whether any such changes will adversely affect our business. We and our subsidiaries must comply with a large number of federal, state and local consumer protection laws including, among others, the Dodd- Frank Act, the Gramm- Leach- Bliley Act, the Fair Debt Collection Practices Act, Real Estate Settlement Procedures Act, the Truth in Lending Act, the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Telephone Consumer Protection Act, the Equal Credit Opportunity Act, as well as individual state licensing, privacy, and foreclosure laws and federal and local bankruptcy rules. These statutes apply to many facets of our subsidiaries' businesses, including loan origination, default servicing and collections, use of credit reports, safeguarding of non- public personally identifiable information about customers, foreclosure and claims handling, investment of and interest payments on escrow balances and escrow payment features and such statutes mandate certain disclosures and notices to borrowers. These requirements can and will change as statutes and regulations are enacted, promulgated, amended, interpreted and enforced. In addition, the GSEs, Ginnie Mae and other business counterparties subject our subsidiaries' mortgage origination and servicing businesses to periodic examinations, reviews and audits, and we routinely conduct our own internal examinations, reviews and audits. These various examinations, reviews and audits of our subsidiaries' businesses and related activities may reveal deficiencies in such subsidiaries' compliance with our policies and other requirements to which they are subject. While we strive to investigate and remediate such deficiencies, there can be no assurance that our internal investigations will reveal any deficiencies or that any remedial measures that we implement, which could involve material expense, will ensure compliance with applicable policies, laws, regulations and other requirements or be deemed sufficient by the GSEs, Ginnie Mae, federal and local governmental authorities or other interested parties. We and our subsidiaries devote substantial resources to regulatory compliance and regulatory inquiries, and we incur, and expect to continue to incur, significant costs in connection therewith. Our business, financial condition, liquidity and / or results of operations could be materially and adversely affected by the substantial resources we devote to, and the significant compliance costs we incur in connection with, regulatory compliance and regulatory inquiries, including any fines, penalties, restitution or similar payments we may be required to make in connection with resolving such matters. The actual or alleged failure of our mortgage origination and servicing subsidiaries to comply with applicable federal, state and local laws and regulations and GSE, Ginnie Mae and other business counterparty requirements, or to implement and adhere to adequate remedial measures designed to address any identified compliance deficiencies, could lead to: • the loss or suspension of licenses and approvals necessary to operate our or our subsidiaries' business; • limitations, restrictions or complete bans on our or our subsidiaries' business or various segments of our business; • our or our subsidiaries' disqualification from participation in governmental programs, including GSE, Ginnie Mae and VA programs; • breaches of covenants and representations under our servicing, debt, or other agreements; • negative publicity and damage to our reputation; • governmental investigations and enforcement actions; • administrative fines and financial penalties; • litigation, including class action lawsuits; • civil and criminal liability; • termination of our servicing and subservicing agreements or other contracts; • demands for us to repurchase loans; • loss of personnel who are targeted by prosecutions, investigations, enforcement actions or litigation; • a significant increase in compliance costs; • a significant increase in the resources we and our subsidiaries devote to regulatory compliance and regulatory inquiries; • an inability to access new, or a default under or other loss of current, liquidity and funding sources necessary to operate our business; • restrictions on our or our subsidiaries' business activities; • impairment of assets; and • an inability to execute on our business strategy. Any of these outcomes could materially and adversely affect our reputation, business, financial condition, prospects, liquidity and / or results of operations. We cannot guarantee that any such scrutiny and investigations will not materially adversely affect us. Additionally, in recent years, the general trend among federal, state and local lawmakers and regulators has been toward increasing laws, regulations and investigative proceedings with regard to residential mortgage lenders and servicers. The CFPB continues to take an active role in supervising the mortgage industry, and its rule- making and regulatory agenda relating to loan servicing and origination continues to evolve. Individual states have also been increasingly active in supervising non- bank mortgage lenders and servicers such as our Mortgage Company, and certain regulators have communicated recommendations, expectations or demands with respect to areas such as corporate governance, safety and soundness, risk and compliance management, and cybersecurity, in addition to their focus on traditional licensing and examination matters. Uncertainty exists with respect to the future of regulation of mortgage lending and servicing, including the future of the Dodd- Frank Act and CFPB. We cannot predict the specific legislative or executive actions that may result or what actions federal or state regulators might take in response to potential changes to the Dodd- Frank Act or to the federal regulatory environment generally. Such actions could impact the mortgage industry generally or us specifically, could impact our relationships with other regulators and could adversely impact our business. The CFPB and certain state regulators have increasingly focused on the use, and adequacy, of technology in the mortgage servicing industry. For example, in 2016, the CFPB issued a special edition supervision report that stressed the need for mortgage servicers to assess and make necessary improvements to their information technology systems in order to ensure compliance with the CFPB' s mortgage servicing requirements. The New York Department of Financial Services (" NY DFS ") also issued Cybersecurity Requirements for Financial Services Companies, effective in 2017, which requires banks, insurance companies and other financial services institutions regulated by the NY DFS to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York State' s financial services industry. In addition, the CCPA, effective in 2020, requires businesses that maintain personal information of California residents, including certain mortgage lenders and servicers, to notify certain consumers when collecting their data, respond to consumer requests relating to the uses of their data, verify the identities of consumers who make requests, disclose details regarding transactions involving their data, and maintain records of ~~consumer~~ **consumers** ' requests relating to their data, among various other obligations and to create procedures designed to comply with CCPA requirements. The impact of the CCPA, its implementing regulations, and similar legislation enacted in other states, on our mortgage origination and servicing businesses remains uncertain, and may result in an increase in legal and compliance costs. New regulatory and legislative measures, or changes in enforcement practices, including those related to the technology we use, could, either individually or in the aggregate, require significant changes to our business practices, impose additional costs on us, limit our product offerings, limit our ability to efficiently pursue business opportunities, negatively impact asset values or reduce our revenues. Accordingly, any of the foregoing could materially and adversely affect our business and our financial condition, liquidity and results of operations. Rithm Capital' s subsidiaries, NRM, Newrez ~~, Caliber~~ and Genesis, are or may become subject to significant state and federal regulations. Subsidiaries of Rithm Capital, NRM, Newrez ~~, Caliber~~ and Genesis, have obtained applicable qualifications, licenses and approvals to own Non- Agency and certain Agency MSRs in the U. S. and certain other jurisdictions. As a result of NRM, Newrez ~~, Caliber~~ and Genesis' s current and expected approvals, NRM, Newrez ~~, Caliber~~ and Genesis are subject to extensive and comprehensive regulation under federal, state and local laws in the U. S. These laws and regulations do, and may in the future, significantly affect the way that NRM, Newrez ~~, Caliber~~ and Genesis do business, and subject NRM, Newrez, ~~Caliber,~~ Genesis and Rithm Capital to additional costs and regulatory obligations, which could impact our financial results. NRM, Newrez ~~, Caliber~~ and Genesis' s business may become subject to increasing regulatory oversight and scrutiny in the future, which may lead to regulatory investigations or enforcement actions, including both formal and informal inquiries, from various state and federal agencies as part of those agencies' supervision of mortgage servicing and origination business activities. An adverse result in governmental investigations or examinations or private lawsuits, including purported class action lawsuits, may adversely affect NRM, Newrez, ~~Caliber,~~ Genesis and our financial results or result in serious reputational harm. In addition, a number of participants in the mortgage servicing industry have been the subject of purported class action lawsuits and regulatory actions by state or federal regulators and other industry participants have been the subject of actions by state Attorneys General. Failure of Rithm Capital' s subsidiaries, NRM ~~,~~ **and** Newrez ~~and Caliber~~ , to obtain or maintain certain licenses and approvals required for NRM ~~,~~ **and** Newrez ~~and Caliber~~ to purchase and own MSRs could prevent us from purchasing or owning MSRs, which could limit our potential business activities. State and federal laws require a business to hold certain state licenses prior to acquiring MSRs. NRM ~~,~~ **and** Newrez ~~and Caliber~~ are currently licensed or otherwise eligible to hold MSRs in each applicable state. As a licensee in such states, NRM ~~,~~ **and** Newrez ~~or Caliber~~ may become subject to administrative actions in those states for failing to satisfy ongoing license requirements or for other state law violations, the consequences of which could include fines or suspensions or revocations of NRM ~~,~~ **and** Newrez ~~or Caliber~~ licenses by applicable state regulatory authorities, which could in turn result in NRM ~~,~~ **and** Newrez ~~or Caliber~~ becoming ineligible to hold MSRs in the related jurisdictions. We could be delayed or prohibited from conducting