AG Mortgage Investment Trust, Inc.

- Notice of 2017 Annual Meeting and Proxy Statement
- Annual Report on Form 10-K
- Stockholder Information

WWW.AGMIT.COM

NYSE: MITT

AG Mortgage Investment Trust, Inc.
245 Park Avenue, 26th Floor
New York, New York 10167

March 22, 2017

Dear stockholder:

You are cordially invited to attend the 2017 annual meeting of stockholders of AG Mortgage Investment Trust, Inc., which will be held on Wednesday, May 3, 2017 at 10:00 a.m., Eastern Time, at the offices of Angelo, Gordon & Co., L.P. ("Angelo, Gordon"), located on the 25th Floor of 245 Park Avenue, New York, New York 10167. Details of the business to be presented at the meeting can be found in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

Pursuant to rules adopted by the Securities and Exchange Commission, we have provided access to our proxy materials over the Internet. Accordingly, we are sending a notice regarding the Internet availability of proxy materials ("Notice") on or about March 22, 2017 to our stockholders of record on March 8, 2017. The Notice and Proxy Statement contain instructions for your use of this process, including how to access our proxy statement and annual report over the Internet, how to authorize your proxy to vote online and how to request a paper copy of the proxy statement and annual report if you so desire.

If you are unable to attend the meeting in person, it is very important that your shares be represented and voted at the annual meeting. You may authorize your proxy to vote your shares over the Internet as described in the Notice and Proxy Statement. Alternatively, if you received a paper copy of the proxy card by mail, please complete, date, sign and promptly return the proxy card by mail so that your shares may be voted. You may also vote by telephone as described in your proxy card. If you vote your shares over the Internet, by mail or by telephone prior to the annual meeting, you may nevertheless revoke your proxy and cast your vote personally at the meeting.

On behalf of the board of directors, I extend our appreciation for your participation and continued support.

Sincerely,

David N. Roberts
Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 3, 2017

NOTICE IS HEREBY GIVEN that the 2017 annual meeting of stockholders (“Annual Meeting”) of AG Mortgage Investment Trust, Inc., a Maryland corporation (the “Company”), will be held at the offices of Angelo, Gordon & Co., L.P., located at 245 Park Avenue, 25th Floor, New York, New York 10167, on Wednesday, May 3, 2017 at 10:00 a.m., Eastern Time, for the purposes set forth below:

1. election of the board of directors, with each director serving a one-year term and until his successor is elected and qualified;
2. ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2017;
3. approval, on an advisory basis, of our executive compensation; and
4. approval of an amendment to our charter removing the provision giving the board of directors the exclusive power to adopt, alter or repeal any Bylaws of the Company;

We will transact no other business at the Annual Meeting, except for business properly brought before the Annual Meeting and any adjournment or postponement thereof.

Only holders of record of our common stock on March 8, 2017 (the “Record Date”) are entitled to notice of and to attend and vote at the Annual Meeting and any adjournment or postponement thereof.

If you plan on attending the Annual Meeting in person, you will need to present your admission ticket, or an account statement showing your ownership of our common stock as of the Record Date, and photo identification. Your proxy card will serve as your admission ticket. Whether or not you plan to attend the Annual Meeting in person, please authorize your proxy to vote your shares over the Internet, as described in the Notice Regarding the Availability of Proxy Materials. Alternatively, if you received a paper copy of the proxy card by mail, please mark, sign, date and promptly return the proxy card in the self-addressed stamped envelope provided. You may also authorize your proxy to vote your shares by telephone as described in your proxy card. Stockholders who vote over the Internet, by mail or by telephone prior to the Annual Meeting may nevertheless attend the Annual Meeting, revoke their proxies and vote their shares in person.

By Order of the Board of Directors,

Raul E. Moreno
General Counsel and Secretary

March 22, 2017

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on Wednesday, May 3, 2017. This proxy statement and the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 are available on the “Financial Reports” page of the “Investor Relations” section of our web site at *www.agmit.com*.

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2017 ANNUAL MEETING OF STOCKHOLDERS
OF
AG MORTGAGE INVESTMENT TRUST, INC.

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of AG Mortgage Investment Trust, Inc. (the "Company," "we," "us" or "our") for use at our 2017 annual meeting of Stockholders (the "Annual Meeting") to be held on Wednesday, May 3, 2017 at 10:00 a.m., Eastern Time, at the offices of Angelo, Gordon & Co., L.P., located at 245 Park Avenue, 25th Floor, New York, New York 10167, and at any adjournment or postponement thereof. We are sending this proxy statement and the enclosed proxy to our stockholders commencing on or about March 22, 2017.

QUESTIONS AND ANSWERS

Q: What am I voting on?

A: (1) Election of seven directors for terms of one year;

(2) Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2017;

(3) Approval, on an advisory basis, of our executive compensation; and

(4) Approval of the Company's Articles of Amendment to Articles of Amendment and Restatement (the "Charter Amendment") removing the board of directors sole power to adopt, alter or repeal any Bylaws of the Company.

Q: How does the board of directors recommend that I vote on these proposals?

A: (1) "FOR" the election of each of the nominees as directors;

(2) "FOR" the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2017;

(3) "FOR" the approval of the advisory resolution on executive compensation; and

(4) "FOR" the approval of the Charter Amendment.

Q: Who is entitled to vote?

A: Only common stockholders of record as of the close of business on March 8, 2017 (the "Record Date") are entitled to vote at the Annual Meeting.

Q: What is the quorum for the meeting?

A: A quorum will be present at the Annual Meeting if a majority of the votes entitled to be cast are present, in person or by proxy. No business may be conducted at the Annual Meeting if a quorum is not present. As of the Record Date, 27,701,902 shares of common stock were issued and outstanding. If less than a majority of outstanding shares entitled to vote are represented at the Annual Meeting, we expect that the Annual Meeting will be adjourned to solicit additional proxies. Notice need not be given of the new date, time or place if announced at the Annual Meeting before an adjournment is taken.

Q: How many votes do I have?

A: You are entitled to one vote for each whole share of common stock you hold as of the Record Date. Our stockholders do not have the right to cumulate their votes for directors.

Q: What are the voting requirements that apply to the proposals discussed in this proxy statement?

A:	Proposal	Vote Required	Discretionary Voting Allowed?
(1)	Election of directors	Plurality**	No
(2)	Ratification of the appointment of PricewaterhouseCoopers LLP	Majority*	Yes
(3)	Advisory vote on our executive compensation	Majority*	No
(4)	Approval of the Charter Amendment	Majority*	No

* “Majority” means, with regard to the ratification of the appointment of PricewaterhouseCoopers LLP and the advisory vote on our executive compensation, a majority of the votes cast at the Annual Meeting, and with respect to the Charter Amendment means a majority of the outstanding shares entitled to vote.

** “Plurality” means, with regard to the election of directors, the seven nominees for director receiving the greatest number of “for” votes from our shares cast at the Annual Meeting.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: If your shares are registered in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, you are the “stockholder of record” of those shares.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the “beneficial owner” of those shares. The Notice Regarding the Availability of Proxy Materials (the “Notice”) and proxy statement and any accompanying documents have been forwarded to you by your broker, bank or other holder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote your shares by using the voting instruction card or by following their instructions for voting by telephone or on the Internet.

Q: How do I vote?

A: Whether or not you plan to attend the Annual Meeting, we urge you to authorize your proxy to vote your shares over the Internet as described in the Notice. Alternatively, if you received a paper copy of the proxy card by mail, please complete, date, sign and promptly return the proxy card in the self-addressed stamped envelope provided. Authorizing your proxy over the Internet, by mailing a proxy card or by telephone will not limit your right to attend the Annual Meeting and vote your shares in person.

Q: How do I vote my shares that are held by my broker?

A: If you have shares held by a broker, you may instruct your broker to vote your shares by following the instructions that the broker provides to you. Most brokers allow you to authorize your proxy by mail, telephone and on the Internet.

Q: How do I attend the Annual Meeting?

A: All stockholders are invited to attend the Annual Meeting. An admission ticket, or an account statement showing your ownership of our common stock as of the Record Date, and some form of photo identification (such as a valid driver’s license or passport) will be required for admission to the Annual Meeting. Only stockholders who own Company common stock as of the close of business on the Record Date and invited guests will be entitled to attend the Annual Meeting. Your proxy card will serve as your admission ticket and as verification of your ownership.

Q: Why did I not receive my proxy materials in the mail?

A: As permitted by rules of the Securities and Exchange Commission (the “SEC”), we are making this proxy statement and our 2016 annual report, which includes our annual report on Form 10-K for the fiscal year ended December 31, 2016 (“Annual Report”), available to our stockholders electronically via the Internet. The “e-proxy” process expedites stockholders’ receipt of proxy materials and lowers the costs and reduces the environmental impact of our Annual Meeting.

On or about March 22, 2017, we mailed to stockholders of record, as of the close of business on the Record Date, the Notice containing instructions on how to access this proxy statement, our Annual Report and other soliciting materials via the Internet. If you received the Notice by mail, you will not receive a printed copy of the proxy materials in the mail unless you had previously indicated that you wanted to receive a printed copy. The Notice instructs you on how to access the proxy statement and Annual Report and how you may submit your proxy.

Q: Will there be any other items of business on the agenda?

A: The board of directors does not know of any other matters that may be brought before the Annual Meeting nor does it foresee or have reason to believe that proxy holders will have to vote for substitute or alternate nominees for election to the board of directors. In the event that any other matter should come before the Annual Meeting or any nominee is not available for election, the persons named in the enclosed proxy will have discretionary authority to vote all proxies with respect to such matters in accordance with their discretion.

Q: Will anyone contact me regarding this vote?

A: No arrangements or contracts have been made with any solicitors as of the date of this proxy statement, although we reserve the right to engage solicitors if we deem them necessary. Such solicitations may be made by mail, telephone, facsimile, e-mail or in person.

Q: Who has paid for this proxy solicitation?

A: We pay for the cost of preparing, printing and mailing the Notice and, to the extent requested by our stockholders, the proxy materials and any additional materials furnished to stockholders. Proxies may be solicited by our directors or our officers or by officers of AG REIT Management, LLC (our "Manager") personally or by telephone without additional compensation for such activities. We will also request persons, firms and corporations holding shares in their names or in the names of their nominees, which are beneficially owned by others, to send appropriate solicitation materials to such beneficial owners, and we will pay such holders their standard and ordinary fees. We will also reimburse such holders for their reasonable out-of-pocket expenses.

Q: May stockholders ask questions at the Annual Meeting?

A: Yes. There will be time allotted at the end of the meeting when our representatives will answer questions from the floor.

Q: What does it mean if I receive more than one Notice?

A: It probably means your shares are registered differently and are in more than one account. Sign and return all proxy cards to ensure that all your shares are voted.

Q: What if I return a signed proxy or voting instruction card, but do not specify how my shares are to be voted?

A: If you are a stockholder of record and you submit a proxy, but you do not provide voting instructions, all of your shares will be voted FOR Proposals 1, 2, 3 and 4.

If you are a beneficial owner and you do not provide the broker or other nominee that holds your shares with voting instructions, the broker or other nominee will determine if it has the discretionary authority to vote on the particular matter. Under the rules of the New York Stock Exchange ("NYSE"), brokers and other nominees have the discretion to vote on routine matters, such as Proposal 2, but do not have discretion to vote on non-routine matters, such as Proposals 1, 3 and 4. Therefore, if you do not provide voting instructions to your broker or other nominee, your broker or other nominee may only vote your shares on Proposal 2 and any other routine matters properly presented for a vote at the Annual Meeting.

Q: How are abstentions and broker non-votes treated?

A: Under NYSE rules, brokers or other nominees who hold shares for a beneficial owner have the discretion to vote on a limited number of "routine" proposals when they have not received voting instructions from the beneficial owner at least ten days prior to the Annual Meeting. A "broker non-vote" occurs when a broker or other nominee does not receive such voting instructions and does not have the discretion to vote the shares. The uncontested election of directors, the advisory vote on executive compensation and the vote on the approval of the Charter Amendment are not considered "routine" matters for which brokers have discretionary authority to vote shares held by account holders. Pursuant to Maryland law, abstentions and broker non-votes are not included in the determination of the shares of common stock voting on such matters, but are counted for quorum purposes.

Q: Can I change my vote after I have voted?

A: Yes. Proxies properly submitted over the Internet, by mail or by telephone do not preclude a stockholder from voting in person at the Annual Meeting. A stockholder may revoke a proxy at any time prior to its exercise by filing a duly executed revocation of proxy with our corporate secretary by properly submitting, either by Internet, mail or telephone, a proxy to our corporate secretary bearing a later date or by appearing at the Annual Meeting and voting in person. Attendance at the Annual Meeting will not by itself constitute revocation of a proxy.

Q: Can I find additional information on the Company's web site?

A: Yes. Our web site (the "Company's Web Site") is located at *www.agmit.com*. Although the information contained on the Company's Web Site is not part of this proxy statement, you can view additional information on the Company's Web Site, such as our corporate governance guidelines, our code of business conduct and ethics, charters of our board committees and reports that we file with the SEC.

PROPOSAL 1: ELECTION OF DIRECTORS

Our board of directors currently consists of seven members. Each director serves a one-year term and until his or her successor is duly elected and qualified. The term for each director expires at each annual meeting of stockholders.

Our nominating and corporate governance committee analyzes the composition of our board of directors each year. In connection with this review, the nominating and corporate governance committee concluded that each of our current board members should be nominated to serve another term. Accordingly, our board of directors agreed with all of these conclusions.

At the Annual Meeting, directors will be elected to serve until the 2018 annual meeting and until their successors are duly elected and qualified. Our board of directors has nominated the following current directors, David N. Roberts, Jonathan Lieberman, Frank Stadelmaier, Arthur Ainsberg, Andrew L. Berger, Joseph LaManna and Peter Linneman (each a “Nominee,” and, collectively, the “Nominees”), to serve as directors until the 2018 annual meeting and until their successors are duly elected and qualified. The board of directors anticipates that, if elected, each Nominee will serve as a director. However, if any Nominee is unable to accept election, the proxies will be voted for the election of such other person or persons as the board of directors may recommend.

RECOMMENDATION OF THE BOARD:

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE ELECTION OF EACH OF THE NOMINEES TO THE BOARD OF DIRECTORS.

The voting requirements for this proposal are described above and in the “Questions and Answers” section.

DIRECTOR NOMINEES AND EXECUTIVE OFFICERS

Information Regarding Director Nominees

We believe that all of the Nominees are intelligent, collegial, insightful, proactive with respect to management and risk oversight, diligent and exercise good judgment. The biographical descriptions below set forth certain information with respect to each Nominee for election as a director at the Annual Meeting, including the age of each Nominee as of the date of this proxy statement, and the experience, qualifications, attributes or skills of each Nominee that led us to conclude that such person should serve as a director.

David N. Roberts

Chairman of the Board, Chief Executive Officer and Chief Investment Officer

Age: 55

Mr. Roberts joined Angelo, Gordon in 1993 and is Head of Strategy. He is a Senior Managing Director and a member of the firm's executive committee. At Angelo, Gordon, Mr. Roberts has been responsible for helping start and grow a number of the firm's businesses, including opportunistic real estate, private equity, net lease real estate, residential mortgage-backed securities and energy lending. Within private equity, Mr. Roberts has focused in particular on investments in the specialty finance area, including Angelo, Gordon's investment in PRA Group, Inc. (formerly Portfolio Recovery Associates, Inc.), a leading publicly traded acquiror of unpaid and normal-course accounts receivable, where he serves as lead director of the board. Prior to Angelo, Gordon, Mr. Roberts was a Principal at Gordon Investment Corporation, a Canadian merchant bank, from 1989 to 1993, where he participated in a wide variety of principal transactions. He also worked in the Corporate Finance Department at L.F. Rothschild where he specialized in mergers and acquisitions. Mr. Roberts has a B.S. degree from The Wharton School of the University of Pennsylvania. He serves as our Chairman, Chief Executive Officer and Chief Investment Officer and has served as a director of the Company since 2011.

Due to his senior management and finance experience and his experience as a director of public and private boards, we believe Mr. Roberts should serve as a member of our board of directors.

Jonathan Lieberman

President and Director

Age: 53

Mr. Lieberman joined Angelo, Gordon in June 2008 as head of the firm's residential mortgage securities business and in 2017 became Co-Head of the firm's Structured Credit Platform. He is a Managing Director and a member of the firm's executive committee. Prior to joining Angelo, Gordon, Mr. Lieberman worked from April 1997 to June 2008 at Bear, Stearns & Co. Inc. ultimately as a Senior Managing Director in the Strategic Finance/Financial Institutions Group, primarily focused on the Specialty Finance Sector. Before that, Mr. Lieberman was a Senior Analyst in the Structured Finance Group of Moody's Investors Service and an attorney in the New York and Los Angeles offices of the law firm Dewey Ballantine LLP, where he specialized in securities law and structured finance. Mr. Lieberman holds a B.A. degree from Vassar College and a J.D. degree from Hofstra University School of Law. He is also on the Board of Managers for Arc Home LLC. He serves as our President and has served as a director of the Company since 2011.

Due to his vast industry and management experience, we believe Mr. Lieberman should serve as a member of our board of directors.

Frank Stadelmaier

Director

Age: 42

Mr. Stadelmaier joined Angelo, Gordon in July 2008 and is the firm's Chief Financial Officer. Mr. Stadelmaier served as our Chief Financial Officer from the date of our initial public offering until September 4, 2013. Previously, Mr. Stadelmaier was a Senior Manager at Ernst & Young LLP from 1997 to 2008 where he served clients in the real estate and financial services industries. Mr. Stadelmaier is a Certified Public Accountant and holds a B.S. degree from the State University of New York at Albany. He has served as a director of the Company since 2012.

Due to his broad experience in accounting and real estate finance, together with his management experience, we believe Mr. Stadelmaier should serve as a member of our board of directors.

Arthur Ainsberg

Independent Director

Age: 70

Committees:
- *Audit (Chair)*
- *Compensation*

Mr. Ainsberg currently serves as a director of Medley Capital Corporation, a closed-end, externally managed financial services company that trades on the New York Stock Exchange, where he is the lead independent director, the Chairman of the Nominating and Corporate Governance Committee and a member of the Audit Committee. Previously, Mr. Ainsberg served as Chairman of the Audit Committee and member of the Compliance Committee of the board of directors of Nomura Securities International, Inc. (the U.S. based broker-dealer of The Nomura Group) from 1996 through December 2014. In September 2012, Mr. Ainsberg was named to the board of directors of Nomura Global Financial Products, Inc., and in July 2013, he was named to the board of directors of Nomura Holding America, Inc. He served on each board through December 2014. From July 2003 until May 2012, Mr. Ainsberg served as a director of National Financial Partners Corporation, an independent financial services distribution company. From August 2009 until June 2011, Mr. Ainsberg served as Chief Operating Officer of Lehman Brothers Inc. in liquidation. From December 2003 until July 2009, Mr. Ainsberg served as the Independent Consultant for Morgan Stanley & Co. under the Global Research Settlement and was responsible for selecting and monitoring the providers of independent research for clients of Morgan Stanley. Previously, Mr. Ainsberg was Chief Operating Officer at two investment partnerships, Brahman Capital Corp. from 1996 to 2000 and Bessent Capital Corp. during 2001. He also served as Chairman of the New York State Board for Public Accountancy from 1999 to 2000 and was a member of that board from 1993 to 2001. From 1998 to 2000, he was also a member of the Board of District 10 of the National Association of Securities Dealers. He has served as a director of the Company since 2013.

Due to his over 40 years of experience in the financial services industry, his deep understanding of accounting matters for public financial services companies and his experience as a board member of a large U.S.-based broker-dealer, we believe Mr. Ainsberg should serve as a member of our board of directors.

Andrew L. Berger

Independent Director

Age: 70

Committees:
- *Nominating and Corporate Governance (Chair)*
- *Audit*

Mr. Berger was vice chairman of the executive committee of Sterne, Agee & Leach, a registered broker-dealer and a member of the NYSE, from 2007 until 2009. From 2003 until 2006, he was a Senior Managing Director of C.E. Unterberg, Towbin, a U.S. investment bank. Mr. Berger has also held senior positions in financial institutions in New York, London and Geneva, and has practiced law in New York and Paris. He is now an independent consultant. Mr. Berger was a member of the board of directors of Thermadyne Holdings Corp., a NASDAQ listed company from 2003 until the sale of the company in December 2010. He served as chairman of the nominating and corporate governance committee and as a member of the compensation committee. He also has served as a member of the Board of Governors of the National Association of Securities Dealers. Mr. Berger has a bachelor's degree in finance from Lehigh University and a J.D. degree from Columbia University. He has served as a director of the Company since 2011.