certain business activities if we do not maintain necessary licenses in certain jurisdictions. We cannot assure you that we will be able to maintain all of the required state licenses. Additionally, NRM ~~,~~ **and** Newrez ~~and Caliber~~ have received approval from FHA to hold MSRs associated with FHA- insured mortgage loans, from Fannie Mae to hold MSRs associated with loans owned by Fannie Mae, and from Freddie Mac to hold MSRs associated with loans owned by Freddie Mac. As approved Fannie Mae Servicers, Freddie Mac Servicers and FHA Lenders, NRM ~~,~~ **and** Newrez ~~and Caliber~~ are required to conduct aspects of their respective operations in accordance with applicable policies and guidelines published by FHA, Fannie Mae and Freddie Mac in order to maintain those approvals. Should NRM ~~,~~ **or** Newrez ~~or Caliber~~ fail to maintain FHA, Fannie Mae or Freddie Mac approval, NRM ~~,~~ **or** Newrez ~~or Caliber~~ may be unable to purchase or hold MSRs associated with FHA- insured, Fannie Mae and / or Freddie Mac loans, which could limit our potential business activities. In addition, Newrez **is** ~~and~~ - **an** ~~Caliber are~~ approved ~~issuers~~ - **issuer** of mortgage- backed securities guaranteed by Ginnie Mae and ~~service~~ **services** the mortgage loans related to such securities (" Ginnie Mae Issuer "). As **an** approved Ginnie Mae ~~Issuers~~ - **Issuer** , Newrez **is** ~~and Caliber are~~ required to conduct aspects of their operations in accordance with applicable policies and guidelines published by Ginnie Mae in order to maintain their approvals. Should Newrez ~~or Caliber~~ fail to maintain Ginnie Mae approval, we may be unable to purchase or hold MSRs associated with Ginnie Mae loans, which could limit our potential business activities. NRM ~~,~~

and Newrez ~~and Caliber~~ are currently subject to various, and may become subject to additional information, reporting and other regulatory requirements, and there is no assurance that we will be able to satisfy those requirements or other ongoing requirements applicable to mortgage loan servicers under applicable federal and state laws and regulations. Any failure by NRM ~~,~~ **or** Newrez ~~or Caliber~~ to comply with such state or federal regulatory requirements may expose us to administrative or enforcement actions, license or approval suspensions or revocations or other penalties that may restrict our business and investment options, any of which could adversely impact our business and financial results and damage our reputation. Legislation that permits modifications to the terms of outstanding loans may negatively affect our business, financial condition, liquidity and results of operations. The U. S. government has enacted legislation that enables government agencies to modify the terms of a significant number of residential and other loans to provide relief to borrowers without the applicable investor' s consent. These modifications allow for outstanding principal to be deferred, interest rates to be reduced, the term of the loan to be extended or other terms to be changed in ways that can permanently eliminate the cash flow (principal and interest) associated with a portion of the loan. These modifications are currently reducing, or in the future may reduce, the value of a number of our current or future investments, including investments in mortgage **-** backed securities and interests in MSRs. As a result, such loan modifications are negatively affecting our business, results of operations, liquidity and financial condition. In addition, certain market participants propose reducing the amount of paperwork required by a borrower to modify a loan, which could increase the likelihood of fraudulent modifications and materially harm the U. S. mortgage market and investors that have exposure to this market. Additional legislation intended to provide relief to borrowers may be enacted and could further harm our business, results of operations and financial condition. In March 2020, the GSEs and HUD announced forbearance policies for GSE loans and government- insured loans for homeowners experiencing financial hardship associated with the COVID- 19 pandemic. These announcements were followed by the signing of the CARES Act in March 2020. We may be obligated to make servicing advances to fund scheduled principal, interest, tax and insurance payments during forbearances when the borrower has failed to make such payments, and potentially various other amounts that may be required to preserve the assets being serviced, which could further harm our business, results of operations and financial condition. **Extensive regulation of certain of our subsidiaries' business activities, including Sculptor, affects our and our subsidiaries' activities and creates the potential for significant liabilities and penalties. Our reputation, business, financial condition or results of operations could be materially affected by regulatory issues. As an investment adviser registered under the Advisers Act, Sculptor is subject to regulation and oversight by the SEC. Additionally, as a registered commodity pool operator and a registered commodity trading advisor, Sculptor is subject to regulation and oversight by the CFTC and the National Futures Association. In the UK, Sculptor' s UK subsidiaries are subject to regulation by the FCA. Sculptor' s Asian operations, and its investment activities around the globe, are subject to a variety of other regulatory regimes that vary country by country, including the Securities and Futures Commission in Hong Kong. A violation of any such regulations or a failure to maintain our funds' exemption from compliance with the 1940 Act could result in investigations, sanctions and reputational damage, which could adversely affect our business, financial condition or results of operations. Our funds are involved regularly in trading activities that implicate a broad number of U. S. and foreign securities law regimes, including laws governing trading on inside information, market manipulation, anti- corruption, including the FCPA, and a broad number of technical trading requirements that implicate fundamental market regulation policies. Risk retention regulations could adversely affect our business. Jurisdictions including the U. S., the EU and UK have adopted risk retention regulations applicable to securitizations and similar transactions, including CLOs and other transactions that we manage or may manage in the future. As a result of these regulations, we may be required to retain, and historically have retained, a portion of the securities or other interests issued in some of these CLOs and other transactions, whether in order to satisfy compliance obligations directly applicable to us or in response to investor demands based on regulatory requirements imposed on such investors. Accordingly, this has required us to utilize capital that could otherwise be deployed in another manner, and we expect that we will need to continue to do so in the future for certain CLOs and other transactions that we may manage in the future. In addition, retaining interests in these transactions increases our exposure to the performance of these transactions and changes in the value of those interests. We have also incurred, and expect to continue to incur, costs and expenses in connection with our efforts to comply with these regulations or related investor demands. We have historically financed the majority of the interests we retain as a result of these regulations and expect to continue to do so. Such financing arrangements may impose limitations or restrictions on our business that could adversely affect our business and the price of our common stock. These risk retention regulations have changed and may continue to change over time, and may be introduced in other jurisdictions, and their interpretation and applicability at any given point in time may be uncertain. For example, as of January 1, 2019, new EU and UK risk retention regulations replaced previously existing EU and UK risk retention regulations for applicable transactions that issue securities on or after January 1, 2019. In addition, in the U. S., a court has held that certain regulators exceeded their statutory authority by requiring managers of " open- market " CLOs to hold risk retention interests in those CLOs under U. S. risk retention regulations. Regulatory uncertainty of this nature may cause us to continue to incur costs and expenses in our efforts to comply with risk retention regulations or in response to the efforts of others to comply with risk retention regulations, and there can be no assurance that those costs and expenses, or the amount of capital we invest in connection with these risk retention regulations, will not increase in the future. Nor can there be any assurance that applicable governmental or regulatory authorities agree with our compliance approaches to these risk retention regulations, which may expose us to liability, including to third parties to whom we have made representations, warranties or covenants regarding such compliance. In the event that we adopt compliance approaches that are subsequently determined to not be required (such as with U. S. " open- market " CLOs), or are less capital- efficient than other approaches subsequently determined to be possible under applicable law, there can be no**

assurance that we will be able to recover or redeploy capital that we' ve previously committed (and we may be contractually prohibited from disposing of the related risk retention interests), and we will generally not be able to recover any costs or expenses that we have already incurred. In addition to any direct effects on us, risk retention regulations may adversely affect markets relevant to our business, such as leveraged loan markets or credit markets generally, which may in turn adversely affect the transactions we manage and our business generally. There can be no assurance that risk retention regulations will not materially and adversely affect our business and operations, and the price of our common stock. Regulatory changes in jurisdictions outside the U. S. could adversely affect our business. Similar to the U. S., jurisdictions outside the U. S. in which we operate, in particular the EU and the UK, have become subject to further regulation. Regulators and other governmental authorities in the EU and the UK have proposed or implemented a number of initiatives and additional rules and regulations that could adversely affect our business. While we have developed and implemented policies and procedures designed to ensure compliance with these rules and regulations, such policies and procedures may not be effective in all instances to prevent violations. Any such violations could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business, financial condition or results of operation. Private litigation could result in significant legal and other liabilities and reputational harm, which could materially adversely affect our business, financial condition or results of operations. We face significant risks in our business that may subject us to private litigation and legal liability. In general, we will be exposed to litigation risk in connection with any allegations of misconduct, negligence, dishonesty or bad faith arising from our management of any fund or by actions taken in the running of our parent company or operating partnerships. We may also be subject to litigation arising from investor dissatisfaction with the performance of our funds, including certain losses due to the failure of a particular investment strategy or improper trading activity, if we violate restrictions in our funds' organizational documents or from allegations that we improperly exercised control or influence over companies in which our funds have large investments. In addition, we are exposed to risks of litigation relating to claims that we have not properly addressed conflicts of interest. The agreements governing our indebtedness place restrictions on us and our subsidiaries, reducing operational flexibility and creating default risks. The agreements governing our indebtedness, including, but not limited to, the indenture governing our **6. 250 % senior unsecured notes due 2025 (the "** 2025 Senior Notes **")** , contain covenants that place restrictions on us and our subsidiaries. The indenture governing our 2025 Senior Notes restricts among other things, our and certain of our subsidiaries' ability to: • incur certain additional debt; • make certain investments or acquisitions; • create certain liens on our or our subsidiaries' assets; • sell assets; and • merge, consolidate or transfer all or substantially all of our assets **. Additionally, Sculptor and its related subsidiaries are subject to certain restrictive covenants under the terms of its credit facility, which restrict it and its subsidiaries ability to pay dividends or make certain restricted payments, make payments on, redeem, repurchase or retire subordinated debt, engage in certain transactions with affiliates, engage in substantially different lines of business and amend their organizational documents in a manner materially adverse to the lenders, in addition to the restrictions above** . These covenants could impair our ability to grow our business, take advantage of attractive business opportunities or successfully compete. A breach of any of these covenants could result in an event of default. Cross- default provisions in our debt agreements could cause an event of default under one debt agreement to trigger an event of default under our other debt agreements. Upon the occurrence of an event of default under any of our debt agreements, the lenders or holders thereof could elect to declare all outstanding debt under such agreements to be immediately due and payable. The lenders under our financing agreements may elect not to extend financing to us, which could quickly and seriously impair our liquidity. We finance a meaningful portion of our investments with repurchase agreements and other short- term financing arrangements. Under the terms of repurchase agreements, we will sell an asset to the lending counterparty for a specified price and concurrently agree to repurchase the same asset from our counterparty at a later date for a higher specified price. During the term of the repurchase agreement — which can be as short as 30 days — the counterparty will make funds available to us and hold the asset as collateral. Our counterparties can also require us to post additional margin as collateral at any time during the term of the agreement. When the term of a repurchase agreement ends, we will be required to repurchase the asset for the specified repurchase price, with the difference between the sale and repurchase prices serving as the equivalent of paying interest to the counterparty in return for extending financing to us. If we want to continue to finance the asset with a repurchase agreement, we ask the counterparty to extend — or " roll " — the repurchase agreement for another term. Our counterparties are not required to roll our repurchase agreements or other financing agreements upon the expiration of their stated terms, which subjects us to a number of risks. Counterparties electing to roll our financing agreements may charge higher spread and impose more onerous terms upon us, including the requirement that we post additional margin as collateral. More significantly, if a financing agreement counterparty elects not to extend our financing, we would be required to pay the counterparty in full on the maturity date and find an alternate source of financing. Alternate sources of financing may be more expensive, contain more onerous terms or simply may not be available. If we were unable to pay the repurchase price for any asset financed with a repurchase agreement, the counterparty has the right to sell the asset being held as collateral and require us to compensate it for any shortfall between the value of our obligation to the counterparty and the amount for which the collateral was sold (which may be a significantly discounted price). Moreover, our financing agreement obligations are currently with a limited number of counterparties. If any of our counterparties elected not to roll our financing agreements, we may not be able to find a replacement counterparty in a timely manner. Finally, some of our financing agreements contain covenants and our failure to comply with such covenants could result in a loss of our investment. The financing sources under our servicer advance financing facilities may elect not to extend financing to us or may have or take positions adverse to us, which could quickly and seriously impair our liquidity. We finance a meaningful portion of our ~~Servicer~~ **servicer** ~~Advance~~ **advance** ~~Investments~~ **investments** and servicer advance receivables with structured financing arrangements.

These arrangements are commonly of a short- term nature. These arrangements are generally accomplished by having the named servicer, if the named servicer is a subsidiary of the Company, or the purchaser of such ~~Servicer~~ **servicer** ~~Advance~~ **advance** ~~Investments~~ **investments** (which is a subsidiary of the Company) transfer our right to repayment for certain servicer advances that we have as servicer under the relevant Servicing Guidelines or that we have acquired from one of our Servicing Partners, as applicable, to one of our wholly **-** owned bankruptcy remote subsidiaries (a " Depositor "). We are generally required to continue to transfer to the related Depositor all of our rights to repayment for any particular pool of servicer advances as they arise (and, if applicable, are transferred from one of our Servicing Partners) until the related financing arrangement is paid in full and is terminated. The related Depositor then transfers such rights to an " Issuer. " The Issuer then issues limited recourse notes to the financing sources backed by such rights to repayment. The outstanding balance of servicer advance receivables securing these arrangements is not likely to be repaid on or before the maturity date of such financing arrangements. Accordingly, we rely heavily on our financing sources to extend or refinance the terms of such financing arrangements. Our financing sources are not required to extend the arrangements upon the expiration of their stated terms, which subjects us to a number of risks. Financing sources electing to extend may charge higher interest rates and impose more onerous terms upon us, including without limitation, lowering the amount of financing that can be extended against any particular pool of servicer advances. If a financing source is unable or unwilling to extend financing, including, but not limited to, due to legal or regulatory matters applicable to us or our Servicing Partners, the related Issuer will be required to repay the outstanding balance of the financing on the related maturity date. Additionally, there may be substantial increases in the interest rates under a financing arrangement if the related notes are not repaid, extended or refinanced prior to the expected repayment ~~dated~~ - **date** , which may be before the related maturity date. If an Issuer is unable to pay the outstanding balance of the notes, the financing sources generally have the right to foreclose on the servicer advances pledged as collateral. Currently, certain of the notes issued under our structured servicer advance financing arrangements accrue interest at a floating rate of interest. Servicer advance receivables are non- interest **-** bearing assets. Accordingly, if there is an increase in prevailing interest rates and / or our financing sources increase the interest rate " margins " or " spreads, " the amount of financing that we could obtain against any particular pool of servicer advances may decrease substantially and / or we may be required to obtain interest rate hedging arrangements. There is no assurance that we will be able to obtain any such interest rate hedging arrangements. Alternate sources of financing may be more expensive, contain more onerous terms or simply may not be available. Moreover, our structured servicer advance financing arrangements are currently with a limited number of counterparties. If any of our sources are unable to or elected not to extend or refinance such arrangements, we may not be able to find a replacement counterparty in a timely manner. Many of our servicer advance financing arrangements are provided by financial institutions with whom we have substantial relationships. Some of our servicer advance financing arrangements entail the issuance of term notes to capital markets investors with whom we have little or no relationships or the identities of which we may not be aware and, therefore, we have no ability to control or monitor the identity of the holders of such term notes. Holders of such term notes may have or may take positions – for example, " short " positions in our stock or the stock of our servicers – that could be benefited by adverse events with respect to us or our Servicing Partners. If any holders of term notes allege or assert noncompliance by us or the related Servicing Partner under our servicer advance financing arrangements in order to realize such benefits, we or our Servicing Partners, or our ability to maintain servicer advance financing on favorable terms, could be materially and adversely affected. We may not be able to finance our investments on attractive terms or at all, and financing for interests in MSRs or servicer advance receivables may be particularly difficult to obtain. The ability to finance investments with securitizations or other long- term non- recourse financing not subject to margin requirements has been challenging as a result of market conditions. These conditions may result in having to use less efficient forms of financing for any new investments, or the refinancing of current investments, which will likely require a larger portion of our cash flows to be put toward making the investment and thereby