Due to the depth of his experience as a member of senior management at various investment banking and financial management institutions, and his experience on public and private boards, we believe Mr. Berger should serve as a member of our board of directors.

Joseph LaManna

Lead Independent Director

Age: 57

Committees:
- *Compensation (Chair)*
- *Audit*
- *Nominating and Corporate Governance*

Mr. LaManna worked at William Blair & Company, LLC from 1987 until his retirement in 2005. During his tenure at William Blair, he served in several different roles, including senior specialty finance analyst, head of the business services group, and director of research. In addition, he was a member of the firm's executive committee, equity capital markets committee and audit committee for four years. Mr. LaManna has served on the boards of directors of several privately-held companies in the financial services industry. He is a Chartered Financial Analyst, and he holds a B.A. degree in economics and business administration from Knox College and an M.B.A. degree in finance from The University of Chicago. He has served as a director of the Company since 2011.

Due to his extensive financial and investment experience, as well as his experience as a director for several other financial services companies, we believe Mr. LaManna should serve as a member of our board of directors.

Peter Linneman

Independent Director

Age: 66

Committees:
- *Compensation*
- *Nominating and Corporate Governance*

Dr. Linneman is currently the Emeritus Albert Sussman Professor of Real Estate, Finance, and Public Policy at the University of Pennsylvania, Wharton School of Business where he has been on the faculty since 1979. At Wharton, he was the Director of the Samuel Zell and Robert Lurie Real Estate Center from 1986-1998 and the Chairperson of the Wharton Real Estate Department from 1994-1997. He holds both a masters and a doctorate degree in economics from the University of Chicago. Dr. Linneman is also the founding principal of Linneman Associates, a real estate advisory firm, and the CEO of American Land Funds and KL Realty Fund, private real estate acquisition firms. He currently serves on the board of directors of Atrium European Real Estate Ltd. (VIE: ATRS), a public European real estate company, Regency Centers Corporation (NYSE: REG), Paramount Group, Inc. (NYSE: PGRE) and Equity Commonwealth (NYSE: EQC), each of which is a public real estate investment trust. Dr. Linneman joined the board of Regency Centers Corporation when Equity One, Inc., where he was a director since 2000, merged with and into Regency Centers Corporation on March 1, 2017. Additionally, Dr. Linneman has notified Atrium European Real Estate Ltd. that he will not stand for re-election as a board member at its next annual general meeting in April 2017. Dr. Linneman has served on over 20 public and private company boards, including as a director of eight New York Stock Exchange listed companies. He has served as a director of the Company since 2011.

Due to his extensive academic and business experience in real estate, his understanding of complex financial structures and his experience as a member of several public and private boards, including many real estate investment companies, we believe Dr. Linneman should serve as a member of our board of directors.

Biographical Information Regarding Executive Officers Who Are Not Directors

The following is a list of individuals serving as executive officers of the Company. All of our executive officers serve at the discretion of the board of directors or the chief executive officer.

Brian C. Sigman *Chief Financial Officer and Treasurer* *Age: 39*	Mr. Sigman was appointed as our Chief Financial Officer on September 4, 2013 and serves as a Managing Director and the Chief Financial Officer of Angelo, Gordon's Structured Credit Platform. Previously, he was the Chief Financial Officer, Principal Accounting Officer and Treasurer of Newcastle Investment Corp. ("Newcastle") from August 2008 to May 2013. He was also a Managing Director of Newcastle's external manager, an affiliate of Fortress Investment Group LLC. Mr. Sigman served as Vice President of Finance of Newcastle from 2006 to 2008 and as Assistant Controller from 2003 through 2006. From 1999 to 2003, Mr. Sigman was a Senior Auditor at Ernst & Young LLP. He has served as an executive officer of the Company since 2013.
Andrew Parks *Chief Risk Officer* *Age: 44*	Mr. Parks joined Angelo, Gordon in August 2009 as Chief Risk Officer. Before joining Angelo, Gordon, Mr. Parks was associated with Morgan Stanley where he served as an Executive Director overseeing the risk management group for the ultra high net worth division in the U.S. and Latin America. Prior to joining Morgan Stanley, Mr. Parks worked as a corporate attorney at Cravath, Swaine & Moore in New York in the areas of mergers and acquisitions, debt and equity capital markets, secured corporate credit and real estate acquisition/finance. Mr. Parks holds a B.A. degree from Tulane University and a J.D. degree from The University of Texas School of Law. He has served as an executive officer of the Company since 2011.
Raul E. Moreno *General Counsel and Secretary* *Age: 36*	Mr. Moreno joined Angelo, Gordon in November 2015 as Senior Counsel and was appointed as our General Counsel and Secretary on November 24, 2015. Prior to joining Angelo, Gordon, Mr. Moreno was a Senior Associate at Kaye Scholer LLP from 2010 to 2015 where he focused on private equity, M&A, securities, and corporate governance matters. Prior to that, Mr. Moreno was a private equity associate at both Ropes & Gray LLP and Weil, Gotshal & Manges LLP. Before law school, Mr. Moreno worked as a technology investment banker in Morgan Stanley's Silicon Valley office. Mr. Moreno graduated *magna cum laude* from Harvard University with an A.B. degree in economics and from Stanford Law School where he earned his J.D. He has served as an executive officer of the Company since 2015.

Our executive officers are elected by the board of directors for an initial term which continues until the board meeting immediately following the next annual statutory meeting of stockholders, and thereafter are elected for a term ending at the following year's board meeting and until their respective successors are elected and qualified. All of our executive officers and Mr. Stadelmaier are employed by Angelo, Gordon in various executive, managerial and administrative positions.

CORPORATE GOVERNANCE

Board of Directors and Committees

Our Manager manages our day-to-day operations, subject to the supervision of our board of directors. Our Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility with respect to our Manager's day-to-day duties and obligations arising under our management agreement. Members of our board of directors are kept informed of our business through discussions with our Manager's executive officers, by reviewing materials provided to them and by participating in meetings of the board of directors and its committees. A majority of the members of our board of directors are "independent," as determined by the requirements of the NYSE and the regulations of the SEC. Our directors also keep informed about our business through supplemental reports and communications. Our independent directors meet in executive sessions without the presence of our corporate officers or non-independent directors.

Our board of directors has formed an audit committee, a compensation committee and a nominating and corporate governance committee and has adopted charters for each of these committees. Each of these committees has three directors and is composed exclusively of independent directors, as defined by the listing standards of the NYSE and, as it relates to the audit committee, Rule 10A-3(b)(1) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Moreover, the compensation committee is composed exclusively of individuals intended to be, to the extent provided by Rule 16b-3 of the Exchange Act, non-employee directors and will, at such times as we are subject to Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), qualify as outside directors for purposes of Section 162(m) of the Code.

Board Leadership

Our business is conducted day-to-day by our officers and our Manager, under the direction of our chief executive officer and the oversight of our board of directors, to enhance our long-term value for our stockholders. Our board of directors is elected by our stockholders to oversee our officers and our Manager and to assure that the long-term interests of the stockholders are being served.

The board of directors annually appoints a chairman of the board, who may or may not be our chief executive officer. If the individual appointed as chairman of the board is our chief executive officer, the board of directors will also appoint a lead independent director. David N. Roberts has served as chief executive officer of the Company since our initial public offering in 2011 and as chairman of the board since the 2012 annual meeting of stockholders. In these capacities, Mr. Roberts is involved in both our day-to-day operations and the strategic decision making at the board level.

We believe that it is in the best interests of our stockholders for Mr. Roberts to serve as both chairman of the board and chief executive officer because of his decisive, consistent and effective leadership. We also believe that having a lead independent director mitigates the risk that having our chief executive officer serve as our chairman may cause management to have undue influence on our board of directors. Joseph LaManna serves as our lead independent director. Our lead independent director chairs executive sessions of the independent directors of the board, and meetings of the full board of directors when the chairman is absent, and otherwise serves as a liaison between the independent directors, the full board of directors and management.

The board of directors recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure so as to provide independent oversight of management. The board of directors understands that there is no single, generally accepted approach to providing board leadership and the right board leadership structure may vary as circumstances warrant. Consistent with this understanding, our independent directors consider the board's leadership structure on an annual basis.

Director Independence

Under the corporate governance standards of the NYSE, at least a majority of our directors, and all of the members of our audit, compensation and nominating and corporate governance committees, must be "independent," as such term is defined in the NYSE Listed Company Manual. The NYSE standards provide that to qualify as an "independent" director, in addition to satisfying certain bright-line criteria, the board of directors must affirmatively determine that a director has no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us). Our board of directors has affirmatively determined that each of Arthur Ainsberg, Andrew L. Berger, Joseph LaManna and Peter Linneman satisfies the bright-line independence criteria of the NYSE and that none has a relationship with us that would interfere with such person's ability to exercise independent judgment as a member of the board of directors. Therefore, we believe that all of these directors, who constitute a majority of our board of directors, are independent under the NYSE rules.

We have implemented procedures for interested parties, including stockholders, to communicate directly with our independent directors. We believe that providing a method for interested parties to communicate directly with our independent directors, rather than the full board of directors, provides a more confidential, candid and efficient method of relaying any interested party's concerns or comments. See "Communication with the Board of Directors and Independent Directors."

Nomination of Directors

Before each annual meeting of stockholders, the nominating and corporate governance committee considers the nomination of all directors whose terms expire at the next annual meeting of stockholders and also considers new candidates whenever there is a vacancy on the board of directors or whenever a vacancy is anticipated due to a change in the size or composition of the board of directors, a retirement of a director or for any other reasons. The nominating and corporate governance committee identifies director candidates based on recommendations from directors, stockholders, management and others. The committee may in the future engage the services of third-party search firms to assist in identifying or evaluating director candidates. No such firm was engaged in 2016.

Our nominating and corporate governance committee charter provides that the nominating and corporate governance committee will consider nominations for board membership by stockholders. The rules that must be followed to submit nominations are contained in our bylaws and include the following: (i) the nomination must be received by the committee at least 120 days, but not more than 150 days, before the first anniversary of the mailing date for proxy materials applicable to the annual meeting prior to the annual meeting for which such nomination is proposed for submission and (ii) the nominating stockholder must submit certain information regarding the director nominee, including the nominee's written consent.

The nominating and corporate governance committee evaluates annually the effectiveness of the board of directors as a whole and of each individual director and identifies any areas in which the board of directors would be better served by adding new members with different skills, backgrounds or areas of experience. The board of directors considers director candidates, including those nominated by stockholders, based on a number of factors including: whether the board member will be "independent," as such term is defined by the NYSE listing standards; whether the candidate possesses the highest personal and professional ethics, integrity and values; whether the candidate contributes to the overall diversity of the board of directors; and whether the candidate has an inquisitive and objective perspective, practical wisdom and mature judgment. Candidates are also evaluated on their understanding of our business, experience and willingness to devote adequate time to carrying out their duties. The nominating and corporate governance committee also monitors the mix of skills, experience and background to assure that the board of directors has the necessary composition to effectively perform its oversight function.

We do not have a formal policy about diversity, but the nominating and corporate governance committee does consider certain types of diversity when nominating director candidates to the board of directors, including differences of viewpoint, professional experience, education, skill and other personal qualities and attributes.

Corporate Governance Guidelines

Our board of directors has also adopted corporate governance guidelines, which are available in the corporate governance section of the Company's Web Site. These guidelines set forth the practices the board of directors follows with respect to, among other matters, the composition of the board of directors, director responsibilities, board committees, director access to officers, the Manager and independent advisors, director compensation and performance evaluation of the board of directors.

Code of Business Conduct and Ethics

Our board of directors has established a code of business conduct and ethics that applies to our officers and directors as well as the employees, officers and directors of our affiliates who provide us services (the "Code of Ethics"). Among other matters, our Code of Ethics is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- accurate, complete, objective, relevant, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the Code of Ethics to appropriate persons identified in the Code of Ethics; and
- accountability for adherence to the Code of Ethics.

Any waiver of the Code of Ethics may be made only by our board of directors or one of our board committees. The Code of Ethics is posted in the corporate governance section of the Company's Web Site. We intend to satisfy the disclosure requirement regarding any amendment to, or a waiver of, a provision of the Code of Ethics by posting such information on the Company's Web Site.

Board's Role in Risk Oversight

The board of directors is responsible for overseeing our risk management policies and practices. Our executive officers, who are responsible for our day-to-day risk management practices, regularly present to the board of directors on our overall risk profile and the processes by which such risks are mitigated. Our Manager also regularly reports to the board on various matters related to our risk exposure. Through regular and consistent communication, our Manager provides reasonable assurances to our board of directors that all of our material operational and investment risks, including among others, liquidity risk, interest rate risk and capital market risk, are being addressed.

Board Meetings and Annual Meeting of Stockholders

The board of directors held eight meetings (including regularly scheduled and special meetings) in 2016, and each director attended at least 75% of the board meetings and each director's respective committee meetings. We have a policy that directors attend each annual meeting of stockholders; however, some or all of our directors may be unable to attend the Annual Meeting due to scheduling conflicts or other obligations that may arise. All of our directors attended the 2016 annual meeting. The independent directors meet in executive session at least once per year during a regularly scheduled board meeting without management. As lead director, Mr. LaManna, a non-executive and an independent director, presides at the executive sessions of the independent directors.

Committee Membership

The current committees of the board of directors are the audit committee, the compensation committee and the nominating and corporate governance committee. The table below provides current membership information.

Director	Audit	Compensation	Nominating and Corporate Governance
Arthur Ainsberg	Chairman	Member	—
Andrew L. Berger	Member	—	Chairman
Joseph LaManna	Member	Chairman	Member
Peter Linneman	—	Member	Member

— Member
— Chairman

Board Committees

Below is a description of each committee of the board of directors. The board of directors has affirmatively determined that each committee consists entirely of independent directors pursuant to rules established by the NYSE and rules promulgated under the Exchange Act.

Audit Committee

Our audit committee consists of Messrs. Ainsberg, LaManna and Berger, each of whom is an independent director and "financially literate" under the rules of the NYSE. Mr. Ainsberg chairs our audit committee and serves as our audit committee financial expert, as that term is defined by the SEC. Our audit committee assists the board of directors in overseeing:

- our accounting and financial reporting processes;
- the integrity and audits of our consolidated financial statements;
- our compliance with legal and regulatory requirements;
- the qualifications and independence of our independent auditors; and
- the performance of our independent and internal auditors.

Our audit committee is responsible for engaging independent registered public accounting firms, reviewing with the independent registered public accountants the plans and results of the audit engagement, approving professional services provided by the independent registered public accountants, reviewing the independence of the independent registered public accountants, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls.

The audit committee held six meetings in 2016.

Compensation Committee

Our compensation committee consists of Messrs. LaManna, Ainsberg and Linneman, each of whom is an independent director under the rules of the NYSE. Mr. LaManna chairs our compensation committee. The responsibilities of our compensation committee include evaluating the performance of our executive officers, reviewing the compensation of our executive officers, evaluating the performance of our Manager, reviewing the equity compensation and fees payable to our Manager under the management agreement, administering our equity incentive plans and any other compensation plans, policies and programs, discharging the board of director's responsibilities relating to compensation payable to our independent directors and reviewing and recommending to the board of directors compensation structure, policies and programs. No executive officer of the Company is involved in determining or recommending non-executive director compensation levels.

The compensation committee held five meetings in 2016.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Messrs. Berger, LaManna and Linneman, each of whom is an independent director under the rules of the NYSE. Mr. Berger chairs our nominating and corporate governance committee. Our nominating and corporate governance committee is responsible for seeking, considering and recommending to our board of directors qualified candidates for election as directors and recommending a slate of nominees for election as directors at each annual meeting of stockholders. The committee also recommends to our board of directors the appointment of each of our executive officers. It also periodically prepares and submits to our board of directors for adoption the committee's selection criteria for director nominees. It reviews and makes recommendations on matters involving the general operation of our board of directors and our corporate governance and annually recommends to our board of directors the nominees for each committee of the board of directors. In addition, the committee annually conducts an evaluation of our board of directors performance.

The nominating and corporate governance committee held five meetings in 2016.

Other Committees

Our board of directors may from time to time establish other committees to facilitate the management of the Company.

Stock Ownership Guidelines

Our minimum share ownership guidelines for directors became effective in February 2014 and require that each director acquire and maintain a minimum equity investment in our company of 6,000 shares of our common stock by no later than January 2, 2017. Any director elected after the minimum share ownership guidelines became effective must be compliant within three years of the date of his or her election. From time to time, the nominating and corporate governance committee of the board of directors will review each director's compliance with the guidelines and may grant exceptions to the guidelines as it deems appropriate and market-competitive on a case-by-case basis. All of our directors are currently in compliance with the minimum share ownership guidelines.

Our minimum share ownership guidelines for executive officers became effective in February 2014 and require that our Chief Executive Officer, Chief Investment Officer and Chief Financial Officer acquire and maintain a minimum equity investment in our company of 15,000 shares of our common stock by no later than January 2, 2017. Any executive officer elected to an office subject to the minimum share ownership guidelines after the minimum share ownership guidelines became effective must be compliant within three years of the date of his or her election. Until the minimum equity investment is met, an executive officer subject to the guidelines must retain all of our common stock granted to him or her as compensation. From time to time, the nominating and corporate governance committee of the board of directors will review each executive officer's compliance with the guidelines and may grant exceptions to the guidelines as it deems appropriate and market-competitive on a case-by-case basis. All of our executive officers subject to the minimum share ownership guidelines are currently in compliance therewith.

Policy Prohibiting Pledging and Hedging of Our Securities

Our Policy Prohibiting Pledging and Hedging of AG Mortgage Investment Trust, Inc. Securities, which became effective in February 2014, applies to each of our directors and officers, and states that each such person is prohibited from (i) making or maintaining any pledges of our securities or otherwise holding our securities in a margin account and (ii) engaging in any hedging transactions with respect to our securities, including, without limitation, the use of financial instruments, such as prepaid variable forward contracts, equity swaps, collars and exchange funds.

Compensation Committee Interlocks and Insider Participation

Our compensation committee is comprised solely of the following independent, non-employee directors: Messrs. LaManna, Ainsberg and Linneman. None of the members of our compensation committee is or has been an employee or officer of us or any of our affiliates. None of our executive officers currently serves, or during the past fiscal year has served, as a member of the board of directors or compensation committee of another entity that has one or more executive officers serving on our board of directors or compensation committee.

Communication with the Board of Directors and Independent Directors

Our board of directors or any individual director may be contacted by any party via mail at the address listed below:

Board of Directors
AG Mortgage Investment Trust, Inc.
245 Park Avenue, 26th Floor
New York, New York 10167
Attn: Secretary

We believe that providing a method for interested parties to communicate directly with our independent directors, rather than the full board of directors, provides a confidential, candid and efficient method of relaying any interested party's concerns or comments. As discussed above, our lead independent director is Mr. LaManna. The independent directors can be contacted by any party via mail at the address listed below:

Independent Directors
AG Mortgage Investment Trust, Inc.
245 Park Avenue, 26th Floor
New York, New York 10167
Attn: Secretary

The Company does not screen mail except when warranted for security purposes, and all letters will be forwarded to our board of directors, any specified committee or individual directors.

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee of our board of directors has recommended the accounting firm of PricewaterhouseCoopers LLP for reappointment as our independent registered public accountants for the year ending December 31, 2017, subject to ratification of this appointment by our stockholders. PricewaterhouseCoopers LLP has served as our independent registered public accountants since our initial public offering in July 2011 and is considered by our management to be well qualified.

We expect that a representative of PricewaterhouseCoopers LLP will be present at the Annual Meeting, will be given the opportunity to make a statement if he or she so desires and will also be available to respond to appropriate questions.

RECOMMENDATION OF THE BOARD:

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2017.

The voting requirements for this proposal are described above and in the "Questions and Answers" section.

AUDIT COMMITTEE MATTERS

Fee Disclosure

The following is a summary of the fees billed to the Company by PricewaterhouseCoopers LLP for professional services rendered for the fiscal years ended December 31, 2016 and 2015:

	Fiscal Year Ended December 31,	
	2016	2015
Audit Fees	$ 1,145,682	$ 1,130,000
Audit-Related Fees	—	—
Tax Fees	185,239	184,966
All Other Fees	—	—
Total	$ 1,330,921	$ 1,314,966

Audit Fees

“Audit Fees” consist of fees and expenses billed for professional services rendered for the audit of the financial statements and services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements. Audit Fees include fees for professional services rendered in connection with quarterly and annual financial statements and fees and expenses related to the issuance of consents and comfort letters by PricewaterhouseCoopers LLP related to our public offerings and registration statements. In 2016 and 2015, fees and expenses related to the issuance of consents and comfort letters included in the total Audit Fees were $0 and $10,000, respectively.