reduce the amount of cash available for distribution to our stockholders and funds available for operations and investments and which will also likely require us to assume higher levels of risk when financing our investments. In addition, there is a limited market for financing of interests in MSRs, and it is possible that one will not develop for a variety of reasons, such as the challenges with perfecting security interests in the underlying collateral. Certain of our advance facilities may mature in the short term and there can be no assurance that we will be able to renew these facilities on favorable terms or at all. Moreover, an increase in delinquencies with respect to the loans underlying our servicer advance receivables could result in the need for additional financing, which may not be available to us on favorable terms or at all. If we are not able to obtain adequate financing to purchase servicer advance receivables from our Servicing Partners or fund servicer advances under our MSRs in accordance with the applicable Servicing Guidelines, we or any such Servicing Partner, as applicable, could default on its obligation to fund such advances, which could result in its termination of us or any applicable Servicing Partner, as ~~applicable, as~~ servicer under the applicable Servicing Guidelines, and a partial or total loss of our interests in MSRs and servicer advances, as applicable. The non- recourse long- term financing structures we use expose us to risks, which could result in losses to us. We use structured finance and other non- recourse long- term financing for our investments to the extent available and appropriate. In such structures, our financing sources typically have only a claim against the assets included in the securitizations rather than a general claim against us as an entity. Prior to any such financing, we would seek to finance our investments 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 or securities to maximize the efficiency of a securitization. We also bear the risk that we would not be able to obtain new short- term facilities 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 or securities for a securitization. In addition, conditions in the capital markets may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets or securities. While we would generally intend to retain a portion of the interests issued under such securitizations and, therefore, still have exposure to any investments included in such securitizations, our inability to enter into such securitizations may increase our overall exposure to risks associated with direct ownership of such investments, including the risk of default. 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 investments on a long- term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price. Our ability to borrow may be adversely affected by the suspension or delay of the rating of the notes issued under certain of our financing facilities by the credit agency providing the ratings. Certain of our financing facilities are rated by one rating agency and we may sponsor financing facilities in the future that are rated by credit agencies. The related agency or rating agencies may suspend rating notes backed by servicer advances, MSRs, Excess MSRs and our other investments at any time. Rating agency delays may result in our inability to obtain timely ratings on new notes ~~,~~ or **to** amend or modify other financing facilities which could adversely impact the availability of borrowings or the interest rates, advance rates or other financing terms and adversely affect our results of operations and liquidity. Further, if we are unable to secure ratings from other agencies, limited investor demand for unrated notes could result in further adverse changes to our liquidity and profitability. A downgrade of certain of the notes issued under our financing facilities could cause such notes to become due and payable prior to their expected repayment date / maturity date, which could have a material adverse effect on our business, financial condition, results of operations and liquidity. Representations and warranties made by us in our collateralized borrowings **, including our CLOs,** and loan sale agreements may subject us to liability. Our financing facilities **, including our CLOs,** require us to make certain representations and warranties regarding the assets that collateralize the borrowings. Although we perform due diligence on the assets that we acquire, certain representations and warranties that we make in respect of such assets may ultimately be determined to be inaccurate. In addition, our loan sale agreements require us to make representations and warranties to the purchaser regarding the loans that were sold. Such representations and warranties may include, but are not limited to, issues such as the validity of the lien; the absence of delinquent taxes or other liens; the loans' compliance with all local, state and federal laws and the delivery of all documents required to perfect title to the lien. In the event of a breach of a representation or warranty, we may be required to repurchase affected loans, make indemnification payments to certain indemnified parties or address any claims associated with such breach. Further, we may have limited or no recourse against the seller from whom we purchased the loans. Such recourse may be limited due to a variety of factors, including the absence of a representation or warranty from the seller corresponding to the representation provided by us, the contractual expiration thereof, or seller' s bankruptcy, liquidation, or termination of its affairs. A breach of a representation or warranty could adversely affect our results of operations and liquidity. Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Compliance with these requirements must be carefully monitored on a continuing basis. Monitoring and managing our REIT compliance has become challenging due to the increased size and complexity of the assets in our portfolio, a meaningful portion of which are not qualifying REIT assets. There can be no assurance that our personnel responsible for doing so will be able to successfully monitor our compliance or maintain our REIT status. Our failure to qualify as a REIT would result in higher taxes and reduced cash available for distribution to our stockholders. We intend to operate in a manner intended to qualify us as a REIT for U. S. federal income tax purposes. Our ability to satisfy the asset tests depends upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination, and for which we do not obtain independent appraisals. See " — Risks Related to our Business — The valuations of our assets are subject to uncertainty because most of our assets are not traded in an active market, " and " — Risks Related to the Financial Markets and Our Regulatory Environment — Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT or our exclusion from the 1940 Act. " Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Moreover, the proper classification of one or more of our investments (such as TBAs) may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements. Accordingly, there can be no assurance that the U. S. Internal Revenue Service (" IRS ") will not contend that our investments violate the REIT requirements. If we were to fail to qualify as a REIT in any taxable year **, including a prior taxable year for which the statute of limitations remains open** , we would be subject to U. S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates and distributions to stockholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of, and market price for, our stock. See also " — Our failure to qualify as a REIT would cause our stock to be delisted from the NYSE. " Unless entitled to relief under certain provisions of the Internal Revenue Code, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we initially ceased to qualify as a REIT. The NYSE requires, as a condition to the listing of our shares, that we maintain our REIT status. Consequently, if we fail to maintain our REIT status, our shares would promptly be delisted from the NYSE, which would decrease the trading activity of such shares. This could make it difficult to sell shares and would likely cause the market volume of the shares trading to decline. If we were delisted as a result of losing our REIT status and desired to relist our shares on the NYSE, we would have to reapply to the NYSE to be listed as a domestic corporation. As the NYSE' s listing standards for REITs are less onerous than its standards for domestic corporations, it would be more difficult for us to become a listed company under these heightened standards. We might not be able to satisfy the NYSE' s listing standards for a domestic corporation. As a result, if we were delisted from the NYSE, we might not be able to relist as a domestic corporation, in which case our shares could not trade on the NYSE. The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to qualify as a REIT. We enter into 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. We believe that, for purposes of the REIT asset and income tests, we should be treated as the owner of the assets that are the subject of any such sale and repurchase agreement, notwithstanding that those agreements generally 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 might fail to qualify as a REIT. The failure of our Excess MSRs to qualify as real estate assets or the income from our Excess MSRs to qualify as mortgage interest could adversely affect our ability to qualify as a REIT. We have received from the IRS a private letter ruling substantially to the effect that our Excess MSRs represent interests in mortgages on real property and thus are qualifying " real estate assets " for purposes of the REIT asset test, which generate income that qualifies as interest on obligations secured by mortgages on real property for purposes of the REIT income test. The ruling is based on, among other things, certain assumptions as well as on the accuracy of certain factual representations and statements that we have made to the IRS. If any of the representations or statements that we have made in connection with the private letter ruling, are, or become, inaccurate or incomplete in any material respect with respect to one or more Excess MSR investments, or if we acquire an Excess MSR investment with terms that are not consistent with the terms of the Excess MSR investments described in the private letter ruling, then we will not be able to rely on the private letter ruling. If we are unable to rely on the private letter ruling with respect to an Excess MSR investment, the IRS could assert that such Excess MSR investments do not qualify under the REIT asset and income tests, and if successful, we might fail to qualify as a REIT. Dividends payable by REITs do not qualify for the reduced tax rates available for some " qualified dividends. " Dividends payable to domestic stockholders that are individuals, trusts and estates are generally taxed at reduced tax rates applicable to " qualified dividends. " Dividends payable by REITs, however, generally are not eligible for those reduced rates. The more favorable rates applicable to regular corporate 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 stock of REITs, including our common stock. In addition, the relative attractiveness of real estate in general may be adversely affected by the favorable tax treatment given to non- REIT corporate dividends, which could affect the value of our real estate assets negatively. REIT distribution requirements could adversely affect our liquidity and our ability to execute our business plan. We generally must distribute annually at least 90 % of our REIT taxable income, excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. We intend to make distributions to our stockholders to comply with the REIT requirements of the Internal Revenue Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short- term or long- term basis to meet the 90 % distribution requirement of the Internal Revenue Code. Certain of our assets, such as our investment in consumer loans, generate substantial mismatches between taxable income and available cash. As a result, the requirement to distribute a substantial portion of our net taxable income could cause us to: (i) sell assets in adverse market conditions; (ii) borrow on unfavorable terms; (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt; or (iv) make taxable distributions of our capital stock or debt securities in order to comply with REIT requirements. Further, amounts distributed will not be available to fund investment activities. If we fail to obtain debt or equity capital in the future, it could limit our ability to satisfy our liquidity needs, which could adversely affect the value of our common stock. We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them. Based on IRS guidance concerning the classification of Excess MSRs, we intend to treat our Excess MSRs as ownership interests in the interest payments made on the underlying residential mortgage loans, akin to an " interest only " strip. Under this treatment, for purposes of determining the amount and timing of taxable income, each Excess MSR is treated as a bond that was issued with original issue discount on the date we acquired such Excess MSR. In general, we will be required to accrue original issue discount based on the constant yield to maturity of each Excess MSR and to treat such original issue discount as taxable income in accordance with the applicable U. S. federal income tax rules. The constant yield of an Excess MSR will be determined, and we will be taxed, based on a prepayment assumption regarding future payments due on the residential mortgage loans underlying the Excess MSR. If the residential mortgage loans underlying an Excess MSR prepay at a rate different than that under the prepayment assumption, our recognition of original issue discount will be either increased or decreased depending on the circumstances. Thus, in a particular taxable year, we may be required to accrue an amount of income in respect of an Excess MSR that exceeds the amount of cash collected in respect of that Excess MSR. Furthermore, it is possible that, over the life of the investment in an Excess MSR, the total amount we pay for, and accrue with respect to, the Excess MSR may exceed the total amount we collect on such Excess MSR. No assurance can be given that we will be entitled to a deduction for such excess, meaning that we may be required to recognize " phantom income " over the life of an Excess MSR. Other debt instruments that we may acquire, including consumer loans, may be issued with, or treated as issued with, original issue discount. Those instruments would be subject to the original issue discount accrual and income computations that are described above with regard to Excess MSRs. Under the Tax Cuts and Jobs Act ~~(" TCJA ")~~ enacted in 2017, we generally are required to take certain amounts into income no later than the time such amounts are reflected on certain financial statements. The application of this rule may require the accrual of, among other categories of income, income with respect to certain debt instruments or mortgage- backed securities, such as original issue discount, earlier than would be the case under the general tax rules, although the precise application of this rule is unclear at this time. We may acquire debt instruments in the secondary market for less than their face amount. The discount at which such debt instruments are acquired may reflect doubts about their ultimate collectability rather than current market interest rates. The amount of such discount will nevertheless generally be treated as " market discount " for U. S. federal income tax purposes. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions. In addition, we may acquire debt instruments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding instrument are " significant modifications " under the applicable U. S. Treasury regulations, the modified instrument will be considered to have been reissued to us in a debt- for- debt exchange with the borrower. In that event, we may be required to recognize taxable gain to the extent the principal amount of the modified instrument exceeds our adjusted tax basis in the unmodified instrument, even if the value of the instrument or the payment expectations have not changed. Following such a taxable modification, we would hold the modified loan with a cost basis equal to its principal amount for U. S. federal tax purposes. Finally, in the event that any debt instruments acquired by us are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income as it accrues, despite doubt as to its ultimate collectability. Similarly, we may be required to accrue interest income with respect to debt instruments at the stated rate regardless of whether corresponding cash payments are received or are ultimately collectible. In each case, while we would in general ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectible, the utility of that deduction could depend on our having taxable income of an appropriate character in that later year or thereafter. In any event, if our investments generate more taxable income than cash in any given year, we may have difficulty satisfying our annual REIT distribution requirement. We may be unable to generate sufficient cash from operations to pay our operating expenses and to pay distributions to our stockholders. As a REIT, we are generally required to distribute at least 90 % of our REIT taxable income (determined without regard to the dividends paid deduction and not including net capital gains) each year to our stockholders. To qualify for the tax benefits accorded to REITs, we intend to make distributions to our stockholders in amounts such that we distribute all or substantially all of our net taxable income, subject to certain adjustments, although there can be no assurance that our operations will generate sufficient cash to make such distributions. Moreover, our ability to make distributions may be adversely affected by the risk factors described herein. See also " — Risks Related to our Stock — We have not established a minimum distribution payment level for our common stock, and we cannot assure you of our ability to pay distributions in the future. " The stock ownership limit imposed by the Internal Revenue Code for REITs and our certificate of incorporation may inhibit market activity in our stock and restrict our business combination opportunities. In order for us to maintain our qualification as a REIT under the Internal Revenue Code, not more than 50 % in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year after our first taxable year. Our certificate of incorporation, with certain exceptions, authorizes our board of directors to take the actions that are necessary and desirable to preserve our qualification as a REIT. Stockholders are generally restricted from owning more than 9. 8 % by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, or 9. 8 % by value or number of shares, whichever is more restrictive, of our outstanding shares of capital stock. Our board of directors may grant an exemption in its sole discretion, subject to such conditions, representations and undertakings as it may determine in its sole discretion. These ownership limits could delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders. Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow. 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, and state or local income, property and transfer taxes. Moreover, if a REIT distributes less than 85 % of its ordinary income and 95 % of its capital gain net income plus any undistributed shortfall from the prior year (the " Required Distribution ") to its stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then it is required to pay an excise tax on 4 % of any shortfall between the Required Distribution and the amount that was actually distributed. Any of these taxes would decrease cash available for distribution to our stockholders. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100 % tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold some of our assets through TRSs. Such subsidiaries generally will be subject to corporate level income tax at regular rates and the payment of such taxes would reduce our return on the applicable investment. Currently, we hold significant portions of our investments and activities through TRSs, including ~~Servicer~~ **servicer** ~~Advance~~ **advance** ~~Investments~~ **investments** , MSRs ~~and~~ **,** origination and servicing activities **and our asset management business** , and we may contribute other non- qualifying investments, such as our investment in consumer loans, to a TRS in the future. Complying with the REIT requirements may negatively impact our investment returns or cause us to forgo otherwise attractive opportunities, liquidate assets or contribute assets to a TRS. To qualify as a REIT for U. S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. As a result of these tests, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, forgo otherwise attractive investment opportunities, liquidate assets in adverse market conditions or contribute assets to a TRS that is subject to regular corporate federal income tax. Our ability to acquire and hold MSRs, interests in consumer loans, ~~Servicer~~ **servicer** ~~Advance~~ **advance** ~~Investments~~ **investments** and other investments is subject to the applicable REIT qualification tests, and we may have to hold these interests through TRSs, which would negatively impact our returns from these assets. In general, compliance with the REIT requirements may hinder our ability to make and retain certain attractive investments. The existing REIT provisions of the Internal Revenue Code may substantially limit our ability to hedge our operations because a significant amount of the income from those hedging transactions is likely to be treated as non- qualifying income for purposes of both REIT gross income tests.