Audit-Related Fees

“Audit-Related Fees” consist of fees and related expenses for products and services other than services described under “Audit Fees” and “Tax Fees.” PricewaterhouseCoopers LLP did not provide any such products or services for us during the years ended December 31, 2016 and 2015.

Tax Fees

“Tax Fees” consist of fees and related expenses billed for professional services for tax compliance, tax advice and tax planning. These services included assistance regarding federal and state tax compliance and tax planning and structuring.

All Other Fees

“All Other Fees” consist of fees and expenses for products and services that are not “Audit Fees,” “Audit-Related Fees” or “Tax Fees.” In 2016 and 2015, PricewaterhouseCoopers LLP did not provide any such other products or services.

Pre-Approval Policy

All audit, tax and other services provided to us were reviewed and pre-approved by the audit committee. The audit committee concluded that the provision of such services by PricewaterhouseCoopers LLP was compatible with the maintenance of that firm’s independence in the conduct of its auditing functions. Circumstances may arise during the following twelve-month period when it may become necessary to engage PricewaterhouseCoopers LLP to provide additional services or additional effort that were not contemplated in the original pre-approval by the audit committee.

AUDIT COMMITTEE REPORT

The audit committee has furnished the following report to stockholders of the Company in accordance with rules adopted by the SEC.

The Company's management has primary responsibility for establishing and maintaining effective internal controls over financial reporting, preparing the Company's consolidated financial statements in accordance with U.S. generally accepted accounting principles, and managing the public reporting process. PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm ("PwC"), is responsible for forming and expressing opinions on the conformity of the Company's audited consolidated financial statements in accordance with U.S. generally accepted accounting principles, in all material respects, and on the effectiveness of the Company's internal control over financial reporting.

The audit committee reviewed and discussed with management the Company's audited consolidated financial statements for the year ended December 31, 2016, including a discussion of the acceptability and appropriateness of significant accounting policies and management's assessment of the effectiveness of the Company's internal control over financial reporting. The audit committee discussed with the Company's independent registered public accounting firm matters related to the conduct of the audits of the Company's consolidated financial statements and internal control over financial reporting. The audit committee also reviewed with management and the independent registered public accounting firm the reasonableness of significant estimates and judgments made in preparing the consolidated financial statements, as well as the clarity of the disclosures in the consolidated financial statements and related notes.

The audit committee has discussed with the Company's independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T. These discussions included, among other things:

- The independent registered public accounting firm's judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in the Company's consolidated financial statements;
- The critical accounting policies and practices used by the Company;
- Any alternative treatments within U.S. generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent registered public accounting firm;
- Methods used to account for significant or unusual transactions;
- The effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- The process used by management in formulating particularly sensitive accounting estimates and the basis for the firm's conclusions regarding the reasonableness of these estimates;
- Any disagreements with management over the application of accounting principles, the basis for management's accounting estimates, and the disclosures in the consolidated financial statements;
- Any audit adjustments and any uncorrected consolidated financial statement misstatements; and
- Other material written communications between the independent registered public accounting firm and management.

The audit committee has also received written communications from PwC as required by the PCAOB Rules, including Rule 3526, "Communication with Audit Committees Concerning Independence," and has discussed with PwC their independence. In connection with those discussions, PwC advised the audit committee that it identified an issue related to its independence under Rule 2-01 (c)(1)(ii)(A) of Regulation S-X (referred to as the "Loan Rule").

The Loan Rule specifically provides that an accounting firm would not be independent if it receives a loan from an audit client or "record or beneficial owners of more than ten percent of the audit client's equity securities" (referred to as a "more than ten percent owner"). For purposes of the Loan Rule, audit clients include the Company as well as all affiliates of the Manager, including other subsidiaries of the Manager's parent company, Angelo, Gordon (collectively, the Angelo, Gordon Investment Complex). PwC informed us that it has relationships with lenders who hold, as record owner, more than ten percent of the shares of certain funds within the Angelo, Gordon Investment Complex, which may implicate the Loan Rule.

On June 20, 2016, the SEC Staff issued a "no-action" letter to another mutual fund complex (see Fidelity Management & Research Company et al., No-Action Letter) related to the audit independence issue described above. In that letter, the SEC confirmed that it would not recommend enforcement action against a fund that relied on audit services performed by an audit firm that was not in compliance with the Loan Rule in certain specified circumstances. In connection with prior independence determinations, PwC communicated, as contemplated by the no-action letter, that it believes that it remains objective and impartial and that a reasonable investor possessing all the facts regarding its borrowing and audit relationships would conclude that PwC is able to exhibit the requisite objectivity and impartiality to report on the Company's financial statements as the independent registered public accounting firm.

PwC also represented that it has complied with PCAOB Rule 3526 and affirmed that it is an independent accountant within the meaning of PCAOB Rule 3520. Therefore the audit committee concluded, and the board of directors confirmed, that PwC should continue as the Company's independent public accounting firm. If a subsequent determination is made that PwC's objectivity and impartiality has been impaired with respect to the planning for and execution of the Company's audit, then the Company may no longer be able to continue to utilize PwC as the Company's auditor and would need to obtain audit services from a different independent registered public accounting firm.

The audit committee reviewed with management the Company's audited consolidated financial statements and related notes and the acceptability and appropriateness of significant accounting policies. Based on the reviews and discussions described in this report, and subject to the limitations on the role and responsibilities of the audit committee referred to in this report and in the Company's audit committee charter, the audit committee recommended to the board of directors (and the board of directors approved) that the audited consolidated financial statements and related notes be included in the Annual Report on Form 10-K for the year ended December 31, 2016 for filing with the SEC. The audit committee also selected and appointed PwC as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017, and is presenting this appointment to the Company's stockholders for ratification.

By the audit committee

Arthur Ainsberg (Chair)
Joseph LaManna
Andrew L. Berger

PROPOSAL 3: ADVISORY VOTE APPROVING EXECUTIVE COMPENSATION

At our 2012 annual meeting, we asked our stockholders to vote, on an advisory basis, to recommend the frequency with which we would provide future advisory votes on named executive officer compensation. At our 2012 annual meeting, 63% of our stockholders voted, on an advisory basis, to hold future advisory votes on named executive officer compensation each year. Taking into consideration the recommendation of the stockholders, our board of directors elected to hold advisory votes on named executive officer compensation each year. In the future, our board of directors may reconsider the frequency with which we hold advisory votes on named executive officer compensation.

Our board of directors is committed to corporate governance best practices and recognizes the significant interest of stockholders in executive compensation matters. We are providing this advisory vote as required pursuant to the rules of the SEC. We are asking our stockholders to indicate their support for our named executive officer compensation as disclosed in this proxy statement. This vote is not intended to address any specific item of compensation, but rather the overall policies and practices that apply to the compensation of our named executive officers. We will ask our stockholders to vote "FOR" the following resolution at the Annual Meeting:

> "RESOLVED, that the stockholders approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables and the other related disclosure."

While this vote is advisory and not binding on us or the compensation committee, it will provide information to us and the compensation committee regarding stockholder sentiment about our executive compensation policies and practices. Our board of directors and our compensation committee value the opinions of our stockholders. To the extent there is any significant vote against the named executive officer compensation as disclosed in this proxy statement, we will consider our stockholders' concerns, and the compensation committee will evaluate whether any actions are necessary to address those concerns.

As described in detail under the heading "Executive Compensation" below, we are externally managed by AG REIT Management, LLC, our Manager, pursuant to the management agreement between our Manager and us. Our Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility with respect to our Manager's day-to-day duties and obligations arising under our management agreement. In 2016, we did not have any employees whom we compensated directly with salaries, other cash compensation or stock-based compensation. A portion of our named executive officers' compensation was paid out of funds from the management fees we pay to our Manager and the expense reimbursement we pay to our Manager. We have not paid, and do not intend to pay, any cash compensation to our named executive officers. We do not provide our named executive officers with pension benefits, termination payments or other incidental payments.

RECOMMENDATION OF THE BOARD:

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL, ON AN ADVISORY BASIS, OF OUR EXECUTIVE COMPENSATION.

The voting requirements for this proposal are described in the "Questions and Answers" section above.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our Compensation Discussion and Analysis describes our compensation program, objectives and policies for the executive officers named in this proxy statement and our executive officers generally.

Overview of Compensation Program

We have no employees. We are externally managed by our Manager, pursuant to a management agreement between our Manager and us. Because the management agreement provides that our Manager is responsible for managing our affairs, our executive officers, all of whom are employees of our Manager, or an affiliate of our Manager, do not receive cash compensation from us. Instead, our executive officers are compensated by our Manager, or an affiliate of our Manager, in part, with the management fee we pay to our Manager and with the expense reimbursement we provide to our Manager related to compensation. The management agreement provides for our reimbursement to the Manager of the allocable share of annual base salary, bonus, and any related withholding taxes and employee benefits paid to our chief financial officer, general counsel and other non-investment personnel based on the percentage of time those individuals spent on our affairs. We do not determine the compensation payable to personnel, including our executive officers, by our Manager or its affiliates. Our Manager or its affiliates, in their discretion, determine the levels of base salary, cash incentive compensation and other benefits earned by our executive officers. We have reported the compensation that we reimburse to our Manager for our named executive officers in the Summary Compensation Table and in "Other Matters – Certain Relationships and Related Transactions" set forth below.

Cash and Other Compensation

Our named executive officers and other personnel who conduct our business are employees of our Manager or its affiliates. Accordingly, we do not pay or accrue any salaries or bonuses for our officers.

Equity-Based Compensation

Our compensation committee may, from time to time, grant equity awards in the form of restricted stock, stock options, restricted stock units or other types of awards to our Manager or to our named executive officers pursuant to our equity incentive plans. These awards are designed to align the interests of our named executive officers with those of our stockholders by allowing our named executive officers to share in the creation of value for our stockholders through stock appreciation and dividends. These equity awards are generally subject to vesting requirements over a number of years and are designed to promote the retention of management and to achieve strong performance for our Company. These awards further provide flexibility to us in enabling our Manager to attract, motivate and retain talented individuals.

We believe our equity-based compensation policies are particularly appropriate since we are an externally managed real estate investment trust, or REIT. REIT regulations require us to pay at least 90% of our earnings to stockholders as dividends. As a result, we believe that our stockholders are principally interested in receiving attractive risk-adjusted dividends and growth in dividends and book value. Accordingly, we want to provide an incentive to our executive officers that rewards success in achieving these goals. Because we do not have the ability to retain a significant amount of earnings, we believe that equity-based awards serve to align the interests of our executive officers with the interests of our stockholders in receiving attractive risk-adjusted dividends and growth. Additionally, we believe that equity-based awards are consistent with our stockholders' interest in book value growth as these individuals will be incentivized to grow book value for stockholders over time. We believe that this alignment of interests provides an incentive to our executive officers to implement strategies that will enhance our long-term performance and promote growth in dividends and growth in book value.

Our equity incentive plans permit the granting of options to purchase shares of common stock intended to qualify as incentive stock options under the Code, and stock options that do not qualify as incentive stock options. The exercise price of each stock option may not be less than 100% of the fair market value of our shares of common stock on the date of grant. The compensation committee will determine the terms of each option, including when each option may be exercised and the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised. Options become vested and exercisable in installments, and the exercisability of options may be accelerated by the compensation committee. To date, we have not granted any options under our equity plans.

Our equity incentive plans also permit the granting of shares of our common stock in the form of restricted common stock. A restricted common stock award is an award of shares of common stock that may be subject to forfeiture (vesting), restrictions on transferability and such other restrictions, if any, as the compensation committee may impose at the date of grant. The shares may vest and the restrictions may lapse separately or in combination at such times, under such circumstances, including, without limitation, a specified period of employment or the satisfaction of pre-established criteria, in such installments or otherwise, as our compensation committee may determine.

We may also grant unrestricted shares of common stock, which are shares of common stock awarded at no cost to the participant or for a purchase price determined by the compensation committee, under our equity incentive plans. The compensation committee may also grant restricted stock units, stock appreciation rights, dividend equivalent rights, and other stock and non-stock-based awards under the equity incentive plans. These awards may be subject to such conditions and restrictions as the compensation committee may determine, including, but not limited to, the achievement of certain goals or continued service to us through a specific period. Each award under the plan may not be exercisable more than ten years after the date of grant.

Our equity incentive plans provide that in the event of a change of control of the Company, any award granted thereunder that was not previously vested shall become fully vested and/or payable, and any performance conditions imposed with respect to the awards shall be deemed to be fully achieved.

The compensation committee does not use a specific formula to calculate the number of equity awards and other rights awarded to executives under our incentive plans. Additionally, the compensation committee does not explicitly set future award levels on the basis of what the executives earned from prior awards. While the compensation committee will take past awards into account, it will not solely base future awards in view of those past awards. Generally, in determining the specific amounts to be granted to an individual, the compensation committee will take into account factors such as the individual's position, his or her contribution to our Company, market practices, and the recommendations of our Manager. Neither we nor any committee of the board of directors retained any compensation consultants during 2016.

We have not and do not intend to either backdate stock options or grant stock options retroactively. Presently, we do not have designated dates on which we grant stock option awards. We do not intend to time stock options grants with our release of material nonpublic information for the purpose of affecting the value of executive compensation.

Tax Considerations

Section 162(m) of the Code generally disallows a tax deduction to public corporations for compensation, other than performance-based compensation, over $1 million paid to the chief executive officer and next four highest compensated executive officers to the extent that compensation of a particular executive exceeds $1 million in any one year. There are certain exceptions for qualified performance-based compensation in accordance with the Code and corresponding regulations. We expect our Equity Incentive Plan awards paid to our executive officers will qualify as performance-based compensation deductible for federal income tax purposes under Section 162(m), but do not expect any non-performance based equity awards such as time vested restricted stock or stock units to qualify for such treatment. However, given the fact that we are presently externally managed by our Manager and the only compensation that currently may be paid to our executive officers are long-term incentive awards pursuant to our equity incentive plans, it is unlikely that Section 162(m) will have any material effect on us.

Compensation in 2016

We did not pay any compensation of any kind to our named executive officers during the year ended December 31, 2016. We do not provide any of our executive officers with any cash compensation, pension benefits or nonqualified deferred compensation plans. We have reported the compensation that we reimburse to our Manager for our named executive officers in the Summary Compensation Table set forth below.

For the fiscal year ended December 31, 2016, 58.2% of the management fee paid by the Company to the Manager, which was $5.7 million, was allocated to the compensation of our named executive officers for their service to us. Of this compensation, 4.3% was fixed and 95.7% was variable or incentive pay.

Our Manager and its affiliates do not use a specific formula to calculate the variable or incentive pay portion of our named executive officers' compensation. Additionally, our Manager and its affiliates do not explicitly set future variable or incentive compensation on the basis of the compensation the named executive officers earned in prior years. Generally, in determining each executive's variable or incentive pay, our Manager and its affiliates will take into account factors such as the individual's position, his or her contribution to our Company, market practices, and the recommendations of our compensation committee. We did not, nor did our Manager or its affiliates, retain a compensation consultant in connection with the compensation of our named executive officers in 2016.

Grants of Plan Based Awards in 2016

We did not grant any shares of restricted stock, options, restricted stock units or other incentive compensation to our named executive officers during the year ended December 31, 2016.

On July 1, 2014, we granted 60,000 restricted stock units to our Manager that represent the right to receive an equivalent number of shares of our common stock to be issued if and when the units vest. Annual vesting of approximately 20,000 units occurred or will occur on each of July 1, 2015, July 1, 2016, and July 1, 2017. The units do not entitle the participant to the rights of a holder of our common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units.

On June 30, 2015, our Manager allocated 29,500 of our restricted stock units to certain of our named executive officers – 27,500 restricted stock units to Jonathan Lieberman, our President, and 2,000 restricted stock units to Brian C. Sigman, our Chief Financial Officer. On December 7, 2015, 1,407 of those restricted stock units were re-allocated to Raul E. Moreno, our General Counsel. Additionally, on June 30, 2016, 500 restricted stock units forfeited by employees of Angelo, Gordon were re-allocated to Jonathan Lieberman. Each allocation decision made by the Manager was reported to and discussed with our board of directors. As of December 31, 2016, approximately 20,000 total restricted stock units remained unvested with 10,083 of those unvested units allocated to our named executive officers.

Outstanding Equity Awards at Fiscal Year-End

As of December 31, 2016, there were no outstanding awards of equity made to our named executive officers.

Options Exercised and Stock Vested

As of December 31, 2016, we had not issued any outstanding options to purchase shares of common stock to our named executive officers. No options to purchase shares of our common stock or restricted shares of common stock for any of our named executive officers vested in 2016.

Pension Benefits

We do not provide any of our named executive officers with pension benefits.

Nonqualified Deferred Compensation

We do not provide any of our named executive officers with any nonqualified deferred compensation plans.

Potential Payments Upon Termination Of Employment

We do not have any employment agreements with any of our named executive officers and are not obligated to make any payments to them upon termination of employment.

Potential Post-Employment Payments and Payments on a Change in Control

We do not have any employment agreements with any of our named executive officers and are not obligated to make any post-employment payments to them or any payments upon a change of control, except as described above related to the vesting of equity-based awards upon a change of control.

Compensation Policies and Practices as They Relate to Risk Management

We did not pay any compensation of any kind to our named executive officers and did not have any employees during the year ended December 31, 2016. Therefore, our compensation policies and practices are not reasonably likely to have a material adverse effect on us. We pay our Manager a management fee that is a percentage of our stockholders' equity, as that term is defined in the management agreement. We believe this management fee structure helps guard against our Manager making higher risk investments to achieve higher management fees as might be the case if the management fee was based on total assets or returns on investments. We have designed our compensation policy in an effort to provide the proper incentives to our executive officers and our Manager to maximize our performance in order to serve the best interests of our stockholders. These compensation policies and practices do not place undue emphasis on or incentivize the maximization of net income at the expense of other criteria, such as preservation of capital. Our board of directors monitors our compensation policies and practices to determine whether our risk management objectives are being met.

COMPENSATION COMMITTEE REPORT

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with management of the Company. Based on that review and discussion, the compensation committee recommended to the board of directors (and the board of directors has approved) that the Compensation Discussion and Analysis be included in the Company's proxy statement.

By the compensation committee

Joseph LaManna (Chair)
Arthur Ainsberg
Peter Linneman

Summary Compensation Table

The following table summarizes the Company's allocable share of annual compensation reimbursed to our Manager for our current named executive officers in the 2016, 2015 and 2014 fiscal years. The named executive officers in the following table are the only executive officers of the Company for whom the Company reimbursed our Manager during those periods for a portion of their annual compensation.

Name and Principal Position	Year	Salary (1)	Bonus (1)	Stock Awards (2)	All Other Compensation (1)(3)	Total
Brian C. Sigman	2016	$130,000	$ 863,200	$ —	$ 50,149	$1,043,349
Chief Financial Officer	2015	150,000	1,009,500	—	47,190	1,206,690
	2014	150,000	1,006,500	—	47,130	1,203,630
Andrew Parks	2016	$ 20,000	$ 120,000	$ —	$ —	$ 140,000
Chief Risk Officer	2015	22,466	123,562	—	—	146,028
	2014	24,959	137,274	—	—	162,233
Raul E. Moreno (4)	2016	$162,432	$ 162,432	$ —	$ 37,672	$ 362,536
General Counsel	2015	28,493	25,000	—	—	53,493
	2014	—	—	—	—	—

(1) Messrs. Sigman, Parks and Moreno are not our employees and are not paid compensation by us. Amounts in these columns for such individuals represent the share of the officers' compensation which is allocable to us based on the percentage of time such officer spent managing our affairs in their capacity as named executive officers of the Company. The amounts set forth in the table above reflect the amounts we reimbursed to our Manager related to the compensation of our named executive officers.

(2) We did not grant any stock-based awards in 2016 to our named executive officers, and we do not reimburse the Manager for any stock compensation that it provides to our named executive officers. No stock-based compensation that we grant to the Manager pursuant to our equity incentive plans is included in this column as compensation to our named executive officers although our Manager may subsequently elect to allocate some or all of the stock-based compensation that it receives under our equity incentive plans to our named executive officers. For a description of the stock awards allocated by our Manager to our named executive officers, see the "Grants of Plan Based Awards in 2016" section of this proxy statement.