In addition, we must limit our aggregate income from non- qualified hedging transactions, from our provision of services and from other non- qualifying sources, to less than 5 % of our annual gross income (determined without regard to gross income from qualified hedging transactions). As a result, we may have to limit our use of certain hedging techniques or implement those hedges through TRSs. This could result in greater risks associated with changes in interest rates than we would otherwise want to incur or could increase the cost of our hedging activities. If we fail to comply with these limitations, we could lose our REIT qualification for U. S. federal income tax purposes, unless our failure was due to reasonable cause, and not due to willful neglect, and we meet certain other technical requirements. Even if our failure were due to reasonable cause, we might incur a penalty tax. See also " — Risks Related to Our Business — Any hedging transactions that we enter into may limit our gains or result in losses. " Distributions to tax- exempt investors may be classified as unrelated business taxable income. Neither ordinary nor capital gain distributions with respect to our stock nor gain from the sale of stock should generally 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; and • to the extent that we are (or a part of us, or a disregarded subsidiary of ours, is) a " taxable mortgage pool, " or if we hold residual interests in a real estate mortgage investment conduit ~~(" REMIC ")~~, 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. The " taxable mortgage pool " rules may increase the taxes that we or our stockholders may incur ~~,~~ and may limit the manner in which we effect future securitizations. We may enter into securitization or other financing transactions that result in the creation of taxable mortgage pools for U. S. federal income tax purposes. As a REIT, so long as we own 100 % of the equity interests in a taxable mortgage pool, we would generally not be adversely affected by the characterization of a securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. In addition, to the extent that our stock is owned by tax exempt " disqualified organizations, " such as certain government- related entities and charitable remainder trusts that are not subject to tax on unrelated business income, we could incur a corporate level tax on a portion of our income from the taxable mortgage pool. In that case, we might reduce the amount of our distributions to any disqualified organization whose stock ownership gave rise to the tax. Moreover, we may be precluded from selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions. Uncertainty exists with respect to the treatment of TBAs for purposes of the REIT asset and income tests, and the failure of TBAs to be qualifying assets or of income / gains from TBAs to be qualifying income could adversely affect our ability to qualify as a REIT. We purchase and sell Agency RMBS through TBAs and recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise. In a dollar roll transaction, we exchange an existing TBA for another TBA with a different settlement date. 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. For a particular taxable year, we would treat such TBAs as qualifying assets for purposes of the REIT asset tests, and income and gains from such TBAs as qualifying income for purposes of the 75 % gross income test, to the extent set forth in an opinion from Skadden, Arps, Slate, Meagher & Flom LLP substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a TBA should be treated as ownership of the underlying Agency RMBS, and (ii) for purposes of the 75 % REIT gross income test, any gain recognized by us in connection with the settlement of such TBAs should be treated as gain from the sale or disposition of the underlying Agency RMBS. Opinions of counsel are not binding on the IRS and no assurance can be given that the IRS would not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that any opinion of Skadden, Arps, Slate, Meagher & Flom LLP would be based on various assumptions relating to any TBAs that we enter into and would be conditioned upon fact- based representations and covenants made by our management regarding such 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 any conclusions of Skadden, Arps, Slate, Meagher & Flom LLP, we could be subject to a penalty tax or we could fail to qualify as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs. The tax on prohibited transactions will limit our ability to engage in transactions that would be treated as prohibited transactions for U. S. federal income tax purposes. Net income that we derive from a " prohibited transaction " is subject to a 100 % tax. 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 our trade or business. We might be subject to this tax if we were to dispose of or securitize loans or Excess MSRs in a manner that was treated as a prohibited transaction for U. S. federal income tax purposes. We intend to conduct our operations 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 sales of loans or Excess MSRs at the REIT level ~~,~~ and may limit the structures we utilize for our securitization transactions, even though the sales or structures might otherwise be beneficial to us. 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 Internal Revenue Code that would prevent such treatment. The 100 % prohibited transaction 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 prevent prohibited transaction characterization. Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us. To qualify 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. Changes to **tax laws could materially and adversely affect us and our stockholders. The present** U. S. federal income tax laws ~~could materially and adversely affect us and our~~ - **or the** ~~stockholders. The present U. S. federal income~~ tax ~~treatment~~ **laws** of ~~REITs and their~~ - **other** ~~shareholders~~ **jurisdictions** 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 **us or of** an investment in our shares. ~~The~~ **For example, the** U. S. federal income tax rules, including those dealing with REITs, are constantly under review by persons involved in the legislative process, the IRS and the U. S. Treasury Department, which results in statutory changes as well as frequent revisions to regulations and interpretations. ~~For example~~ **In addition** , the ~~current Administration~~ **Organization for Economic Co- operation and Development (“ OECD ”)** has ~~indicated~~ **developed a framework to establish certain international standards for taxing the worldwide income of multinational companies, including, among other things, provisions** that **would ensure all companies pay a global minimum** ~~it intends to modify key aspects of the Internal Revenue Code, including by increasing corporate and individual~~ tax ~~rates~~ **. Legislatures in certain countries have adopted legislation consistent with the OECD’ s proposals, and other legislatures may do the same in the future** . We cannot predict the impact, if any, of these proposed changes to our business or an investment in our stock **. After each of the Sculptor Acquisition and the Computershare Acquisition, we may be unable to successfully integrate either of these businesses and realize the anticipated benefits of either or both the Sculptor Acquisition and the Computershare Acquisition. The success of each of the Sculptor Acquisition and of the Computershare Acquisition will depend, in part, on our ability to successfully integrate each of Sculptor and Computershare with our business and realize the anticipated benefits, including synergies, cost savings, innovation and operational efficiencies, from the respective business combinations. If we are unable to achieve these objectives within the anticipated timeframe, or at all, the anticipated benefits may not be realized fully, or at all, or may take longer to realize than expected and the value of our common stock may be harmed. Sculptor’ s business and Computershare’ s business are both subject to certain of the same risks as our other businesses. Sculptor’ s business is also subject to additional risks relating to the asset management business, including competitive pressures relating to fund performance, ability to attract and retain fund investors, additional regulation of asset managers and other risks related to the management of funds, including the risks described in “ — Risks Related to Our Business — Our asset management business, including Sculptor and its funds, involves certain risks, which could adversely affect our business, financial condition and results of operations ” and “ — Risks Related to Our Business — Competitive pressures in the asset management business could materially adversely affect our business, financial condition or results of operations. ” If the Computershare Acquisition is completed, our exposure to the risks involved in such businesses will be increased. The Sculptor Acquisition and the Computershare Acquisition and the integration of each of Sculptor and Computershare into our business may result in material challenges, including, without limitation: • the diversion of management’ s attention from our ongoing business as a result of the devotion of time and resources to the Sculptor Acquisition and Computershare Acquisition; • addressing possible differences in business backgrounds, corporate cultures and management philosophies; • maintaining employee morale and attracting, motivating and retaining management personnel and other key employees; • the possibility of faulty assumptions underlying expectations regarding the Sculptor Acquisition or the Computershare Acquisition; • retaining existing business relationships, including Sculptor’ s current fund investors, and attracting new business relationships; • consolidating corporate and administrative infrastructures and eliminating duplicative operations; • unanticipated issues and costs in integrating information technology, communications and other systems; • unanticipated changes in federal or state laws or regulations; and • unforeseen liabilities, expenses or delays associated with the Computershare Acquisition. Many of these factors will be outside of our control and any one of them could result in delays, increased costs, failures in achieving anticipated benefits, decreases in the amount of expected revenues and diversion of management’ s time and energy, which could materially affect our financial position, results of operations and cash flows. We may not have discovered undisclosed liabilities of each of Sculptor or Computershare during our due diligence processes. In the course of the due diligence review of each of Sculptor and Computershare that we conducted prior to the execution of the respective transaction documents for the Sculptor Acquisition and Computershare Acquisition we may not have discovered, or may have been unable to quantify, undisclosed liabilities or other issues of Sculptor and its subsidiaries or Computershare and its subsidiaries, and we do not have rights of indemnification against Sculptor or Computershare for any such liabilities. Examples of such undisclosed liabilities or other issues may include, but are not limited to, unpaid taxes, pending or threatened litigation or regulatory matters. Any such undisclosed liabilities could have an adverse effect on our business, results of operations, financial condition and cash flows following the completion of the Sculptor Acquisition or the Computershare Acquisition. Our ability to utilize Sculptor’ s tax attributes will be significantly limited. Although Sculptor currently has significant tax attributes, including significant net operating losses, our use of those attributes will be subject to significant limitations as a result of the fact that Sculptor underwent an “ ownership**