(3) Amounts in this column represent the costs of each named executive officer's benefits allocable to us. These costs include premiums for health and life insurance, short and long term disability insurance, vision insurance, and profit sharing and are calculated by our Manager to be 20% and 3% of the annual salary and bonus, respectively, for such named executive officer.

(4) Mr. Moreno was appointed as our General Counsel and Secretary effective November 24, 2015.

DIRECTOR COMPENSATION

Director Compensation for 2016

Each member of our board of directors who is not an employee of our Manager or its affiliates received annual compensation for service as a director during 2016 as follows:

- Each non-employee director received an annual base fee for services in the amount of $90,000, $60,000 of which is payable on a quarterly basis in cash, and $30,000 of which is payable on a quarterly basis in shares of restricted common stock that may not be sold or transferred during such director's term of service on the board of directors.
- The lead independent director received an additional annual fee of $15,000, payable in cash on a quarterly basis.
- In addition, the chairman of our audit committee received an annual fee of $25,000, and the chairs of our compensation and nominating and corporate governance committees each received an annual fee of $10,000, each payable in cash on a quarterly basis.

Each member of our board of directors is also reimbursed for reasonable out-of-pocket expenses associated with service on our behalf and with attendance at or participation in board meetings or committee meetings, including reasonable travel expenses.

Non-employee directors participate in our Equity Incentive Plan. In the event of a change in control of our Company, all outstanding shares of restricted stock granted under the plan to our non-employee directors will become fully vested. Our board of directors (or a duly formed committee thereof) may revise our director compensation in its discretion.

The following table summarizes the compensation that we paid to our directors in 2016:

2016 Director Compensation Table

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Total
Arthur Ainsberg	$ 85,025	$ 29,965	$114,990
Andrew L. Berger	70,025	29,965	99,990
Joseph LaManna	85,025	29,965	114,990
Peter Linneman	60,025	29,965	89,990
David N. Roberts	—	—	—
Jonathan Lieberman	—	—	—
Frank Stadelmaier	—	—	—

(1) Stock awards for services in the fourth quarter of 2016 were granted as of the first business day following the end of such quarter.

At a meeting held November 3, 2016, our board of directors revised the annual compensation for service as director as follows, with such revision effective beginning with the 2017 fiscal year:

- Each non-employee director will receive an annual base fee for services in the amount of $120,000, $60,000 of which is payable on a quarterly basis in cash, and $60,000 of which is payable on a quarterly basis in shares of restricted common stock that may not be sold or transferred during such director's term of service on the board of directors.

Equity Incentive Plans Information

We have adopted equity incentive plans to provide incentive compensation to attract and retain qualified directors, officers, advisors, consultants and other personnel, including our Manager and its affiliates and personnel of our Manager and its affiliates to stimulate their efforts toward our continued success, long-term growth and profitability and to attract, reward and retain personnel.

The following table presents certain information about our equity incentive plans as of December 31, 2016:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Incentive Plans (Excluding Securities Reflected in the First Column of this Table)
Equity Incentive Plans Approved by Stockholders	—	$ —	133,590
Equity Incentive Plans Not Approved by Stockholders	—	—	—
Total	—	$ —	133,590

COMMON STOCK OWNERSHIP OF OFFICERS, DIRECTORS AND SIGNIFICANT STOCKHOLDERS

Ownership of Common Stock by Directors and Executive Officers

The following table sets forth, as of March 7, 2017, beneficial ownership of the Company's common stock by each executive officer, each director, and by all directors and executive officers as a group. Beneficial ownership reported in the below table has been presented in accordance with SEC rules. In computing the number of shares beneficially owned by a person under these rules, shares of common stock subject to warrants that are currently exercisable within 60 days after March 7, 2017 held by that person are deemed beneficially owned by that person. Unless otherwise indicated, all directors and executive officers have sole voting and investment power with respect to the shares shown, and the address of each beneficial owner reported in the below table is c/o AG Mortgage Investment Trust, Inc., 245 Park Avenue, 26th Floor, New York, New York 10167.

Name of Beneficial Owner	Shares Beneficially Owned	Percent of Class (1)
David N. Roberts	197,216	*
Jonathan Lieberman	137,939 (2)	*
Frank Stadelmaier	6,000	*
Brian C. Sigman	30,633	*
Raul E. Moreno	704	*
Andrew Parks	—	*
Arthur Ainsberg	7,263	*
Peter Linneman	13,038 (3)	*
Andrew L. Berger	16,821	*
Joseph LaManna	25,821 (4)	*
All directors and executive officers as a group (10 persons)	435,435	1.57%

* Represents ownership of less than one percent.
(1) As of March 7, 2017, we had 27,701,902 shares of our common stock outstanding.
(2) Includes 15,000 shares owned by Jonathan Lieberman jointly with his spouse and 35,000 shares owned by a family foundation of which Jonathan Lieberman is a trustee.
(3) All shares owned by Peter Linneman are held jointly with his spouse.
(4) Includes 5,000 shares of common stock issuable in connection with warrants exercisable at $20.50 per share.

Ownership of Common Stock by Certain Significant Stockholders

As of March 7, 2017, unless otherwise indicated below, the following are beneficial owners of more than five percent of our outstanding common stock:

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class (1)
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	2,605,021 (2)	9.4%
Fuller & Thaler Asset Management, Inc. 411 Borel Avenue, Suite 3000 San Mateo, CA 94402	2,415,745 (3)	8.7%
The Vanguard Group Inc. 100 Vanguard Blvd. Malvern, PA 19355	2,224,549 (4)	8.0%

(1) As of March 7, 2017, we had 27,701,902 shares of our common stock outstanding.

(2) Information obtained solely by reference to the amended Schedule 13G filed with the SEC on January 19, 2017 by BlackRock, Inc., or BlackRock. Of the reported shares, BlackRock reported that it has sole voting power for 2,529,127 shares and sole dispositive power for 2,605,021 shares.
(3) Information obtained solely by reference to the amended Schedule 13G filed with the SEC on February 23, 2017 by Fuller & Thaler Asset Management, Inc., or Fuller & Thaler. Of the reported shares, Fuller & Thaler reported that it has sole voting power for 2,372,645 shares and sole dispositive power for 2,415,745 shares.
(4) Information obtained solely by reference to the amended Schedule 13G filed with the SEC on February 9, 2017 by The Vanguard Group Inc., or Vanguard. Of the reported shares, Vanguard reported that it has sole voting power for 33,728 shares, shared voting power for 9,100 shares, sole dispositive power for 2,183,021 shares and shared dispositive power for 41,528 shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act, requires our directors, certain executive officers, and persons who own more than ten percent of our outstanding common stock to file reports of ownership and changes in ownership with the SEC. The SEC regulations require the Company to identify anyone who failed to file a required report or filed a late report during the most recent fiscal year. To the Company’s knowledge, with respect to the fiscal year ended December 31, 2016, all applicable filings were timely filed.

PROPOSAL 4: AMENDMENT OF CHARTER

Pursuant to Article VIII of the Articles of Amendment and Restatement (the "Charter") of the Company, any amendment to the Charter is valid only if declared advisable by the board of directors and approved by the affirmative shareholder vote of a majority of all the votes entitled to be cast on the matter. In addition, pursuant to Section 2-604(c) of the Maryland General Corporation Law, the board of directors, when proposing an amendment to the Charter, must first declare the amendment advisable and then direct that the proposed amendment be submitted for consideration at either an annual or a special meeting of the stockholders.

At its February 28, 2017 meeting, the board of directors carefully reviewed, considered and adopted the Charter Amendment to Articles of Amendment and Restatement of the Company, attached hereto as Annex I, and determined that it is advisable and in the best interests of the Company to adopt the Charter Amendment.

In order to make effective the Charter Amendment, the Board hereby submits the Charter Amendment for consideration to the stockholders of the Company. A summary of the Charter Amendment is set forth below.

Currently, Section 5.9 of the Charter reads:

"The Board of Directors shall have the exclusive power to adopt, alter or repeal any Bylaws of the Corporation upon the affirmative vote of a majority of the Board of Directors."

The Charter Amendment deletes Section 5.9 in its entirety in order to remove the provision giving the board of directors the exclusive power to adopt, alter or repeal any Bylaws of the Company.

RECOMMENDATION OF THE BOARD:

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE CHARTER AMENDMENT.

The voting requirements for this proposal are described above and in the "Questions and Answers" section.

OTHER MATTERS

Certain Relationships and Related Transactions

Our Manager is a subsidiary of Angelo, Gordon. Three of our directors, David Roberts, Jonathan Lieberman and Frank Stadelmaier, and all of our executive officers are employees of Angelo, Gordon or its affiliates.

To avoid any actual or perceived conflicts of interest with our Manager, our board of directors has approved investment guidelines and policies providing that an investment in any security structured or managed by our Manager and its affiliates, and any sale of our assets to our Manager and its affiliates or any entity managed by our Manager and its affiliates, will comply with all applicable law and the compliance policies of Angelo, Gordon and our Manager. Our independent directors have approved parameters within which our Manager and its affiliates may act as our counterparty and provide broker, dealer and lending services to us in order to enable transactions to occur in an orderly and timely manner. Angelo, Gordon and/or our Manager may in the future change then-existing, or adopt additional, conflicts of interest resolution policies and procedures. Our independent directors periodically review our Manager's and Angelo, Gordon's compliance with these conflicts of interest provisions.

Related Person Transaction Policy

Our board of directors has adopted a policy (the "Related Person Transaction Policy") regarding the approval of any "related person transaction," which is any transaction or series of transactions in which we or any of our subsidiaries is or are to be a participant, the amount involved exceeds $120,000, and a "related person" (as defined under SEC rules) has a direct or indirect material interest. Under the Related Person Transaction Policy, a related person would need to promptly disclose to our Secretary or Assistant Secretary any related person transaction and all material facts about the transaction. Our Secretary or Assistant Secretary, in consultation with outside counsel, to the extent appropriate, would then assess and promptly communicate that information to the audit committee of our board of directors. Based on its consideration of all of the relevant facts and circumstances, the audit committee will review, approve or ratify such transactions as appropriate. The audit committee will not approve or ratify a related person transaction unless it shall have determined that such transaction is in, or is not inconsistent with, our best interests and does not create a conflict of interest. If we become aware of an existing related person transaction that has not been approved under this policy, the transaction will be referred to the audit committee which will evaluate all options available, including ratification, revision or termination of such transaction. Our Related Person Transaction Policy requires any director who may be interested in a related person transaction to recuse himself or herself from any consideration of such related person transaction.

Affiliated Transactions Policy

Our board of directors has also adopted a policy (the "Affiliated Transactions Policy") regarding the approval of any transactions with affiliates that are not "related persons," as that term is defined in the Related Person Transaction Policy. The Affiliated Transactions Policy is meant to supplement the existing policies and procedures of the Related Person Transaction Policy. The Affiliated Transactions Policy applies to all transactions between Angelo, Gordon, or any entity or account ultimately managed by Angelo, Gordon, and us (an "Affiliated Transaction"). All Affiliated Transactions must be permitted within our investment guidelines, comply with applicable law, satisfy the requirements of Angelo, Gordon's cross trade policy and comply with any other requirement deemed necessary by our General Counsel. On a quarterly basis, our management team delivers a complete list and appropriate supporting documentation of the Affiliated Transactions entered into during the quarter to the audit committee for its review. Based on its consideration of all the relevant facts and circumstances, the audit committee will confirm an Affiliated Transaction to our independent directors if, in its determination, such Affiliated Transaction is fair, reasonable and within the Affiliated Transactions Policy.

Management Agreement

We entered into a management agreement with AG REIT Management, LLC, our Manager, in connection with our initial public offering. Our management agreement with our Manager provides for the day-to-day management of our operations. Our Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility with respect to our Manager's day-to-day duties and obligations arising under our management agreement.

The management agreement requires our Manager to manage our business affairs in conformity with the investment policies that are approved and monitored by our board of directors. Pursuant to the terms of our management agreement, our Manager is obligated to supply us with our management team, including a chief executive officer, chief financial officer and chief investment officer or similar positions, along with appropriate support personnel, to provide the management services to be provided by our Manager to us as described in the management agreement. Our Manager also provides personnel for service on the investment committee.

We are obligated to reimburse our Manager or its affiliates for the allocable share of the compensation, including, without limitation, annual base salary, bonus, any related withholding taxes and employee benefits paid to (1) our chief financial officer based on the percentage of his time spent on our affairs, (2) our general counsel based on the percentage of his time spent on our affairs, and (3) other corporate finance, tax, accounting, internal audit, legal risk management, operations, compliance and other non-investment personnel of our Manager and its affiliates who spend all or a portion of their time managing our affairs based upon the percentage of time devoted by such personnel to our affairs. In their capacities as officers or personnel of our Manager or its affiliates, they will devote such portion of their time to our affairs as is necessary to enable us to operate our business. For the year ended December 31, 2016, the Company recorded $6.0 million of reimbursable expenses payable to the Manager.

The initial term of the management agreement was three years, and is deemed renewed automatically each year for an additional one-year period, unless we or the Manager exercise their respective termination rights. As of the date hereof, no event of termination has occurred. Our Manager is entitled to receive a termination fee from us should the Management Agreement be terminated under certain circumstances.

For the year ended December 31, 2016, our Manager earned management fees of $9.8 million.

Indemnification Agreements

We have entered into customary indemnification agreements with each of our directors and executive officers that obligate us to indemnify them to the maximum extent permitted under Maryland law. The agreements require us to indemnify the director or officer, or the indemnitee, against all judgments, penalties, fines and amounts paid in settlement and all expenses actually and reasonably incurred by the indemnitee or on his or her behalf in connection with a proceeding other than one initiated by or on our behalf. In addition, each indemnification agreement requires us to indemnify the indemnitee against all amounts paid in settlement and all expenses actually and reasonably incurred by the indemnitee or on his or her behalf in connection with a proceeding that is brought by or on our behalf. In either case, the indemnitee will not be entitled to indemnification if it is established that one of the prohibitions against indemnification under Maryland law exists.

In addition, each indemnification agreement requires us to advance reasonable expenses incurred by the indemnitee within ten days of the receipt by us of a statement from the indemnitee requesting the advance, provided the statement evidences the expenses and is accompanied by:

- a written affirmation of the indemnitee’s good faith belief that he or she has met the standard of conduct necessary for indemnification; and
- a written undertaking by or on behalf of the indemnitee to repay the amount if it is ultimately determined that the standard of conduct was not met.

Each indemnification agreement also provides for procedures for the determination of entitlement to indemnification, including requiring that such determination be made by independent counsel, after a change of control of us.

Asset Manager

In connection with our investments in residential loans and securitized whole loans, we may engage asset managers to provide advisory, consultation, asset management and other services to formulate and implement strategic plans to manage, collect and dispose of loans in a manner that is reasonably expected to maximize the amount of proceeds from each loan. Beginning in November 2015, we engaged Red Creek Asset Management LLC ("Asset Manager"), an affiliate of the Manager and a direct subsidiary of Angelo, Gordon, as the asset manager for certain of our residential loans and securitized whole loans. The Asset Manager acknowledges that we will at all times have and retain ownership and control of all loans and that the Asset Manager will not acquire (i) title to any loan, (ii) any security interest in any loan, or (iii) any other rights or interests of any kind or any nature whatsoever in or to any loan. We pay separate arm's-length asset management fees (as assessed and confirmed by a third party valuation firm) for the Asset Manager's services related to non-performing loans and reperforming loans. For the year ended December 31, 2016, the fees paid by us to the Asset Manager totaled $0.3 million.

Arc Home

On December 9, 2015, we, alongside private funds under the management of Angelo, Gordon, through AG Arc LLC, one of our indirect subsidiaries ("AG Arc"), entered into the Amended and Restated Limited Liability Company Agreement of Arc Home LLC ("Arc Home"), a Delaware limited liability company. Arc Home, through its subsidiary, originates conforming, Government, Jumbo and other non-conforming residential mortgage loans and retains the associated mortgage servicing rights, as well as purchases additional mortgage servicing rights from third-party sellers and is led by an external management team (the "Management Team"). The Board of Managers of Arc Home consists of three members appointed by us and affiliates of our Manager and two members appointed by the Management Team. Our investment in Arc Home had a fair value of $12.9 million on December 31, 2016.

On March 8, 2016, an affiliate of the Manager ("the Affiliate") became a member of AG Arc. The Affiliate acquired an ownership interest in AG Arc which resulted in our ownership interest being reduced on a pro-rata basis. As a result of the Affiliate becoming a member of AG Arc, our overall commitment to Arc Home was reduced to $13.4 million. We have funded all of this commitment as of December 31, 2016.

Arc Home may sell loans that it originates to third parties or to affiliates of our Manager and may also enter into agreements with third parties or affiliates of our Manager to sell rights to receive the excess servicing spread related to its MSRs. In September and October of 2016, Arc Home entered into agreements with an affiliate of our Manager to sell MSRs at fair value for approximately $10.7 million. For the year ended December 31, 2016, the fees received by Arc Home from affiliates of our Manager totaled less than $120,000.

Restricted Stock and Restricted Stock Units

As of December 31, 2016, we have granted an aggregate of 43,660 and 40,250 shares of restricted common stock to our independent directors and Manager, respectively, and 60,000 shares of restricted stock units to our Manager under our equity incentive plans. As of December 31, 2016, all the shares of restricted common stock granted to our Manager and independent directors have vested and approximately 40,000 restricted stock units granted to our Manager have vested.

Other transactions with affiliates

In May 2015, we completed an arm's-length securitization with other investors managed by an affiliate of the Manager (the "Related Parties") by combining the assets of a prior private securitization, in which we held a 10.0% ownership interest, with the assets of another private securitization held entirely by the Related Parties. Our investment in this securitization had a fair value of $3.1 million as of the date of the securitization. We completed another similar arm's-length securitization in July 2015 with the Related Parties by combining the assets of a private securitization, in which we held a 7.5% ownership interest, with the assets of another private securitization held entirely by the Related Parties. Our investment in this securitization had a fair value of $5.1 million as of the date of the securitization. Each securitization was backed by collateral consisting of seasoned NPLs and RPLs. We obtained third party pricing for each transaction.

In July 2015, we completed an arm's-length investment purchase at fair value. Certain entities managed by an affiliate of our Manager ("Related Entities") had previously formed a joint venture ("Joint Venture") with an unaffiliated third party. The Joint Venture owns certain multi-family properties for which the mortgages partly collateralize a securitization wherein we purchased certain bond tranches. To ensure an arm's-length transaction, the

Manager delegated its decision making rights with respect to the securitization to a third party servicer. In addition, the members of the Joint Venture agreed to cease sharing material non-public information with our investment team regarding the collateral. Our investment in these bond tranches had a combined fair value of $7.1 million as of the date of purchase.

In June 2016, in accordance with our Affiliated Transactions Policy, we executed two trades whereby we acquired real estate securities from two separate affiliates of the Manager (the "Selling Affiliates"). As of the date of the trades, the securities acquired from the Selling Affiliates had a total fair value of $6.9 million. In each case, the Selling Affiliates sold the real estate securities through a BWIC (Bids Wanted in Competition). Prior to the submission of the BWIC by the Selling Affiliates, we submitted our bid for the real estate securities to the Selling Affiliates. The pre-submission of our bid allowed us to confirm third-party market pricing and best execution.

Stockholder Proposals

Any stockholder intending to present a proposal at our 2018 annual meeting of stockholders and have the proposal included in the proxy statement for such meeting must, in addition to complying with the applicable laws and regulations governing submissions of such proposals, submit the proposal in writing to us no later than November 22, 2017. To be included in the Proxy Statement, the proposal must comply with the requirements as to form and substance established by the SEC and our bylaws, and must be a proper subject for stockholder action under Maryland law.

Pursuant to our current bylaws, any stockholder intending to nominate a director or present a proposal at an annual meeting of our stockholders without seeking to have such a nomination or proposal included in the proxy statement for such annual meeting, must notify us in writing not less than 120 days nor more than 150 days prior to the first anniversary of the date of the proxy statement for the preceding year's annual meeting. Accordingly, any stockholder who intends to submit such a nomination or proposal at our 2018 annual meeting of stockholders must notify us in writing of such proposal by November 22, 2017, but in no event earlier than October 23, 2017.

Any such nomination or proposal should be sent to AG Mortgage Investment Trust, Inc., 245 Park Avenue, 26th Floor, New York, New York 10167, Attn: Secretary, and, to the extent applicable, must include the information required by our bylaws.

Access to SEC Reports

A copy of the Company's Annual Report, including financial statements, is being furnished concurrently herewith to all stockholders as of the Record Date. Please read it carefully.

Stockholders may obtain a copy of the Annual Report or proxy statement, without charge, by visiting the Company's Web Site at *http://www.agmit.com* or by writing AG Mortgage Investment Trust, Inc., 245 Park Avenue, 26th Floor, New York, New York 10167, Attn: Secretary. These materials are also available at *http://www.proxyvote.com*. Upon request to our Secretary, the exhibits set forth on the exhibit index of the Company's Annual Report may be made available at a reasonable charge (which will be limited to our reasonable expenses in furnishing such exhibits).

"Householding" of Proxy Statement and Annual Report

The SEC rules allow for the delivery of a single copy of the Notice or set of proxy materials to any household at which two or more stockholders reside, if it is believed the stockholders are members of the same family. This delivery method, known as "householding," will save us printing and mailing costs. Duplicate account mailings will be eliminated by allowing stockholders to consent to such elimination, or through implied consent, if a stockholder does not request continuation of duplicate mailings. Brokers, dealers, banks or other nominees or fiduciaries that hold shares of our common stock in "street" name for beneficial owners of our common stock and that distribute proxy materials and the Notice they receive to beneficial owners may be householding. Depending upon the practices of your broker, bank or other nominee or fiduciary, you may need to contact them directly to discontinue duplicate mailings to your household. If you wish to revoke your consent to householding, you must contact your broker, bank or other nominee or fiduciary.

If you hold shares of our common stock in your own name as a holder of record, householding will not apply to your shares. Also, if you own shares of our common stock in more than one account, such as individually and also jointly with your spouse, you may receive more than one set of our proxy statements and annual reports to stockholders. To assist us in saving money and to provide you with better stockholder services, we encourage registered holders of our stock to have all of your accounts registered in the same name and address. You may do this by contacting the Company's transfer agent, American Stock Transfer & Trust Company, LLC, by telephone at (800) 937-5449 or in writing at American Stock Transfer & Trust Company, LLC, 6201 15th Avenue, Brooklyn, New York 11219.

If you wish to request extra copies free of charge of any annual report to stockholders or proxy statement, please send your request to AG Mortgage Investment Trust, Inc., 245 Park Avenue, New York, New York, 10167, Attn: Secretary, or contact our Secretary via telephone at (212) 692-2000. You can also refer to the Company's Web Site at *www.agmit.com*. Information at, or connected to, the Company's Web Site is not and should not be considered part of this proxy statement.

BY ORDER OF THE BOARD OF DIRECTORS,

Raul E. Moreno
General Counsel and Secretary

New York, New York
March 22, 2017

Annex I

ARTICLES OF AMENDMENT
TO
ARTICLES OF AMENDMENT AND RESTATEMENT
OF
AG MORTGAGE INVESTMENT TRUST, INC.

AG Mortgage Investment Trust, Inc., a Maryland corporation (the "Corporation"), desiring to amend its charter as currently amended and restated and in effect (the "Charter"), hereby certifies to the State Department of Assessments and Taxation of Maryland as follows:

FIRST: The Corporation's Charter is hereby amended by deleting Section 5.9 in its entirety.

SECOND: The amendment to the Charter of the Corporation as set forth above has been duly advised, adopted and approved by the Board of Directors and approved by the stockholders of the Corporation as required by law.

THIRD: There has been no increase in the authorized stock of the Corporation effected by the amendment to the Charter of the Corporation as set forth above.

FOURTH: The undersigned Chief Executive Officer of the Corporation acknowledges these Articles of Amendment to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned Chief Executive Officer acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under penalties for perjury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be signed in its name and on its behalf by its Chief Executive Officer and attested to by its Secretary on this ____ day of May, 2017.

ATTEST:	AG MORTGAGE INVESTMENT TRUST, INC.
By: ______________________________	By: ______________________________
Name: Raul E. Moreno	Name: David Roberts
Title: Secretary	Title: Chief Executive Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 001-35151

AG MORTGAGE INVESTMENT TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland **(State or Other Jurisdiction of Incorporation or Organization)**	**27-5254382** **(I.R.S. Employer Identification No.)**
245 Park Avenue, 26th Floor **New York, New York** **(Address of Principal Executive Offices)**	**10167** **(Zip Code)**

(212) 692-2000
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class:	Name of exchange on which registered:
Common Stock, $0.01 par value per share	New York Stock Exchange (NYSE)
8.25% Series A Cumulative Redeemable Preferred Stock	New York Stock Exchange (NYSE)
8.00% Series B Cumulative Redeemable Preferred Stock	New York Stock Exchange (NYSE)

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 and Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	☐	Accelerated filer	☒
Non-Accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's voting common stock held by non-affiliates as of June 30, 2016 was $390,492,603.

As of February 20, 2017, there were 27,701,902 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2017 annual meeting of stockholders, to be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

AG MORTGAGE INVESTMENT TRUST, INC.
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Forward-Looking Statements

We make forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in this report that are subject to substantial known and unknown risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans, objectives, the composition of our portfolio, actions by governmental entities, including the Federal Reserve, and the potential effects of actual and proposed legislation on us. When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions, we intend to identify forward-looking statements.

These forward-looking statements are based upon information presently available to our management and are inherently subjective, uncertain and subject to change. There can be no assurance that actual results will not differ materially from our expectations. Some, but not all, of the factors that might cause such a difference include, but are not limited to, changes in interest rates, changes in the yield curve, changes in prepayment rates, the availability and terms of financing, changes in the market value of our assets, general economic conditions, conditions in the market for Agency RMBS, Non-Agency RMBS, ABS and CMBS securities and loans, and legislative and regulatory changes that could adversely affect us. We caution investors not to rely unduly on any forward-looking statements, which speak only as of the date made, and urge you to carefully consider the risks noted above and identified under the captions "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K and any subsequent filings. If any change described above occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements that we make, or that are attributable to us, are expressly qualified by this cautionary notice.

PART I

ITEM 1. BUSINESS

Our company

AG Mortgage Investment Trust, Inc. ("we," "us," "the Company" or "our") was incorporated in Maryland on March 1, 2011 and commenced operations in July 2011 after the successful completion of our initial public offering. We focus on investing in, acquiring and managing a diversified portfolio of residential mortgage assets, other real estate-related securities and financial assets, which we refer to as our target assets.

We conduct our operations to qualify and be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes. Accordingly, we generally will not be subject to U.S. federal income taxes on our taxable income that we distribute currently to our stockholders as long as we maintain our intended qualification as a REIT. We also operate our business in a manner that permits us to maintain our exemption from registration under the Investment Company Act of 1940, as amended, or the Investment Company Act. Our common stock is traded on the New York Stock Exchange, or NYSE, under the ticker symbol MITT. Our 8.25% Series A Cumulative Redeemable Preferred Stock and our 8.00% Series B Cumulative Redeemable Preferred Stock trade on the NYSE under the ticker symbols MITT-PA and MITT-PB, respectively.

We are externally managed and advised by AG REIT Management, LLC (our "Manager"), a subsidiary of Angelo, Gordon & Co., L.P. ("Angelo, Gordon"). Pursuant to the terms of our management agreement with AG REIT Management, LLC, our Manager provides us with our management team, including our officers, along with appropriate support personnel. All of our officers are employees of Angelo, Gordon or its affiliates. We do not have any employees. Our Manager is at all times subject to the supervision and oversight of our board of directors and has only such functions and authority as our board of directors delegates to it. Our Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility with respect to our Manager's day-to-day duties and obligations arising under our management agreement.

Our investment portfolio

Our investment portfolio is comprised of Agency RMBS, Non-Agency RMBS, CMBS, ABS, residential and commercial loans and excess mortgage servicing rights, each of which is described below.

Agency RMBS

Our investment portfolio is comprised primarily of mortgage-backed securities, specifically residential mortgage-backed securities, or RMBS. Certain of the assets in our RMBS portfolio have an explicit guarantee of principal and interest by a U.S. government agency such as the Government National Mortgage Association, or Ginnie Mae, or by a government-sponsored entity such as the Federal National Mortgage Association, or Fannie Mae, or the Federal Home Loan Mortgage Corporation, or Freddie Mac (each, a "GSE"). We refer to these securities as Agency RMBS. Our Agency RMBS portfolio includes:

- Fixed rate securities (held as mortgage pass-through securities),
- Fixed rate collateralized mortgage obligations ("CMOs"),
- Inverse interest-only securities (entitling the holder only to the interest payments made on the mortgages underlying certain mortgage backed securities ("MBS") whose coupon has an inverse relationship to its benchmark rate, such as LIBOR),
- Interest-only securities (entitling the holder only to the interest payments made on the mortgages underlying certain MBS "interest-only strips"), and
- Certain Agency RMBS for which the underlying collateral is not identified until shortly (generally two days) before the purchase or sale settlement date ("TBAs").

Non-Agency RMBS

Our investment portfolio also includes a significant portion of RMBS that are not issued or guaranteed by Ginnie Mae or a GSE, which we refer to as Non-Agency RMBS. Our Non-Agency RMBS investments include investment grade and non-investment grade fixed and floating-rate securities. We categorize some of our Non-Agency RMBS by weighted average credit score at origination:

- Prime (weighted average credit score above 700)
- Alt-A (weighted average credit score between 700 and 620)
- Subprime (weighted average credit score below 620)

The Non-Agency RMBS that we do not categorize by weighted average credit score at origination include our RMBS Interest-Only securities (Non-Agency RMBS backed by interest-only strips), CRTs (defined below), RPL/NPL MBS, (described below), and Securitized Whole Loans (described below).

Credit Risk Transfer securities ("CRTs"):

- Unguaranteed and unsecured mezzanine, junior mezzanine and first loss securities issued by Fannie Mae and Freddie Mac to transfer their exposure to mortgage default risk to private investors. These securities reference a specific pool of single family mortgages from a specified time period (typically around the time of origination). The risk of loss on the reference pool of mortgages is transferred to investors who may experience losses when adverse credit events such as defaults, liquidations or delinquencies occur in the underlying mortgages. Owners of these securities receive an uncapped floating interest rate equal to a predetermined spread over one-month LIBOR.

RPL/NPL MBS:

- Mortgage-backed securities collateralized by re-performing mortgage loans ("RPL") or non-performing mortgage loans ("NPL"). The RPL/NPL MBS that we own represent the senior and mezzanine tranches of such securitizations. These RPL/NPL MBS are structured with significant credit enhancement (typically approximately 50% to the senior tranche and 40% to the mezzanine tranche), which mitigates our exposure to credit risk on these securities. "Credit enhancement" refers to the amount of subordination available to absorb all credit losses prior to losses being allocated to more senior tranches. For a senior tranche in a typical securitization to experience loss, the value of the collateral underlying the securitization would have to decrease by 50%. Subordinate tranches typically receive no cash flow (interest or principal) until the senior and mezzanine tranches are paid off. In addition, the RPL/NPL MBS that we own typically contain an "interest rate step-up" feature, whereby the interest rate or "coupon" on the senior tranche increases by typically 300 basis points or typically 400 basis points in the case of mezzanine tranches (a "step up") if the security that we hold has not been redeemed or repurchased by the issuer within 36 months of issuance. We expect that the combination of the priority cash flow of the senior and mezzanine tranches and the 36-month step-up feature will result in these securities exhibiting short average lives and, accordingly, reduced interest rate sensitivity.

Securitized Whole Loans:

- Residential mortgage loans (generally RPLs or NPLs) in securitized form that we purchase from an affiliate (or affiliates) of the Manager. The securitizations typically take the form of various classes of notes and a trust certificate. Securitized Whole Loans do not include RPLs or NPLs that we hold through interests in certain consolidated trusts, which are included in the "Residential mortgage loans, at fair value" line item on our consolidated balance sheets.

CMBS and ABS

We also invest in other target assets, including commercial mortgage-backed securities, or CMBS, and asset backed securities, or ABS, which, together with Agency RMBS and Non-Agency RMBS, we collectively refer to as our real estate securities. Our CMBS portfolio includes CMBS, Freddie Mac K-Series CMBS (described below) and CMBS interest-only securities (CMBS backed by interest-only strips). Our ABS portfolio may include securities collateralized by various asset classes, including automobiles, credit cards and student loans, among others.

Freddie Mac K-Series CMBS ("K-Series CMBS"):

- Includes CMBS, CMBS interest-only and CMBS principal-only securities which are regularly-issued structured pass-through securities backed by multifamily mortgage loans. K-Series CMBS feature a wide range of investor options which include guaranteed senior and interest-only bonds as well as unguaranteed senior, mezzanine, subordinate and interest-only bonds, all of which are issued by Freddie Mac. Our K-Series CMBS portfolio includes unguaranteed senior, mezzanine, subordinate and interest-only bonds. Throughout Item 7, we categorize our Freddie Mac K-Series CMBS interest-only bonds as part of our "CMBS Interest-Only" assets.

Other investments

We have also invested in residential and commercial mortgage loans, including RPLs and NPLs, as well as excess mortgage servicing rights ("MSRs"). We have the discretion to invest in other target assets such as other real estate structured finance products, other real estate-related loans and securities and interests in certain types of real estate.

As of December 31, 2016, we had a $2.4 billion GAAP investment portfolio, which consisted of $1.1 billion, or 43.5%, of assets in our GAAP Agency RMBS portfolio and $1.3 billion, or 56.5%, of assets in our GAAP credit portfolio. As of December 31, 2016, our investment portfolio totaled $2.5 billion, which consisted of $1.1 billion, or 43.5%, of assets in our Agency RMBS portfolio and $1.4 billion, or 56.5%, of assets in our credit portfolio.

Investment classification

Throughout this report, (1) we use the terms "credit portfolio" and "credit investments" to refer to our Non-Agency RMBS, ABS, CMBS, MSRs and residential and commercial mortgage loans, inclusive of investments held within affiliated entities but exclusive of AG Arc (discussed below); (2) we refer to our residential and commercial mortgage loans, collectively, as "loans"; (3) we use the term "credit securities" to refer to our credit portfolio, excluding MSRs and loans; and (4) we use the term "real estate securities" or "securities" to refer to our Agency RMBS portfolio and our credit securities. Our "investment portfolio" refers to our combined Agency RMBS portfolio and credit portfolio and encompasses all of the investments described above.

We also use the term "GAAP investment portfolio" which consists of (i) our Agency RMBS, exclusive of TBAs (our "GAAP Agency RMBS portfolio)" and (ii) our credit portfolio, exclusive of all investments held within affiliated entities (our "GAAP credit portfolio"). See Note 2 to the Notes to Consolidated Financial Statements for a discussion of investments held within affiliated entities.

This presentation of our investment portfolio is consistent with how our management evaluates our business, and we believe this presentation, when considered with the GAAP presentation, provides supplemental information useful for investors in evaluating our investment portfolio and financial condition.

Arc Home LLC

In December 2015, we, alongside private funds under the management of Angelo, Gordon, through AG Arc LLC, one of our indirect subsidiaries ("AG Arc"), formed Arc Home LLC ("Arc Home"). In June 2016, Arc Home closed on the acquisition of a Fannie Mae, Freddie Mac, Federal Housing Administration ("FHA"), Veteran's Administration ("VA") and Ginnie Mae seller/servicer of mortgages with licenses to conduct business in 44 states, including Washington D.C. Through this subsidiary, Arc Home originates conforming, Government, Jumbo and other non-conforming residential mortgage loans, retains the mortgage servicing rights associated with the loans that it originates, and purchases additional mortgage servicing rights from third-party sellers. The capital commitment to Arc Home is $30.0 million, of which our share is $13.4 million. We have funded all of this commitment as of December 31, 2016.

Our strategies

Our investment strategy

We invest in a diversified pool of mortgage assets that generate attractive risk-adjusted returns for our investors over the long-term through a combination of dividends and capital appreciation. We rely on the experience of our Manager's personnel to direct the Company's investments. Our Manager's investment philosophy is based on a rigorous and disciplined approach to credit analysis and is focused on fundamental in-depth research, taking a conservative valuation approach and diversification. Our Manager makes investment decisions based on a variety of factors, including expected risk-adjusted returns, relative value, credit fundamentals, vintage of collateral, prepayment speeds, supply and demand trends, general economic and market sector trends, the shape of the yield curve, liquidity, availability of adequate financing, borrowing costs, macroeconomic conditions, and maintaining our REIT qualification and our exemption from registration under the Investment Company Act. We continue to optimize our capital allocation across our target assets, using leverage to increase potential returns to our stockholders.

Our financing and hedging strategy

We generate income principally from the yields earned on our investment portfolio and, to the extent that leverage is deployed, on the difference between (i) the yields earned on our investments and (ii) the sum of our borrowing costs and hedging costs. We use leverage to increase potential returns to our stockholders and to fund the acquisition of our assets.

As of December 31, 2016 our non-GAAP "at-risk" and GAAP debt-to-equity leverage ratios were 2.9 to 1 and 2.9 to 1, respectively. As of December 31, 2015 our non-GAAP "at-risk" and GAAP debt-to-equity leverage ratios were 3.5 to 1 and 3.4 to 1, respectively. To calculate our leverage ratios, we divide our non-GAAP "at-risk" leverage and our GAAP leverage by our GAAP stockholders equity. We define non-GAAP "at-risk" leverage as the sum of: (i) our GAAP repurchase agreements, (ii) advances from the Federal Home Loan Bank of Cincinnati ("FHLBC Advances"), if any, (iii) repurchase agreements held through affiliated entities but exclusive of any financing utilized through AG Arc (iv) the amount payable on purchases that have not yet settled less the financing remaining on sales that have not yet settled, (v) the consolidated tranche issued by the Consolidated VIE, (vi) the Participation Interest and (vii) our net TBA position (at cost). Our calculations of each type of leverage exclude repurchase agreements and net receivables/payables on unsettled trades pertaining to U.S. Treasury securities due to the highly liquid and temporary nature of these investments. For a tabular representation of our leverage, refer to the "Financing activities" section of Item 7.

Subject to maintaining our qualification as a REIT for U.S. federal income tax purposes and our Investment Company Act exemption, to the extent leverage is deployed, we may use a number of sources to finance our investments. We currently finance the acquisition of certain assets within our portfolio with repurchase agreements. Prior to March 31, 2016, we also financed our Agency RMBS portfolio with FHLBC Advances. As of December 31, 2016, we, either directly or through our equity method investments in affiliates, had master repurchase agreements, ("MRAs") or loan agreements with 37 counterparties, under which we had borrowed an aggregate $1.9 billion, on a non-GAAP basis from 23 counterparties. As of December 31, 2016, the borrowings under our repurchase agreements had maturities between January 3, 2017 and September 17, 2019.

In July 2015, our captive insurance subsidiary, MITT Insurance, was granted membership in the Federal Home Loan Bank of Cincinnati (the "FHLBC") and commenced obtaining advances from the FHLBC. However, in January 2016, the Federal Housing Finance Agency, the FHFA, issued RIN 2590-AA39, Members of Federal Home Loan Banks ("the Final Rule"), which expressly excludes captive insurance companies, such as MITT Insurance ("Excluded Captives"), from being eligible for membership in the FHLBC. Refer to the "Recent government activity" section in Item 7 for more information. As of December 31, 2016, we had no outstanding advances with the FHLBC.

Subject to maintaining our qualification as a REIT and our Investment Company Act exemption, to the extent leverage is deployed, we utilize derivative financial instruments, including interest rate swap agreements, TBAs, interest rate swaptions, credit derivatives and other instruments including Eurodollar futures and U.S. Treasury futures (collectively, "Futures") and long or short positions in U.S. Treasury securities in an effort to manage and mitigate the interest rate risk associated with the financing of our portfolio. Specifically, we may seek to hedge our exposure to potential interest rate mismatches between the interest we earn on our investments and our borrowing costs caused by fluctuations in short-term interest rates. In utilizing leverage and interest rate hedges, our objectives are to improve risk-adjusted returns and, where possible, to lock in, on a long-term basis, a spread between the yield on our assets and the cost of our financing. As of December 31, 2016, we had entered into $644.0 million notional amount of interest rate swaps that have variable maturities between October 30, 2017 and December 7, 2026, $24.0 million notional amount of short positions in U.S. Treasury securities that mature on May 15, 2026 and $141.5 million notional amount of short positions in U.S. Treasury Futures that have variable maturities between January 27, 2022 and January 27, 2027.