change " for purposes of Section 382 of the Code. Specifically, the Code limits the ability of a company that undergoes an " ownership change " to utilize its net operating loss and net capital loss carryforwards and certain built- in losses to offset taxable income earned in years after the ownership change. Section 382 imposes an annual limitation on the use of such attributes, which, in the case of Sculptor' s attributes, would permit us to use only a small portion of Sculptor' s tax attributes each year. As a result of the Section 382 limitation and potentially other limitations or changes in circumstances, our use of Sculptor' s tax attributes will be significantly delayed, and we may not be able to use all of those attributes, thereby limiting the cash tax benefit of those attributes. Our future results could suffer if we do not effectively manage our expanded operations following the Sculptor Acquisition and the Computershare Acquisition. Following the Sculptor Acquisition and the Computershare Acquisition, the scope of operations of our business will increase beyond the scope of operations of our business prior to such acquisitions. In addition, we may continue to expand our size and operations through additional acquisitions or other strategic transactions. Our future success depends, in part, upon our ability to manage our expanded business, which may pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurances that we will be successful or that we will realize the expected synergies and other benefits currently anticipated from the Sculptor Acquisition or the Computershare Acquisition or anticipated from any additional acquisitions or strategic transactions that we may undertake in the future . There can be no assurance that the market for our stock will provide you with adequate liquidity. Our common stock began trading on the NYSE in May 2013, and our preferred stock began trading on the NYSE in July 2019. There can be no assurance that an active trading market for our common and preferred stock will be sustained in the future, and the market price of our common and preferred stock may fluctuate widely, depending upon many factors, some of which may be beyond our control. These factors include, without limitation: • a shift in our investor base; • our quarterly or annual earnings and cash flows, or those of other comparable companies; • actual or anticipated fluctuations in our operating results; • changes in accounting standards, policies, guidance, interpretations or principles; • announcements by us or our competitors of significant investments, acquisitions, dispositions or other transactions; • the failure of securities analysts to cover our common stock; • changes in earnings estimates by securities analysts or our ability to meet those estimates; • market performance of affiliates and other counterparties with whom we conduct business; • the operating and stock price performance of other comparable companies; • our failure to qualify as a REIT, maintain our exemption under the 1940 Act or satisfy the NYSE listing requirements; • negative public perception of us, our competitors or industry; • overall market fluctuations; and • general economic conditions. Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common and preferred stock. Sales or issuances of shares of our common stock could adversely affect the market price of our common stock. Sales or issuances of substantial amounts of shares of our common stock, or the perception that such sales or issuances might occur, could adversely affect the market price of our common stock. The issuance of our common stock in connection with property, portfolio or business acquisitions or the exercise of outstanding options or otherwise could also have an adverse effect on the market price of our common stock. We have an effective registration statement on file to sell common stock or convertible securities in public offerings. Your percentage ownership in us may be diluted in the future. Your percentage ownership in us may be diluted in the future because of equity awards that we expect will be granted to our directors, officers and employees who perform services for us, and to our directors, officers and employees, as well as other equity instruments such as debt and equity financing. We have adopted ~~a Nonqualified Stock Option and~~ **the Rithm Capital Corp. 2023 Omnibus** Incentive ~~Award~~ Plan ~~, as amended~~ (the " **2023** Plan "), which provides for the grant of **stock- based compensation to its officers and other employees and non- employee directors for the purpose of providing incentives and rewards for service or performance. Stock- based awards issued under the 2023 Plan include time- based and performance- based restricted stock unit awards and restricted stock awards and may include other forms of** equity- based **compensation** ~~awards, including restricted stock, options, stock appreciation rights, performance awards, tandem awards and other equity- based and non- equity based awards, in each case to our directors, officers, employees, service providers, consultants and advisors who perform services for us~~ . We reserved ~~15 million~~ **34, 240, 000** shares of our common stock for issuance under the **2023** Plan. The **2023** ~~term of the~~ Plan expires in ~~2023~~ - **2033** ~~. On the first day of each fiscal year beginning during the term of the Plan, that number will be increased by a number of shares of our common stock equal to 10 % of the number of shares of our common stock newly issued by us during the immediately preceding fiscal year~~ . We may incur or issue debt or issue equity, which may negatively affect the market price of our common stock. We may in the future incur or issue debt or issue equity or equity- related securities. In the event of our liquidation, lenders and holders of our debt and holders of our preferred stock (if any) would receive a distribution of our available assets before common stockholders. Any future incurrence or issuance of debt would increase our interest cost and could adversely affect our results of operations and cash flows. We are not required to offer any additional equity securities to existing common stockholders on a preemptive basis. Therefore, additional issuances of common stock, directly or through convertible or exchangeable securities, warrants or options, will dilute the holdings of our existing common stockholders and such issuances, or the perception of such issuances, may reduce the market price of our common stock. Our preferred stock has, and any additional preferred stock issued by us would likely have, a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common stockholders. Because our decision to incur or issue debt or issue equity or equity- related securities in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. Thus, common stockholders bear the risk that our future incurrence or issuance of debt or issuance of equity or equity- related securities will adversely affect the market price of our common stock. We intend to make quarterly distributions of our REIT taxable income to holders of our common stock out of assets legally available therefor. We have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this report. Any distributions will be authorized by our board of directors and declared by us based upon a number of factors, including our actual and anticipated results of operations, liquidity and financial condition, restrictions under Delaware law or applicable financing covenants, our REIT taxable income, the annual distribution requirements under the REIT provisions of the Internal Revenue Code, our operating expenses and other factors our directors deem relevant. Although we have other sources of liquidity, such as sales of and repayments from our investments, potential debt financing sources and the issuance of equity securities, there can be no assurance that we will generate sufficient cash or achieve investment results that will allow us to make a specified level of cash distributions or year- to- year increases in cash distributions in the future. Furthermore, while we are required to make distributions in order to maintain our REIT status (as described above under " — Risks Related to our Taxation as a REIT — We may be unable to generate sufficient cash from operations to pay our operating expenses and to pay distributions to our stockholders "), we may elect not to maintain our REIT status, in which case we would no longer be required to make such distributions. Moreover, even if we do elect to maintain our REIT status, we may elect to comply with the applicable requirements by, after completing various procedural steps, distributing, under certain circumstances, a portion of the required amount in the form of shares of our common stock in lieu of cash. If we elect not to maintain our REIT status or to satisfy any required distributions in shares of common stock in lieu of cash, such action could negatively and materially affect our business, results of operations, liquidity and financial condition as well as the market price of our common stock. No assurance can be given that we will make any distributions on shares of our common stock in the future. We may in the future choose to make distributions in our own stock, in which case you could be required to pay income taxes in excess of any cash distributions you receive. We may in the future make taxable distributions that are payable in cash and shares of our common stock at the election of each stockholder. Taxable stockholders receiving such distributions will be required to include the full amount of the distribution as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such distributions in excess of the cash distributions received. If a U. S. stockholder sells the stock that it receives as a distribution in order to pay this tax, the sale proceeds may be less than the amount included in income with respect to the distribution, 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 distributions, including in respect of all or a portion of such distribution that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on distributions, it may put downward pressure on the market price of our common stock. The IRS has issued guidance authorizing elective cash / stock dividends to be made by public REITs where a cap of at least 20 % is placed on the amount of cash that may be paid as part of the dividend, provided that certain requirements are met. It is unclear whether and to what extent we would be able to or choose to pay taxable distributions in cash and stock. In addition, no assurance can be given that the IRS will not impose additional requirements in the future with respect to taxable cash / stock distributions, including on a retroactive basis, or assert that the requirements for such taxable cash / stock distributions have not been met. An increase in market interest rates may have an adverse effect on the market price of our common stock. One of the factors that investors may consider in deciding whether to buy or sell shares of our common stock is our distribution rate as a percentage of our stock price relative to market interest rates. If the market price of our common stock is based primarily on the earnings and return that we derive from our investments and income with respect to our investments and our related distributions to stockholders, and not from the market value of the investments themselves, then interest rate fluctuations and capital market conditions will likely affect the market price of our common stock. For instance, if market interest rates rise without an increase in our distribution rate, the market price of our common stock could decrease, as potential investors may require a higher distribution yield on our common stock or seek other securities paying higher distributions or interest. In addition, rising interest rates would result in increased interest expense on our outstanding variable rate and future variable and fixed - rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions. Provisions in our certificate of incorporation and bylaws and of Delaware law may prevent or delay an acquisition of our company, which could decrease the market price of our common stock. Our certificate of incorporation, bylaws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the raider and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include, among others: • a classified board of directors with staggered three- year terms; • provisions regarding the election of directors, classes of directors, the term of office of directors, the filling of director vacancies and the resignation and removal of directors for cause only upon the affirmative vote of at least 80 % of the then issued and outstanding shares of our capital stock entitled to vote thereon; • provisions regarding corporate opportunity only upon the affirmative vote of at least 80 % of the then issued and outstanding shares of our capital stock entitled to vote thereon; • removal of directors only for cause and only with the affirmative vote of at least 80 % of the then issued and outstanding shares of our capital stock entitled to vote in the election of directors; • our board of directors to determine the powers, preferences and rights of our preferred stock and to issue such preferred stock without stockholder approval; • advance notice requirements applicable to stockholders for director nominations and actions to be taken at annual meetings; • a prohibition, in our certificate of incorporation, stating that no holder of shares of our common stock will have cumulative voting rights in the election of directors, which means that the holders of a majority of the issued and outstanding shares of common stock can elect all the directors standing for election; and • a requirement in our bylaws specifically denying the ability of our stockholders to consent in writing to take any action in lieu of taking such action at a duly called annual or special meeting