Risk management strategy

Our overall portfolio strategy is designed to generate attractive returns through various phases of the economic cycle. We believe that our broad approach within the real estate market, which considers all major categories of real estate assets, allows us to invest in a variety of attractive investment opportunities and helps insulate our portfolio from some of the risks that arise from investing in a single collateral type.

The components of our risk management strategy are:

- *Disciplined adherence to risk-adjusted return*. Our Manager deploys capital only when it believes that risk-adjusted returns are attractive. In this analysis, our Manager considers the initial net interest spread of the investment, the cost of hedging and our ability to optimize returns over time through rebalancing activities. Our Manager's management team has extensive experience implementing this approach.

- *Focus on multiple sectors*. Our Manager looks for attractive investment opportunities in all major sectors of the U.S. mortgage market. Our management team evaluates investment opportunities in residential mortgage loans and securities and across a wide spectrum of commercial property types. We believe this approach enables our Manager to identify attractive investments when it believes certain portions of the market are attractively priced or when investment opportunities in one or more sectors are scarce. By pursuing a broad investment strategy within the mortgage market, we believe our investment mortgage portfolio is less exposed to dislocations in specific sectors of the market. We believe a diversified investment portfolio outperforms the traditional single strategy portfolios in the REIT market, with returns that are more resistant to changes in the interest rate and consumer credit environment.

- *Concurrent evaluation of interest rate and credit risk.* Our Manager seeks to balance our portfolio with both credit risk-intensive assets and interest rate risk-intensive assets. Both of these primary risk types are evaluated against a common risk-adjusted return framework.

- *Active hedging and rebalancing of portfolio.* Our Manager periodically evaluates our portfolio against pre-established risk tolerances and will take corrective action through asset sales, asset acquisitions, and dynamic hedging activities to bring the portfolio back within these risk tolerances. We believe this approach generates more attractive long-term returns than an approach that either attempts to hedge away a majority of the interest rate or credit risk in the portfolio at the time of acquisition, on the one end of the risk spectrum, or a highly speculative approach that does not attempt to hedge any of the interest rate or credit risk in the portfolio, on the other end of the risk spectrum.

- *Opportunistic approach to increased risk.* Our Manager's investment strategy is to preserve our ability to extend our risk taking capacity during periods of changing market fundamentals.

Investment policies

We comply with investment policies and procedures and investment guidelines (our "Investment Policies") that are approved by our board of directors and implemented by our Manager. Our Manager reports on our investment portfolio at each regularly scheduled meeting of our board of directors. Our independent directors do not review or approve individual investment, leverage or hedging decisions made by our Manager made in accordance with our Investment Policies.

Our Investment Policies include the following guidelines, among others:

- no investment shall be made that would cause us to fail to qualify as a REIT for federal income tax purposes;
- no investment shall be made that would cause us to be regulated as an investment company under the Investment Company Act; and
- our investments will be in our target assets.

Our Investment Policies may be changed by our board of directors without the approval of our stockholders.

Our target assets

Our target asset classes and the principal investments in which we invest are as follows:

Asset Class	Principal Investments
Agency RMBS	• RMBS for which Ginnie Mae, Fannie Mae or Freddie Mac guarantees payments of principal and interest on the securities they issue.
Non-Agency RMBS	• Fixed and floating-rate residential Non-Agency RMBS, including investment grade and non-investment grade classes. The mortgage loan collateral for residential Non-Agency RMBS consists of residential mortgage loans that do not generally conform to underwriting guidelines issued by U.S. government agencies or U.S. government-sponsored entities.
Other real estate-related assets and financial assets	• Fixed and floating-rate CMBS, including investment grade and non-investment grade classes. CMBS are secured by, or evidence ownership interest in, a single commercial mortgage loan or a pool of commercial mortgage loans.

Asset Class	Principal Investments
	• Residential mortgage loans secured by residential real property, including prime, Alt-A, and subprime mortgage loans. • Commercial mortgage loans secured by commercial real property, including mezzanine loans and preferred equity. • First or second lien loans, subordinate interests in first mortgages, bridge loans to be used in the acquisition, construction or redevelopment of a property and mezzanine financing secured by interests in commercial real estate. • Other real estate structured finance products, MSRs, other real estate-related loans and securities and other financial assets. • Investment grade and non-investment grade debt and equity tranches of securitizations backed by various asset classes including, but not limited to, small balance commercial mortgages, aircraft, automobiles, credit cards, equipment, manufactured housing, franchises, recreational vehicles and student loans. Investments in ABS generally are not qualifying income for purposes of the 75% asset test applicable to REITs and generally do not generate qualifying income for purposes of the 75% income test applicable to REITs. As a result we may be limited in our ability to invest in such assets. • Interests in certain types of real estate.

Our board of directors has adopted a set of investment guidelines that outline our target assets and other criteria which are used by our Manager to evaluate specific investment opportunities as well as our overall portfolio composition. Our Manager makes day-to-day determinations as to the timing and percentage of our assets that will be invested in each of the approved asset classes. Our decisions depend upon prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments. As a result, we cannot predict the percentage of our assets that will be invested in any one of our approved asset classes at any given time. We may change our strategy and policies without a vote of our stockholders. We believe that the diversification of our portfolio of assets and the flexibility of our strategy combined with our Manager's and its affiliates' experience will enable us to achieve attractive risk-adjusted returns under a variety of market conditions and economic cycles.

Our competitive advantages

We believe that our competitive advantages include the following:

Investment team with extensive RMBS experience

The experience of Angelo, Gordon's investment professionals provides competitive advantages to us. Angelo, Gordon has over 160 investment professionals across its lines of investment disciplines. Of those, over 90 are involved in one of Angelo, Gordon's real estate investment disciplines—RMBS, CMBS, commercial real estate, private equity real estate, real estate debt and net lease real estate. The insights, experience, and contacts of these professionals are available to us as a resource. Our Manager's dedicated RMBS investment team has 20+ investment professionals that are part of the broader Angelo, Gordon Structured Credit Platform. The senior investment professionals have significant experience in managing residential mortgage-related assets through a variety of market cycles and credit and interest rate environments. Angelo, Gordon is an established leader in the alternative investment field and its overall investment philosophy is credit and value-centric in that its investment process is based on a highly analytical framework and, with respect to RMBS, takes into account factors such as loan-level cash flows, historical and current borrower performance and collateral valuation.

Breadth of Angelo, Gordon's experience

Although our core investment strategy is focused on RMBS, Angelo, Gordon's expertise in related investment disciplines such as residential and consumer debt, commercial real estate debt, commercial real estate, net lease real estate, distressed credit, leveraged loans and private equity provides our Manager with both (i) valuable investment insights to our RMBS investment selection and strategy and (ii) flexibility to opportunistically invest in target assets other than RMBS as market conditions warrant. As market conditions change and new opportunities are created that are consistent with our strategy and are structurally appropriate for us, we believe Angelo, Gordon's extensive experience can assist our Manager in moving quickly to take advantage of those opportunities on our behalf.

Angelo, Gordon was founded in 1988 and is an SEC-registered investment adviser with approximately $27 billion under management as of December 31, 2016. The firm manages capital across eleven strategies: (i) convertible arbitrage, (ii) distressed debt, (iii) energy lending, (iv) merger arbitrage, (v) middle market direct lending, (vi) net lease real estate, (vii) non-investment grade corporate credit, (viii) private equity, (ix) real estate debt, (x) real estate equity, and (xi) residential and consumer debt. Angelo, Gordon has over 400 employees, including over 160 investment professionals. The firm is headquartered in New York with associated offices in Chicago, Houston, Los Angeles, San Francisco, London, Amsterdam, Frankfurt, Hong Kong, Tokyo and Seoul.

Access to our Manager's relationships

Angelo, Gordon has created a broad network of deal sources, including relationships with major issuers of residential debt securities and the broker-dealers that trade these securities, augmented by ongoing dialogue with a substantial number of smaller, regional firms that tend to find investment opportunities that are often priced and sold on an off-market basis. Our Manager's investment team has extensive industry contacts and client relationships which have generated proprietary deal flow.

Disciplined investment approach and granular credit analysis

We seek to maximize our risk-adjusted returns through our Manager's disciplined investment approach, which relies on rigorous quantitative and qualitative analysis. Our investment thesis is predicated upon in-depth loan-level analysis and our proprietary analytics, which allow us to underwrite loans individually based on updated borrower credit information and property attributes. Our focus on fundamental granular analysis remains the cornerstone of our investment philosophy, and we believe that through this approach we can identify attractive investment opportunities.

Access to Angelo, Gordon's well developed infrastructure and asset management systems

Angelo, Gordon has invested and continues to invest in the technology, analytics and systems that we believe are required to effectively and comprehensively evaluate potential investments. Our Manager's investment team and Angelo, Gordon's technology group have developed proprietary databases, portfolio systems and quantitative models to enhance valuation analytics (pipeline modeling, roll rates and severity of loss, amongst others). Our Manager's investment team has developed proprietary prepayment, default, delinquency, roll rate and loss severity models to analyze current mark-to-market home values on a loan-by-loan basis using borrower monthly performance statistics, credit characteristics and home price appreciation (or depreciation) by metropolitan statistical area for most of the residential market.

Access to Angelo, Gordon's accounting, tax and internal risk management systems

Our Manager utilizes Angelo, Gordon's well developed accounting, tax and internal risk management departments, comprising over 50 certified public accountants. Additionally, our Manager has access to Angelo, Gordon's technology, client service, disaster recovery and operational infrastructure to support our operations.

Operating and regulatory structure

REIT qualification

We have elected to be treated as a REIT under Sections 856 through 859 of the Internal Revenue Code of 1986, as amended, or the Code. Our qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares. We believe that we are organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our manner of operation enables us to meet the requirements for qualification and taxation as a REIT.

To qualify as a REIT, we generally need to distribute at least 90% of our ordinary taxable income each year (subject to certain adjustments) to our stockholders in order to qualify as a REIT under the Code. Our ability to make distributions to our stockholders depends, in part, upon the performance of our investment portfolio. For the year ended December 31, 2016, we elected to satisfy the REIT distribution requirements in part with a dividend paid in 2017. In conjunction with this, we accrued an excise tax of $1.7 million in 2016, which is included in the “Taxes payable” line item on the consolidated balance sheets in Item 8.

As a REIT, we generally are not subject to U.S. federal income tax on our REIT taxable income that we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Accordingly, our failure to qualify as a REIT could have a material adverse impact on our results of operations and our ability to pay distributions, if any, to our stockholders. Even if we qualify for taxation as a REIT, we may be subject to some U.S. federal, state and local taxes on our income or property. In addition, any income earned by a domestic taxable REIT subsidiary, or TRS, will be subject to corporate income taxation.

Investment Company Act exemption

We conduct our operations so that we are not considered an investment company under Section 3(a)(1)(C) of the Investment Company Act. Under Section 3(a)(1)(C) of the Investment Company Act, a company is deemed to be an investment company if it is engaged, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire “investment securities” having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, (the “40% test”). “Investment securities” do not include, among other things, U.S. government securities and securities issued by majority-owned subsidiaries that (i) are not investment companies and (ii) are not relying on the exceptions from the definition of investment company provided by Section 3(c)(1) or 3(c)(7) of the Investment Company Act.

The operations of many of our wholly-owned or majority-owned subsidiaries’ are generally conducted so that they are exempted from investment company status in reliance upon Section 3(c)(5)(C) of the Investment Company Act. Because entities relying on Section 3(c)(5)(C) are not investment companies, our interests in those subsidiaries do not constitute “investment securities” for purposes of Section 3(a)(1)(C). To the extent that our direct subsidiaries qualify only for either Section 3(c)(1) or 3(c)(7) exemptions from the Investment Company Act, we limit our holdings in those kinds of entities so that, together with other investment securities, we satisfy the 40% test. Although we continuously monitor our and our subsidiaries’ portfolios on an ongoing basis to ensure compliance with that test, there can be no assurance that we will be able to maintain the exemptions from registration for us and each of our subsidiaries.

The method we use to classify our subsidiaries’ assets for purposes of Section 3(c)(5)(C) of the Investment Company Act is based in large measure upon no-action positions taken by the SEC staff. These no-action positions were issued in accordance with factual situations that may be substantially different from the factual situations we may face, and a number of these no-action positions were issued decades ago. No assurance can be given that the SEC or its staff will concur with our classification of our or our subsidiaries’ assets or that the SEC or its staff will not, in the future, issue further guidance that may require us to reclassify those assets for purposes of qualifying for an exclusion from registration under the Investment Company Act. There can be no assurance that the laws and regulations governing the Investment Company Act status of companies primarily owning real estate related assets, including the SEC or its staff providing more specific or different guidance regarding these exemptions, will not change in a manner that adversely affects our operations. To the extent that the SEC or its staff provides more specific guidance regarding Section 3(c)(5)(C) or any of the other matters bearing upon the definition of investment company and the exceptions to that definition, we may be required to adjust our investment strategy accordingly. Additional guidance from the SEC or its staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the investment strategy we have chosen.

Conducting our operations so as not to be considered an investment company under the Investment Company Act limits our ability to make certain investments. For example, these restrictions limit our and our subsidiaries’ ability to invest directly in mortgage-related securities that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations, certain real estate companies and assets not related to real estate.

Restrictions on ownership and transfer of shares

Our charter, subject to certain exceptions, prohibits any person from directly or indirectly owning (i) more than 9.8% in value or in number of shares, whichever is more restrictive, of our outstanding common stock, or (ii) more than 9.8% in value or in number of shares, whichever is more restrictive, of our outstanding capital stock. We refer to those limitations in this report collectively as the "share ownership limits." Our charter also prohibits any person from directly or indirectly owning shares of any class of our stock if such ownership would result in our being "closely held" under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT.

Our charter generally provides that any capital stock owned or transferred in violation of the foregoing restrictions will be deemed to be transferred to a charitable trust for the benefit of a charitable beneficiary, and the purported owner or transferee will acquire no rights in such shares. If the foregoing is ineffective for any reason to prevent a violation of these restrictions, then the transfer of such shares will be void *ab initio*.

Competition

Our net income depends, in large part, on our ability to acquire assets at favorable spreads over our borrowing and hedging costs. In acquiring our investments, we compete with other REITs, specialty finance companies, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, financial institutions, governmental bodies, and other entities. In addition, there are numerous REITs and specialty finance companies with similar asset acquisition objectives. These other REITs and specialty finance companies increase competition for the available supply of our target assets suitable for purchase. Many of our competitors are significantly larger than we are, have access to greater capital and other resources and may have other advantages over us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than we can. Market conditions may attract more competitors, which may increase the competition for sources of financing. An increase in the competition for sources of financing could adversely affect the availability and cost of financing.

We have access to our Manager's professionals and their industry expertise, which we believe provides us with a competitive advantage. These professionals help us assess investment risks and determine appropriate pricing for certain potential investments. These relationships enable us to compete more effectively for attractive investment opportunities. Despite certain competitive advantages, we may not be able to achieve our business goals or expectations due to the competitive risks that we face.

Staffing

We are managed by our Manager pursuant to a management agreement. Our Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility with respect to our Manager's day-to-day duties and obligations arising under our management agreement. In addition, all of our officers are employees of Angelo, Gordon or its affiliates. We have no employees. Angelo, Gordon has over 400 employees.

Available information

Our principal executive offices are located at 245 Park Avenue, 26th Floor, New York, New York 10167. Our telephone number is (212) 692-2000. Our website can be found at www.agmit.com. We make available free of charge on, or through the SEC filings section of our website, access to our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, as are filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as our proxy statements with respect to our annual meetings of stockholders, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our Exchange Act reports filed with, or furnished to, the SEC are also available at the SEC's website at www.sec.gov. The content of any website referred to in this Form 10-K is not incorporated by reference into this Form 10-K unless expressly noted. You also may inspect and copy these reports, proxy statements and other information, as well as the annual report and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and stockholders may lose some or all of their investment.

Risks related to our business

Increases in interest rates could adversely affect the value of our investments and cause our interest expense to increase, which could result in reduced earnings or losses and negatively affect our profitability as well as the cash available for distribution to our stockholders.

Our investment portfolio contains a significant allocation to RMBS, as well as other assets such as ABS, CMBS and mortgage loans. The relationship between short-term and longer-term interest rates is often referred to as the "yield curve." In a normal yield curve environment, an investment in such assets will generally decline in value if long-term interest rates increase. Declines in market value may ultimately reduce earnings or result in losses to us, which may negatively affect cash available for distribution to our stockholders.

Ordinarily, short-term interest rates are lower than longer-term interest rates. If short-term interest rates rise disproportionately relative to longer-term interest rates (a flattening of the yield curve), our borrowing costs will generally increase more rapidly than the interest income earned on our assets. Because our investments will generally bear interest based on longer-term rates than our borrowings, a flattening of the yield curve would tend to decrease our net income, book value and the market value of our net assets. It is also possible that short-term interest rates may exceed longer-term interest rates (a yield curve inversion), in which event our borrowing costs may exceed our interest income and we could incur operating losses. Additionally, to the extent cash flows from investments that return scheduled and unscheduled principal are reinvested, the spread between the yields on the new investments and available borrowing rates may decline, which would likely decrease our net income.

A significant risk associated with our target assets is the risk that both long-term and short-term interest rates will increase significantly. If long-term rates increase significantly, the market value of these investments will decline, and the duration and weighted average life of the investments will increase. At the same time, an increase in short-term interest rates will increase the amount of interest owed on the repurchase agreements we enter into to finance the purchase of our investments.

We may experience periods of illiquidity for our assets, which could adversely impact the value of our assets, our ability to finance our business or operate profitably.

Possible market developments, including adverse developments in financial and capital markets, could reduce the liquidity in the markets of the assets that we own. A lack of liquidity may result from the absence of a willing buyer or an established market for these assets, legal or contractual restrictions on resale or disruptions in the secondary markets. Such decreased liquidity can cause us to sell our assets at a price lower than we would normally sell them or cause us to hold our assets longer than we would normally hold them. In addition, such illiquidity could cause our lenders to require us to pledge additional assets as collateral. If we are unable to obtain sufficient short-term financing or our assets are insufficient to meet the collateral requirements, then we may be compelled to liquidate particular assets at an inopportune time. We bear the risk of being unable to dispose of our assets at advantageous times or in a timely manner, and if such assets experience periods of illiquidity, our profitability may be adversely affected and we could incur substantial losses.

Investment in new business strategies and acquisitions could disrupt the Company's ongoing business and present risks not originally contemplated.

The Company has invested, and in the future may invest, in new business strategies or acquisitions. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, greater than expected liabilities and expenses, inadequate return of capital and unidentified issues not discovered in the Company's due diligence. These new ventures are inherently risky and may not be successful.

We may change our investment and operational policies without stockholder consent, which may adversely affect the market value of our common stock and our ability to make distributions to our stockholders.

Our board of directors determines our operational policies and may amend or revise such policies, including our policies with respect to our REIT qualification, acquisitions, dispositions, operations, indebtedness and distributions, or approve transactions that deviate from these policies, without a vote of, or notice to, our stockholders. Operational policy changes could adversely affect the market value of our common stock and our ability to make distributions to our stockholders.

We may also change our investment strategies and policies and target asset classes at any time without the consent of our stockholders, which could result in our making investments that are different in type from, and possibly riskier than, our current assets or the investments contemplated in this report. A change in our investment strategies and policies and target asset classes may increase our exposure to interest rate risk, default risk and real estate market fluctuations, which could adversely affect the market value of our common stock and our ability to make distributions to our stockholders.

We are highly dependent on information systems and systems failures, breaches or cyber-attacks could significantly disrupt our business, which could have a material adverse effect on our results of operations and cash flows.

Our business is highly dependent on the communications and information systems of our Manager. Any failure interruption or unauthorized access of these systems could cause delays or other problems in our securities trading activities, which could have a material adverse effect on our results of operations and cash flows and negatively affect the market price of our common stock and ability to make distributions to our stockholders.

System breaches in particular are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could result in disruptions of our Manager's communications and information systems, unauthorized release of confidential or proprietary information and damage or corruption of data. These events could lead to higher operating costs from remedial actions, loss of business and potential liability.

Risks related to our investments

The residential mortgage loans that we acquire, the mortgages underlying the RMBS that we acquire, the commercial mortgage loans we acquire, the commercial mortgage loans underlying the CMBS that we acquire and the assets underlying the ABS that we acquire are all subject to defaults, foreclosure timeline extension, fraud, price depreciation and unfavorable modification of loan principal amount, interest rate and premium, any of which could result in losses to us.

In the event of any default under a mortgage loan held directly by us or through a Non-Agency securitization structure we invest in, we bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on our cash flow from operations. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor in possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process which could have a substantial negative effect on our anticipated return on the foreclosed mortgage loan.

Our investments in residential mortgage loans and Non-Agency RMBS are subject to the risks of default, foreclosure timeline extension, fraud, home price depreciation and unfavorable modification of loan principal amount, interest rate and amortization of principal, accompanying the underlying residential mortgage loans. The ability of a borrower to repay a mortgage 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:

- adverse changes in national and local economic and market conditions;
- the availability of affordable refinancing options; and
- uninsured or under-insured property losses caused by earthquakes, floods and other natural disasters.

In the event of defaults on the residential mortgage loans and residential mortgage loans that underlie our investments in RMBS and the exhaustion of any underlying or any additional credit support, we may not realize our anticipated return on our investments and we may incur a loss on these investments.

The CMBS that we invest in are secured by a single commercial mortgage loan or a pool of commercial mortgage loans and are subject to all of the risks of the respective underlying commercial mortgage loans. Our commercial mortgage loans are secured by multifamily or commercial property and are subject to risks of delinquency foreclosure and loss that are greater than similar risks associated with loans made on the security of single-family residential property. The ability of a borrower to repay a loan secured by an income-producing property, such as a multifamily or commercial property, typically is dependent primarily upon the successful business operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired and duration may be extended. Net operating income of an income-producing property can be affected by a number of factors that include:

- overall macroeconomic conditions in the area in which the properties underlying the mortgages are located;
- tenant mix and the success of tenant businesses;
- property location, condition and management decisions;
- competition from comparable types of properties; and
- changes in laws that increase operating expenses or limit rents that may be charged.

We invest in ABS backed by various asset classes including, but not limited to, small balance commercial mortgages, aircraft, automobiles, credit cards, equipment, manufactured housing, franchises, recreational vehicles and student loans. ABS remain subject to the credit exposure of the underlying receivables. In the event of increased rates of delinquency with respect to any receivables underlying our ABS, we may not realize our anticipated return on these investments.

Our investments are subject to a significant change in prepayments speeds affecting the value of our portfolio and possibly adversely affecting yields.

The value of our assets may be affected by prepayment rates on residential mortgage loans. We acquire RMBS and anticipate that the underlying residential mortgages loans will prepay at a projected rate generating an expected yield. If we purchase assets at a premium to par value, when borrowers prepay their residential mortgage loans faster than expected, the corresponding prepayments on the mortgage-related securities may reduce the expected yield on such securities because we will have to amortize the related premium on an accelerated basis. In the case of Agency RMBS whole pools and certain other investment grade rated securities, we will be required to make a retrospective adjustment to historical amortization. Conversely, if we purchase assets at a discount to par value, when borrowers prepay their residential mortgage loans slower than expected, the decrease in corresponding prepayments on the RMBS may reduce the expected yield on such securities because we will not be able to accrete the related discount as quickly as originally anticipated and, in the case of Agency RMBS whole pools and certain other investment grade rated securities, we will have to make a retrospective adjustment to historical amortization.

Commercial mortgages frequently limit the ability of the borrower to prepay, thereby providing a certain level of prepayment protection. Common restrictions include yield maintenance and prepayment penalties, the proceeds of which are generally at least partially allocable to these securities.

These changes in prepayment rates may affect our ability to maintain targeted amounts of leverage on our portfolio and may result in reduced earnings or losses for us and negatively affect the cash available for distribution to our stockholders.

Our hedging strategies are generally not designed to mitigate credit spread risk.

When the market spread widens between the yield on our assets and benchmark interest rates, our net book value could decline if the value of our assets falls by more than the offsetting fair value increases on our hedging instruments tied to the underlying benchmark interest rates. We refer to this scenario as an example of "spread risk" or " basis risk." The spread risk associated with our mortgage assets and the resulting fluctuations in fair value of these securities can occur independently of changes in benchmark interest rates and may relate to other factors impacting the mortgage and fixed income markets, such as actual or anticipated monetary policy actions by the Federal Reserve, market liquidity, or changes in required rates of return on different assets. Consequently, while we use interest rate swap agreements, Eurodollar futures, U.S. Treasury note futures, put options and interest rate swap futures and other supplemental hedges to attempt to protect against moves in interest rates, such instruments typically will not protect our net book value against spread risk, which could adversely affect our financial condition and results of operations.

Because we acquire mainly fixed-rate securities, an increase in interest rates may adversely affect our book value.

Rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may affect the volume of our target assets available to us, which could adversely affect our ability to acquire assets that satisfy our investment objectives. Rising interest rates may also cause our target assets that were issued prior to an interest rate increase to provide yields that are below prevailing market interest rates. If rising interest rates cause us to be unable to acquire a sufficient volume of our target assets with a yield that is above our borrowing cost, our ability to satisfy our investment objectives and to generate income and pay dividends may be materially and adversely affected. Additionally, in periods of rising interest rates, our Agency RMBS may experience reduced returns if the owners of the underlying mortgages pay off their mortgages more slowly than anticipated. This could cause the prices of our Agency RMBS to fall more than we anticipated and for our hedge portfolio to underperform relative to the decline in the value of our Agency RMBS which could negatively affect our book value.

The failure of servicers to effectively service the mortgage loans underlying the RMBS in our portfolio or any mortgage loans we own may materially and adversely affect us.

Most residential mortgage loans and securitizations of residential mortgage loans require a servicer to manage collections on each of the underlying loans. Both default frequency and default severity of loans may depend upon the quality of the servicer. If servicers are not vigilant in encouraging borrowers to make their monthly payments, the borrowers may be far less likely to make these payments, which could result in a higher frequency of default. If servicers take longer to liquidate non-performing assets, losses may be higher than originally anticipated. Higher losses may also be caused by less competent dispositions of real estate owned (“REO”) properties. The failure of servicers to effectively service the mortgage loans underlying the RMBS in our portfolio or any mortgage loans we own could negatively impact the value of our investments and our performance. Servicer quality is of prime importance in the performance of residential mortgage loans and RMBS. Many servicers have gone out of business over the last several years, requiring a transfer of servicing to another servicer. This transfer takes time, and loans may become delinquent because of confusion or lack of attention. When servicing is transferred, servicing fees may increase, which may have an adverse effect on the RMBS held by us. In the case of pools of securitized loans, servicers may be required to advance interest on delinquent loans to the extent the servicer deems those advances recoverable. In the event the servicer does not advance interest on delinquent loans, interest may not be able to be paid even on more senior securities. Servicers may also advance more interest than is in fact recoverable once a defaulted loan is disposed, and the loss to the trust may be greater than the outstanding principal balance of that loan.

We may be subject to the risks associated with inadequate or untimely services from third-party service providers, which may negatively impact our results of operations.

Loans underlying non-Agency MBS we own are serviced by third-party service providers. These servicers provide for the primary and special servicing of these securities. In that capacity these service providers control all aspects of loan collection, loss mitigation, default management and ultimate resolution of a defaulted loan including as applicable the foreclosure and sale of the real estate owned. The servicer has a fiduciary obligation to act in the best interest of the securitization trust, but significant latitude exists with respect to certain of its servicing activities. We have no contractual rights with respect to these servicers, and our risk management operations may not be successful in limiting future delinquencies, defaults, and losses. If a third party servicer fails to perform its duties under the securitization documents, this may result in a material increase in delinquencies or losses on the MBS. As a result, the value of the MBS may be impacted, and we may incur losses on our investment.

In addition, should a servicer experience financial difficulties, it may not be able to perform its obligations. Due to application of provisions of bankruptcy law, servicers who have sought bankruptcy protection may not be required to make advance payments required under the terms of the MBS of amounts due from loan borrowers. Even if a servicer were able to advance amounts in respect of delinquent loans, its obligation to make the advances may be limited to the extent that is does not expect to recover the advances due to the deteriorating credit of the delinquent loans.

Our Manager’s due diligence of potential investments may not reveal all of the liabilities associated with such investments and may not reveal other weaknesses in such investments, which could lead to investment losses.

Our Manager values our target assets based on loss-adjusted yields, taking into account estimated future losses on the mortgage loans included in the securitization’s pool of loans, and the estimated impact of these losses on expected future cash flows. Our Manager’s loss estimates may not prove accurate, as actual results may vary from estimates. In the event that our Manager underestimates the pool level losses relative to the price we pay for a particular investment, we may experience losses with respect to such investment.

Before making an investment, our Manager assesses the strengths and weaknesses of the originators, borrowers, and the underlying property values, as well as other factors and characteristics that are material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, our Manager relies on resources available to it and, in some cases, an investigation by third parties. There can be no assurance that our Manager's due diligence process will uncover all relevant facts or that any investment will be successful.

Mezzanine loan assets involve greater risks of loss than senior loans.

We hold mezzanine loans which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. These types of assets involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property, because the loan may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some or any of our initial investment. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. Significant losses related to our mezzanine loans would result in operating losses for us and may limit our ability to make distributions to our stockholders.

Rapid changes in the values of our residential mortgage loans and other real estate-related assets may make it more difficult for us to maintain our qualification as a REIT or exemption from registration under the Investment Company Act.

If the market value or income potential of our residential mortgage loans and other real estate-related assets declines as a result of increased interest rates, prepayment rates or other factors, we may need to increase certain real estate investments and income and/or liquidate our non-qualifying assets in order to maintain our REIT qualification or exemption from registration under the Investment Company Act. If the decline in real estate asset values and/or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of certain investments. We may have to make investment decisions that we otherwise would not make absent our REIT and Investment Company Act considerations.

We may be adversely affected by risks affecting borrowers or the asset or property types in which our investments may be concentrated at any given time, as well as from unfavorable changes in the related geographic regions.

Our assets are not subject to any geographic, diversification or concentration limitations except that we concentrate in residential mortgage-related investments. Accordingly, our investment portfolio may be concentrated by geography, asset, property type and/or borrower, increasing the risk of loss to us if the particular concentration in our portfolio is subject to greater risks or undergoing adverse developments. In addition, adverse conditions in the areas where the properties securing or otherwise underlying our investments are located (including business layoffs or downsizing, industry slowdowns, changing demographics and other factors) and local real estate conditions (such as oversupply or reduced demand) may have an adverse effect on the value of our investments. A material decline in the demand for real estate in these areas may materially and adversely affect us. Lack of diversification can increase the correlation of non-performance and foreclosure risks among our investments.

Our investments are generally recorded at fair value, and quoted prices or observable inputs may not be available to determine such value, resulting in the use of significant unobservable inputs to determine value.

The values of some of our investments may not be readily determinable. We measure the fair value of these investments in accordance with guidance set forth in Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC 820-10, "Fair Value Measurements and Disclosures." Ultimate realization of the value of an asset depends to a great extent on economic and other conditions that are beyond the control of our Manager, our Company or our board of directors. Further, fair value is only an estimate based on good faith judgment of the price at which an investment can be sold since market prices of investments can only be determined by negotiation between a willing buyer and seller. If we were to liquidate a particular asset, the realized value may be more than or less than the fair value that we ascribe to that asset.

To a large extent, our Manager's determination of the fair value of our investments depends on inputs provided by third-party dealers and pricing services. Valuations of certain securities in which we invest are often difficult to obtain or are unreliable. In general, dealers and pricing services heavily disclaim their valuations. Dealers may claim to furnish valuations only as an accommodation and without special compensation, and so they may disclaim any and all liability for any direct, incidental, or consequential damages arising out of any inaccuracy or incompleteness in valuations, including any act of negligence or breach of any warranty. Depending on the complexity and illiquidity of a security, valuations of the same security can vary substantially from one dealer or pricing service to another. Therefore, our results of operations for a given period could be adversely affected if our determinations regarding the fair market value of these investments are materially higher than the values that we ultimately realize upon their disposal.

Our Manager utilizes analytical models and data in connection with the evaluation of our investments, and any incorrect, misleading or incomplete information used in connection therewith will subject us to potential risks.

Given the complexity of certain of our investments and strategies, our Manager must rely heavily on analytical models (both proprietary models developed by our Manager and those supplied by third parties) and information and data supplied by third parties. We use this information to value investments or potential investments and also to hedge our investments. When this information proves to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose us to potential risks. For example, by relying on this potentially faulty information, especially valuation models, our Manager may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low or to miss favorable opportunities altogether. Similarly, any hedging may prove to be unsuccessful.

Some of the risks of relying on analytical models and third-party data are particular to analyzing tranches from securitizations, such as mortgage-backed securities. These risks include, but are not limited to, the following: (i) collateral cash flows and/or liability structures may be incorrectly modeled in all or only certain scenarios, or may be modeled based on simplifying assumptions that lead to errors; (ii) information about collateral may be incorrect, incomplete, or misleading; (iii) collateral or bond historical performance (such as historical prepayments, defaults, cash flows, etc.) may be incorrectly reported or subject to interpretation (*e.g.*, different issuers may report delinquency statistics based on different definitions of what constitutes a delinquent loan); or (iv) collateral or bond information may be outdated, in which case the models may contain incorrect assumptions as to what has occurred since the date information was last updated.

Some of the analytical models used by our Manager, such as mortgage prepayment models, mortgage default models, and models providing risk sensitivities and duration output, are predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses on a cash flow and/or a mark-to-market basis. Incorrect sensitivities and duration output may lead to an unsound hedging strategy. In addition, the predictive models used by our Manager may differ substantially from those models used by other market participants, with the result that valuations based on these predictive models may be substantially higher or lower for certain investments than actual market prices. Furthermore, since predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data and the ability of these historical models to accurately reflect future periods.

All valuation models rely on correct market data inputs. If incorrect market data is entered into even a well-founded valuation model, the resulting valuations will be incorrect. However, even if the input of market data is correct, "model prices" often differ substantially from market prices, especially for securities that are illiquid and have complex characteristics, such as derivative securities.

Our investments in unsecuritized residential and commercial whole loans are difficult to value and are dependent upon the ability to finance, refinance and securitize such investments. The inability to do so could materially and adversely affect our liquidity and earnings and limit the cash available for distribution to our stockholders.

Our investments include investments in RPLs and NPLs. RPLs are loans on which a borrower was previously delinquent but has resumed repaying. Our ability to sell RPLs for a profit depends on the borrower continuing to make payments. An RPL could become a NPL, which could reduce our earnings. Investments in NPLs and sub-performing loans may involve workout negotiations, restructuring and the possibility of foreclosure. These processes may be lengthy and expensive. If loans become real estate owned, or REO, servicing companies will have to manage these properties and may not be able to sell them. See the "Our ability to sell REO on terms acceptable to us or at all may be limited" risk factor.

We may seek to refinance an NPL or RPL to realize greater value from such loan. However, there may be impediments to executing a refinancing strategy for NPLs and RPLs. For example, many mortgage lenders have adjusted their loan programs and underwriting standards to be more conservative, which has reduced the availability of mortgage credit to prospective borrowers. This has resulted in reduced availability of financing alternatives for borrowers seeking to refinance their mortgage loans. The decline in housing prices may also result in higher loan-to-value ratios and leave borrowers with insufficient equity in their homes to permit them to refinance. To the extent prevailing mortgage interest rates rise from current levels, these risks would be exacerbated. The effect of the above would likely serve to make refinancing of NPLs and RPLs potentially more difficult and less profitable for us.

Arc Home's mortgage business is highly dependent upon programs administered by Ginnie Mae or a GSE, such as Fannie Mae and Freddie Mac to generate revenues through mortgage loan sales to institutional investors. Any changes in existing U.S. government-sponsored mortgage programs could materially and adversely affect Arc Home's mortgage business and the value of our investment in Arc Home.

There is uncertainty regarding the future of Fannie Mae and Freddie Mac, including with respect to how long they will continue to be in existence, the extent of their roles in the market and what forms they will take. The future roles of Fannie Mae and Freddie Mac could be reduced or eliminated and the nature of their guarantees could be limited or eliminated relative to historical measurements. The elimination or modification of the traditional roles of Fannie Mae or Freddie Mac could adversely affect Arc Home's mortgage business and the value of our investment in Arc Home. Furthermore, any discontinuation of, or significant reduction in, the operation of these GSEs and Ginnie Mae, or any significant adverse change in the level of activity of these agencies in the primary or secondary mortgage markets or in the underwriting criteria of these agencies could materially and adversely affect Arc Home's business, financial condition and results of operations.

The residential mortgage loans which Arc Home's mortgage business originates may be subject to delinquency, foreclosure and loss, which could result in losses to Arc Home and, as a result, in the diminution in the value of our investment in Arc Home.

Residential mortgage loans are secured by residential property and those that are not guaranteed by a U.S. Government agency or a GSE are subject to risks of delinquency, foreclosure and loss during the period of time that loans are held pending sale, generally 20-30 days. The ability of a borrower to repay a loan secured by a residential property depends upon the income or assets of the borrower as well as a number of other factors. In the event of any default or underwriting flaw under a mortgage loan held directly by Arc Home's mortgage business, it may bear, or be required to indemnify against, a risk of loss of principal to the extent of any deficiency between the value of the collateral on the one hand and the principal and accrued interest of the mortgage loan on the other, which could have a material adverse effect on its cash flow from operations. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process which could have a substantial negative effect on Arc Home's anticipated return on the foreclosed mortgage loan.

The underwriting practices in Arc Home's mortgage business may not adequately capture the risk inherent in its mortgage lending operations and failures in its underwriting process may result in loans that expose it to a greater risk of loss.

Arc Home's mortgage business seeks to mitigate the risks inherent in its mortgage lending operations by adhering to specific underwriting practices. These practices will often include, among other things, analysis of a borrower's prior credit history, credit score, employment, income verification, financial statements, tax returns and cash flow projections; valuation of collateral; and verification of liquid assets. If Arc Home's underwriting process fails to capture accurate information or proves to be inadequate, Arc Home may incur losses on mortgage loans that meet its underwriting criteria, and those losses may exceed the amounts set aside as reserves. In addition, should the mortgage loans Arc Home originates sustain higher levels of delinquencies or defaults, Arc Home may lose the ability to originate or sell FHA loans, or to do so profitably. Any of these outcomes could negatively affect the value of our investment in Arc Home.

Arc Home's acquisition of mortgage servicing rights exposes it to significant risks.

MSRs arise from contractual agreements between Arc Home and the investors (or their agents) in mortgage securities and mortgage loans. Arc Home generally acquires MSRs in connection with its sale of mortgage loans to the Agencies where it assumes the obligation to service such loans on their behalf. Arc Home also purchases MSRs from third-party sellers. Any MSRs Arc Home acquires are initially recorded at fair value on its balance sheet. The determination of the fair value of MSRs requires Arc Home's management to make numerous estimates and assumptions. Such estimates and assumptions include, without limitation, estimates of future cash flows associated with MSRs based upon assumptions involving interest rates as well as the prepayment rates, delinquencies and foreclosure rates of the underlying serviced mortgage loans. The ultimate realization of the value of MSRs may be materially different than the values of such MSRs as may be reflected in Arc Home's balance sheet as of any particular date. The use of different estimates or assumptions in connection with the valuation of these assets could produce materially different fair values for such assets. Accordingly, there may be material uncertainty about the fair value of any MSRs Arc Home acquires.

Changes in interest rates are a key driver of the performance of MSRs. Historically, the value of MSRs has increased when interest rates rise and decreased when interest rates decline due to the effect those changes in interest rates have on prepayment estimates. Arc Home may pursue various hedging strategies to seek to reduce its exposure to adverse changes in the fair value of its MSRs resulting from changes in interest rates. Arc Home's hedging activity will vary in scope based on the level and volatility of interest rates, the type of assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect Arc Home. To the extent Arc Home does not hedge against changes in the fair value of its MSRs, it would be more susceptible to volatility due to changes in the fair value of, or cash flows from, MSRs as interest rates change.

Prepayment speeds significantly affect MSRs. Arc Home bases the price it pays for MSRs and the rate of amortization of those assets on, among other things, its projection of the cash flows from the related pool of mortgage loans. Arc Home's expectation of prepayment speeds is a significant assumption underlying those cash flow projections. If prepayment speed expectations increase significantly, the fair value of the MSRs could decline, and Arc Home may be required to record a non-cash charge, which would have a negative impact on its financial results. Furthermore, a significant increase in prepayment speeds could materially reduce the ultimate cash flows Arc Home receives from MSRs, and it could ultimately receive substantially less than what it paid for such assets. Moreover, delinquency rates have a significant impact on the valuation of any MSRs. An increase in delinquencies generally results in lower revenue because typically Arc Home only collects servicing fees from Agencies or mortgage owners for performing loans. Arc Home's expectation of delinquencies is also a significant assumption underlying its cash flow projections. If delinquencies are significantly greater than Arc Home expects, the estimated fair value of the MSRs could be diminished.