of our stockholders. Public stockholders who might desire to participate in these types of transactions may not have an opportunity to do so, even if the transaction is considered favorable to stockholders. These anti- takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or a change in our management and board of directors and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium. **An investment in our common stock is not an alternative to an investment in any of our funds, and the returns of our funds should not be considered as indicative of any returns expected on our common stock, although poor investment performance of, or lack of capital flows into, the funds we manage could have a materially adverse impact on our revenues and, therefore, the returns on our common stock. The returns on our shares of common stock are not directly linked to the historical or future performance of the funds we manage or the manager of those funds. Even if our funds experience positive performance and our AUM increase, holders of our common stock may not experience a corresponding positive return on their common stock. However, poor performance of the funds we manage will cause a decline in our revenues from such funds and may therefore have a negative effect on our performance and the returns on our common stock. If we fail to meet the expectations of our fund investors or otherwise experience poor investment performance, whether due to difficult economic and financial conditions or otherwise, our ability to retain existing AUM and attract new investors and capital flows could be materially adversely affected. In turn, the management fees and incentive income that we would earn would be reduced and our business, financial condition or results of operations would suffer, thus potentially negatively impacting the price of our common stock. Furthermore, even if the investment performance of our funds is positive, our business, financial condition or results of operations and the price of our common stock could be materially adversely affected if we are unable to attract and retain additional AUM consistent with industry trends or investor and market expectations.** ERISA may restrict investments by plans in our common stock. A plan fiduciary considering an investment in our common stock should consider, among other things, whether such an investment is consistent with the fiduciary obligations under the **ERISA** ~~Employee Retirement Income Security Act of 1974~~ , as amended ~~(" ERISA ")~~ , including whether such investment might constitute or give rise to a prohibited transaction under ERISA, the Internal Revenue Code or any substantially similar federal, state or local law and, if so, whether an exemption from such prohibited transaction rules is available. Unfavorable global economic and political conditions could adversely affect our business, financial condition or results of operations. Our results of operations could be adversely affected by general conditions in the global economy, the global financial markets and the global political conditions. **Such conditions could include political unrest, war, such as the war in Ukraine or the ongoing war and tensions in the Middle East, natural disasters or global pandemics.** The U. S. and global economies are facing ~~growing~~ **higher** inflation **and** ~~, higher~~ interest rates and potential recession. A weak or declining economy or political disruption, including any international trade disputes, could exacerbate supply chain constraints that could ultimately harm our business. Cybersecurity incidents and technology disruptions or failures could damage our business operations and reputation, increase our costs and subject us to potential liability. As our reliance on rapidly changing technology has increased, so have the risks that threaten the confidentiality, integrity or availability of our information systems, both internal and those provided to us by third- party service providers (including, but not limited to, our Servicing Partners). Cybersecurity incidents may involve gaining authorized or unauthorized access to our information systems for purposes of theft of certain personally identifiable **or other** information of consumers **or fund investors** , misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. Disruptions and failures of our systems or those of our third- party vendors could result from these incidents or be caused by fire, power outages, natural disasters and other similar events and may interrupt or delay our ability to provide services to our customers, expose us to remedial costs and reputational damage, and otherwise adversely affect our operations ~~. During the COVID- 19 pandemic, a portion of our staff have worked remotely, which has caused us to rely heavily on virtual communication and may increase our exposure to cybersecurity risks~~ . Despite our efforts to ensure the integrity of our systems, there can be no assurance that any such cyber incidents will not occur or, if they do occur, that they will be adequately addressed. We also may not be able to anticipate or implement effective preventive measures against all security breaches, especially because the methods and sources of breaches change frequently or may not be immediately detected. **The sophistication of cybersecurity threats, including through the use of artificial intelligence, continues to increase, and the controls and preventative actions we take to reduce the risk of cybersecurity incidents and protect our systems, including the regular testing of our cybersecurity incident response plan, may be insufficient. In addition, new technology that could result in greater operational efficiency may further expose our computer systems to the risk of cybersecurity incidents.** In addition, we are subject to various privacy and data protection laws and regulations, and any changes to laws or regulations, including new restrictions or requirements applicable to our business, could impose additional costs and liability on us and could limit our use and disclosure of such information. For example, the New York State Department of Financial Services requires certain financial services companies, such as NRM and Newrez, to establish a detailed cybersecurity program and comply with other requirements, and the CCPA ~~creates~~ **created** new compliance regulations on businesses that collect information from California residents. **Non-compliance by us, or potentially by third parties with which we share information, with any applicable privacy and cybersecurity law or regulation, including accidental loss, inadvertent disclosure, unauthorized access or dissemination or breach of security, may result in damage to our reputation and could subject us to fines, penalties, required corrective actions, lawsuits, payment of damages or restrictions on our use or transfer of data.** Any of the foregoing events could result in violations of applicable privacy and other laws, financial loss to us or to our customers, loss of confidence in our security measures, customer dissatisfaction, additional regulatory scrutiny, significant litigation exposure and harm to our reputation, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations **. In addition, insurance and other safeguards might only partially reimburse us for losses, if at all** . We depend on counterparties and vendors to provide certain services, which subjects us to various risks. We have a number of counterparties and vendors, who provide us with financial, technology and other services that support our businesses. If our current counterparties and vendors were to stop providing services to us on acceptable terms, we may be unable to procure alternative services from other counterparties or vendors in a timely and efficient manner and on similarly acceptable terms, or at all. With respect to vendors engaged to perform certain servicing activities, we are required to assess their compliance with various regulations and establish procedures to provide reasonable assurance that the vendor' s activities comply in all material respects with such regulations. In the event that a vendor' s activities are not in compliance, it could negatively impact our relationships with our regulators, as well as our business and operations. Accordingly, we may incur significant costs to resolve any such disruptions in service which could have a material adverse effect on our business, financial condition, liquidity and results of operations. We have engaged and may in the future engage in a number of acquisitions and we may be unable to successfully integrate the acquired assets and assumed liabilities in connection with such acquisitions. As part of our business strategy, we regularly evaluate acquisitions of what we believe are complementary assets. Identifying and achieving the anticipated benefits of such acquisitions is subject to a number of uncertainties, including, without limitation, whether we are able to acquire the assets, within our parameters, integrate the acquired assets and manage the assumed liabilities efficiently. It is possible that the integration process could take longer than anticipated and could result in additional and unforeseen expenses, the disruption of our ongoing business, processes and systems, or inconsistencies in standards, controls, procedures, practices and policies, any of which could adversely affect our ability to achieve the anticipated benefits of such acquisitions. There may be increased risk due to integrating the assets into our financial reporting and internal control systems. Difficulties in adding the assets into our business could also result in the loss of contract counterparties or other persons with whom we conduct business and potential disputes or litigation with contract counterparties or other persons with whom we or such counterparties conduct business. We could also be adversely affected by any issues attributable to the related seller' s operations that arise or are based on events or actions that occurred prior to the closing of such acquisitions. Completion of the integration process is subject to a number of uncertainties, and no assurance can be given that the anticipated benefits will be realized in their entirety or at all or, if realized, the timing of their realization. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect our future business, financial condition, operating results and cash flows. Due to the costs of engaging in a number of acquisitions, we may also have difficulty completing more acquisitions in the future. We are subject to significant competition, and we may not compete successfully. We are subject to significant competition in seeking investments. We compete with other companies, including other REITs, insurance companies and other investors, including funds and companies affiliated with **FIG LLC (** our **"** Former Manager **")** . Some of our competitors have greater resources than we possess or have greater access to capital or various types of financing structures than are available to us and we may not be able to compete successfully for investments or provide attractive investment returns relative to our competitors. These competitors may be willing to accept lower returns on their investments and, as a result, our profit margins could be adversely affected. Furthermore, competition for investments that are suitable for us, including, but not limited to, interests in MSRs, may lead to decreased availability, higher market prices and decreased returns available from such investments, which may further limit our ability to generate our desired returns. We cannot assure you that other companies will not be formed that compete with us for investments or otherwise pursue investment strategies similar to ours or that we will be able to compete successfully against any such companies. Our business could suffer if we fail to attract and retain management and other highly skilled personnel. Our future success will depend on our ability to identify, hire, develop, motivate and retain highly qualified management and other personnel for all areas of the Company, in particular skilled managers, loan officers, underwriters, loan servicers, debt default specialists **, investment professionals** and other personnel specialized in finance, risk and compliance. Trained and experienced personnel are in high demand and may be in short supply in some areas. We may not be able to attract, develop and maintain an adequate skilled management and workforce necessary to operate our businesses and labor expenses may increase as a result of a shortage in the supply of qualified personnel. If we are unable to attract and retain such personnel, we may not be able to take advantage of acquisitions and other growth opportunities that may be presented to us **,** and this could have a material adverse effect on our business, financial condition, liquidity and results of operations.