Furthermore, MSRs and the related servicing activities are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions imposing various requirements and restrictions on Arc Home's business. Arc Home's failure to comply, or the failure of the servicer to comply, with the laws, rules or regulations to which Arc Home or the servicer are subject by virtue of ownership of MSRs, whether actual or alleged, could expose Arc Home to fines, penalties or potential litigation liabilities, including costs, settlements and judgments

Any of the above factors could have a material impact on Arc Home's business, financial condition, results of operations, cash flows, or liquidity and thus could impact the value of our investment in Arc Home.

We are subject to additional risks associated with loan participations.

Some of our loans are participation interests or co-lender arrangements in which we share the rights, obligations and benefits of the loan with other lenders. We may need the consent of these parties to exercise our rights under such loans, including rights with respect to amendment of loan documentation, enforcement proceedings in the event of default and the institution of, and control over, foreclosure proceedings. Similarly, a majority of the participants may be able to take actions to which we object but to which we will be bound if our participation interest represents a minority interest. We may be adversely affected by this lack of full control.

Our ability to sell REO on terms acceptable to us or at all may be limited.

REO assets are illiquid relative to other assets we may own. Furthermore, the real estate market is affected by many factors that are beyond our control, such as general economic conditions, availability of financing, interest rates and supply and demand. We cannot predict whether we will be able to sell any REO assets for the price or on the terms set by us or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of an REO asset. In certain circumstances, we may be required to expend cash to correct defects or to make improvements before a property can be sold, and we cannot assure that we will have cash available to correct defects or make improvements. As a result, our ownership of REOs could materially and adversely affect our liquidity, earnings and cash available for distribution to our stockholders.

Risks related to financing and hedging

We have incurred significant debt, which subjects us to increased loss and may reduce cash available for distributions to our stockholders.

Subject to market conditions and availability, we may further increase our debt in the future. We use leverage to finance our assets through borrowings from repurchase agreements and other secured and unsecured forms of borrowing. The amount of leverage we deploy for particular assets depends upon our Manager's assessment of the credit and other risks of those assets. In addition, we may leverage individual assets at substantially higher levels. Incurring debt could subject us to many risks that, if realized, could materially and adversely affect us, including the risk that:

- our cash flow from operations may be insufficient to make required payments of principal and interest on the debt or we may fail to comply with any of the other debt covenants, which will likely result in (i) an acceleration of such debt (and any other debt containing a cross-default or cross-acceleration provision) that we may be unable to repay from internal funds or to refinance on favorable terms, or at all, (ii) our inability to borrow unused amounts under our financing agreements, even if we are current in payments on borrowings under those agreements and/or (iii) the loss of some or all of our assets to foreclosure or sale;
- our debt increases our vulnerability to adverse economic and industry conditions with no assurance that investment yields will increase with higher financing costs;
- we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, investments, stockholder distributions or other purposes; and
- we may not be able to refinance debt that matures prior to the investment it was used to finance on favorable terms, or at all.

Interest rate fluctuations could significantly impact our results of operations and decrease our cash flows and the market value of our investments.

Most of our financing costs are determined by reference to floating rates, such as a LIBOR or a Treasury index, plus a margin, the amount of which will depend on a number of factors, including, without limitation, (i) for collateralized debt, the value and liquidity of the collateral, and for non-collateralized debt, our credit, (ii) the level and movement of interest rates and (iii) general market conditions and liquidity. In a period of rising interest rates, our interest expense on floating-rate debt would increase, while any additional interest income we earn on our floating-rate investments may not compensate for such increase in interest expense. Additionally, the interest income we earn on our fixed-rate investments would not change, the duration and weighted average life of our fixed-rate investments would increase and the market value of our fixed-rate investments would decrease. Similarly, in a period of declining interest rates, our interest income on floating-rate investments would decrease, while any decrease in the interest we are charged on our floating-rate debt may not compensate for such decrease in interest income. Additionally, interest we are charged on our fixed-rate debt would not change. Any such scenario could materially and adversely affect us.

Our operating results depend, in large part, on differences between the income earned on our investments, net of credit losses, and our financing and hedging costs. We anticipate that, in most cases, for any period during which our investments are not financed with borrowings of equal duration, the income earned on such investments will respond more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, changes in interest rates, particularly short-term interest rates, may immediately and significantly decrease our results of operations and cash flows and the market value of our investments.

We depend, and may in the future depend, on repurchase agreement financing to acquire target assets, and our inability to access this funding could have a material adverse effect on our results of operations, financial condition and business.

We use repurchase agreement financing as a strategy to increase the return on our assets. However, we may not be able to achieve our desired leverage ratio for a number of reasons, including if the following events occur:

- our lenders do not make financing arrangements available to us at acceptable rates;
- certain of our lenders exit the repurchase market;
- our lenders require that we pledge additional collateral to cover our borrowings, which we may be unable to do; or
- we determine that the leverage would expose us to excessive risk.

Our ability to fund our purchases of target assets may be impacted by our ability to secure financing arrangements on acceptable terms. We can provide no assurance that lenders will be willing or able to provide us with sufficient financing. In addition, because financing arrangements represent commitments of capital, lenders may respond to market conditions by making it more difficult for us to secure continued financing. During certain periods of the credit cycle, lenders may curtail their willingness to provide financing.

If major lenders stop financing our target assets, the value of our target assets could be negatively impacted, thus reducing net stockholders' equity, or book value. Furthermore, if many of our lenders or potential lenders are unwilling or unable to provide us with financing arrangements, we could be forced to sell our target assets at an inopportune time when prices are depressed.

In addition, if the regulatory capital requirements imposed on our lenders change, our lenders may be required to significantly increase the cost of the financing that they provide to us. Our lenders also may revise their eligibility requirements for the types of assets they are willing to finance or the terms of such financings, based on, among other factors, the regulatory environment and their management of perceived risk, particularly with respect to assignee liability.

Moreover, the amount of financing we receive, or may in the future receive, under our financing arrangements is directly related to the lenders' valuations of the target assets that secure the outstanding borrowings. If the valuation of our target assets decreases, we may be unable to access or maintain financing for our target assets, which could have a material adverse effect on our results of operations, financial condition, business and liquidity.

When we fund our purchases of target assets, we aim to secure sufficient financing on terms that are acceptable to us. The terms of the financings we receive are influenced by the demand for similar funding by our competitors, including other REITs, specialty finance companies and other financial entities. Many of our competitors are significantly larger than us, have greater financial resources and significantly larger balance sheets than we do. Any sizable interest rate shocks or disruptions in secondary mortgage markets resulting in the failure of one or more of our largest competitors could pose a significant risk to the U.S. economy, and would be expected to have a material adverse effect on our ability to access or maintain short-term financing for our target assets.

In October 2013 the International Monetary Fund issued its Global Financial Stability Report which states that a major interest rate shock could lead to forced asset sales by mortgage REITs. Such forced asset sales could adversely affect the market value and funding costs of our assets. The report suggested that, if warranted, government authorities could consider designating the largest mortgage REITs as systemically important non-bank financial entities. To date, the U.S. Financial Stability Oversight Council, the board of regulators established after the 2008 financial crisis, has not taken action to label any of the largest mortgage REITs as systemically important.

Our current lenders require, and future lenders may require, us to enter into restrictive covenants relating to our operations.

As of December 31, 2016 and December 31, 2015, we, either directly or through our equity method investments in affiliates, have outstanding MRAs or loan agreements with 37 and 37 counterparties, respectively, under which we had borrowed an aggregate $1.9 billion and $2.5 billion, respectively, on a non-GAAP basis. These agreements generally include customary representations, warranties and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each master repurchase or loan agreement, typical supplemental terms include requirements of minimum equity, leverage ratios, performance triggers or other financial ratios. If we fail to meet or satisfy any covenants, supplemental terms or representations and warranties, we would be in default under these agreements and our lenders could elect to declare all amounts outstanding under the agreements to be immediately due and payable, enforce their respective interests against collateral pledged under such agreements and restrict our ability to make additional borrowings. Certain financing agreements may contain cross-default provisions, so that if a default occurs under any one agreement, the lenders under our other agreements could also declare a default. Further, under our repurchase agreements, we may be required to pledge additional assets to our lenders in the event the estimated fair value of the existing pledged collateral under such agreements declines and such lenders demand additional collateral, which may take the form of additional securities, loans or cash.

Future lenders may impose similar restrictions on us that would affect our ability to incur additional debt, make certain investments or acquisitions, reduce liquidity below certain levels, make distributions to our stockholders, redeem debt or equity securities and impact our flexibility to determine our operating policies and investment strategies. For example, our loan documents may contain negative covenants that limit, among other things, our ability to repurchase our common stock, distribute more than a certain amount of our net income or funds from operations to our stockholders, employ leverage beyond certain amounts, sell assets, engage in mergers or consolidations, grant liens and enter into transactions with affiliates. If we fail to meet or satisfy any of these covenants, we would be in default under these agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral and enforce their interests against existing collateral. We are also be subject to cross-default and acceleration rights and, with respect to collateralized debt, the posting of additional collateral and foreclosure rights upon default. Further, this could also make it difficult for us to satisfy the qualification requirements necessary to maintain our status as a REIT for U.S. federal income tax purposes.

Counterparties may require us to maintain a certain amount of cash uninvested or to set aside non-levered assets sufficient to maintain a specified liquidity position which would allow us to satisfy our collateral obligations. As a result, we may not be able to leverage our assets as fully as we would choose, which could reduce our return on equity.

Warehouse facilities and other forms of short-term financings may not always be available to finance our acquisition of residential and commercial loans.

Our ability to fund our acquisitions of residential and commercial loans depends on our securing warehouse, repurchase, and other forms of short-term financing on acceptable terms. We generally intend to repay the short-term financing of a pool of loans under one of these facilities at or prior to the expiration of that financing with the proceeds of a securitization or other sale of the loans, through the proceeds of other short-term borrowings, or with other equity or longer-term debt financing. In addition, while a loan is financed under a warehouse facility, to the extent the market value of the loan declines (which market value is generally determined by the counterparty under the facility), we are required to either immediately reacquire the loan or meet a margin requirement to pledge additional collateral, such as cash or additional loans, in an amount at least equal to the decline in value.

We cannot assure you that we will be successful in establishing sufficient sources of warehouse, repurchase facilities and other short-term debt when needed. Our inability to access warehouse and repurchase facilities, credit facilities, or other forms of debt financing on acceptable terms may inhibit our ability to acquire residential and commercial loans, which could have a material adverse effect on our financial results, financial condition, and business.

If a counterparty to our repurchase transaction defaults on its obligation to resell or return the underlying security back to us at the end of the transaction term, or if the value of the underlying security has declined as of the end of that term, or if we default on our obligations under the repurchase agreement, we will lose money on such financing arrangement.

When we engage in financing arrangements, we generally sell securities to lenders (*i.e.*, repurchase agreement counterparties) and receive cash from the lenders. The lenders are obligated to resell or return the same securities back to us at the end of the term of the transaction. Because the cash we receive from lenders when we initially sell or deliver the securities to the lender is less than the value of those securities (this difference is the haircut), if the lender defaults on its obligation to resell or return the same securities back to us we may incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). On December 31, 2016, we had greater than 5% stockholders' equity at risk on a non-GAAP basis with each of 2 repurchase agreement counterparties: Wells Fargo Bank, N.A., and JP Morgan Securities, LLC.

We will also lose money on financing arrangements if the value of the underlying securities has declined as of the end of the transaction term, as we will have to repurchase or reclaim the securities for their initial value but will receive securities worth less than that amount. Further, if we default on one of our obligations under a financing arrangement, the lender will be able to terminate the transaction and cease entering into any other financing arrangements with us. If a default occurs under any of our financing arrangements and the lenders terminate one or more of our financing arrangements, we may need to enter into replacement financing arrangements with different lenders. There can be no assurance that we will be successful in entering into such replacement financing arrangements on the same terms as the financing arrangements that were terminated or at all. Any losses we incur on our financing arrangements could adversely affect our earnings and thus our cash available for distribution to our stockholders.

Our rights under our repurchase agreements may be subject to the effects of the bankruptcy laws in the event of the bankruptcy or insolvency of us or our lenders under the financing arrangements, which may allow our lenders to repudiate our financing arrangements.

In the event of our insolvency or bankruptcy, certain repurchase agreements may qualify for special treatment under the U.S. Bankruptcy Code, the effect of which, among other things, would be to allow the lender under the applicable repurchase agreements to avoid the automatic stay provisions of the U.S. Bankruptcy Code and to foreclose on the pledged collateral without delay, exacerbating our legal title and the right to proceeds. In the event of the insolvency or bankruptcy of a lender during the term of a repurchase agreement, the lender may be permitted, under applicable insolvency laws, to repudiate the contract, and our claim against the lender for damages may be treated simply as that of an unsecured creditor. In addition, if the lender is a broker or dealer subject to the Securities Investor Protection Act of 1970, or an insured depository institution subject to the Federal Deposit Insurance Act, our ability to exercise our rights to recover our securities under a repurchase agreements or to be compensated for any damages resulting from the lender's insolvency may be further limited by those statutes. These claims would be subject to significant delay and, if and when received, may be substantially less than the damages we actually incur.

Pursuant to the terms of borrowings under our financing arrangements, we are subject to margin calls that could result in defaults or force us to sell assets under adverse market conditions or through foreclosure.

We enter into financing arrangements to finance the acquisition of our target assets. Pursuant to the terms of borrowings under our financing arrangements, a decline in the value of the collateral may result in our lenders initiating margin calls. A margin call requires us to pledge additional collateral to re-establish the ratio of the value of the collateral to the amount of the borrowing. The specific collateral value to borrowing ratio that would trigger a margin call is not set in the master repurchase agreements or loan agreements and is not determined until we engage in a repurchase transaction or borrowing arrangement under these agreements. Our fixed-rate collateral generally may be more susceptible to margin calls as periods of increased interest rates tend to affect more negatively the market value of fixed-rate securities. In addition, some collateral may be more illiquid than other instruments in which we invest, which could cause them to be more susceptible to margin calls in a volatile market environment. Moreover, collateral that prepays more quickly increases the frequency and magnitude of potential margin calls as there is a significant time lag between when the prepayment is reported (which reduces the market value of the security) and when the principal payment is actually received. If we are unable to satisfy margin calls, our lenders may foreclose on our collateral. The threat of or occurrence of a margin call could force us to sell, either directly or through a foreclosure, our collateral under adverse market conditions. Because of the leverage we expect to have, we may incur substantial losses upon the threat or occurrence of a margin call.

Hedging against interest rate exposure may materially and adversely affect our results of operations and cash flows.

Subject to maintaining our qualification as a REIT and our exemption under the Investment Company Act, we pursue hedging strategies to reduce our exposure to adverse changes in interest rates. Our hedging activity will vary in scope based on the level of interest rates, the type of investments held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability or asset;
- the amount of income that a REIT may earn from hedging transactions to offset interest rate losses is limited by U.S. federal tax provisions governing REITs;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the hedging counterparty owing the money in the hedging transaction may default on its obligation to pay.

In addition, we may fail to recalculate, re-adjust and execute hedges in an efficient manner which may negatively affect our earnings and book value. The degree of correlation between price movements of the instruments used in hedging strategies and price movements in the portfolio positions or liabilities being hedged may vary materially. It will be impossible to establish a perfect correlation between such hedging instruments and the portfolio positions or liabilities being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to increased risk of loss.

We may enter into hedging transactions that could expose us to contingent liabilities in the future.

Subject to maintaining our qualification as a REIT, part of our investment strategy involves entering into hedging transactions that could require us to fund cash payments in certain circumstances (such as the early termination of the hedging instrument caused by an event of default or other early termination event or the decision by a counterparty to request margin securities it is contractually owed under the terms of the hedging instrument). The amount due would be equal to the unrealized loss of the open hedging positions with the respective counterparty and could also include other fees and charges. These economic losses will be reflected in our results of operations, and our ability to fund these obligations will depend on the liquidity of our assets and our access to capital at the time. The need to fund these obligations could adversely impact our financial condition.

Legacy hedging instruments may not be traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities and involve risks and costs that could result in material losses.

As of December 31, 2016, 46% of our swap portfolio consisted of legacy hedging instruments while 54% consisted of centrally cleared hedging instruments. Legacy hedging instruments involve risk since they may not be traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities. Consequently, there may be few or no requirements with respect to record keeping, financial responsibility or segregation of customer funds and positions. Furthermore, the enforceability of agreements underlying derivative transactions may depend on compliance with applicable statutory, commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in a default. Default by a party with whom we enter into a hedging transaction may result in the loss of unrealized profits and force us to replace the affected hedging instruments, at the then current market price. Although generally we seek to reserve the right to terminate our hedging positions, it may not always be possible to dispose of or close out a hedging position without the consent of the hedging counterparty, and we may not be able to enter into an offsetting contract in order to cover our risk. No assurance can be given that a liquid secondary market will exist for derivative instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in significant losses.

Clearing facilities or exchanges upon which some of our hedging instruments are traded may increase margin requirements on our hedging instruments in the event of uncertainty or adverse developments in financial markets.

In response to events having or expected to have adverse economic consequences or which create market uncertainty, clearing facilities or exchanges upon which some of our hedging instruments, such as interest rate swaps, are traded may require us to post additional collateral against our hedging instruments. Generally, independent margin goes up in times of interest rate volatility. In the event that future adverse economic developments or market uncertainty result in increased margin requirements for our hedging instruments, it could materially adversely affect our liquidity position, business, financial condition and results of operations.

It may be uneconomical to “roll” our TBA dollar roll transactions or we may be unable to meet margin calls on our TBA contracts, which could negatively affect our financial condition and results of operations.

We utilize TBA dollar roll transactions as a means of investing in and financing Agency RMBS. TBA contracts enable us to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of collateral, but the particular Agency RMBS to be delivered are not identified until shortly before the TBA settlement date. Prior to settlement of the TBA contract we may choose to move the settlement of the securities out to a later date by entering into an offsetting position (referred to as a “pair off”), net settling the paired off positions for cash, and simultaneously purchasing a similar TBA contract for a later settlement date, collectively referred to as a “dollar roll.” The Agency RMBS purchased for a forward settlement date under the TBA contract are typically priced at a discount to Agency RMBS for settlement in the current month. This difference (or discount) is referred to as the “price drop.” The price drop is the economic equivalent of net interest carry income on the underlying Agency RMBS over the roll period (interest income less implied financing cost) and is commonly referred to as “dollar roll income.” Consequently, dollar roll transactions and such forward purchases of Agency RMBS represent a form of off-balance sheet financing and increase our "at-risk" leverage.

Under certain market conditions, TBA dollar roll transactions may result in negative carry income whereby the Agency RMBS purchased for a forward settlement date under the TBA contract are priced at a premium to Agency RMBS for settlement in the current month. Under such conditions, it may be uneconomical to roll our TBA positions prior to the settlement date, and we could have to take physical delivery of the underlying securities and settle our obligations for cash. We may not have sufficient funds or alternative financing sources available to settle such obligations. In addition, pursuant to the margin provisions established by the Mortgage-Backed Securities Division (“MBSD”) of the Fixed Income Clearing Corporation we are subject to margin calls on our TBA contracts. Further, our prime brokerage agreements may require us to post additional margin above the levels established by the MBSD. Negative carry income on TBA dollar roll transactions or failure to procure adequate financing to settle our obligations or meet margin calls under our TBA contracts could result in defaults or force us to sell assets under adverse market conditions or through foreclosure and adversely affect our financial condition and results of operations.

Risks associated with our management and relationship with our Manager and its affiliates

We are dependent upon our Manager, its affiliates and their key personnel and may not find a suitable replacement if the management agreement with our Manager is terminated or such key personnel are no longer available to us, which would materially and adversely affect us.

In accordance with our management agreement, we are externally managed and advised by our Manager, and all of our officers are employees of Angelo, Gordon or its affiliates. We have no separate facilities, and we have no employees. Pursuant to our management agreement, our Manager is obligated to supply us with our senior management team, and the members of that team may have conflicts in allocating their time and services between us and other entities or accounts managed by our Manager, now or in the future, including other Angelo, Gordon funds. Substantially all of our investment, financing and risk management decisions are made by our Manager and not by us, and our Manager also has significant discretion as to the implementation of our operating policies and strategies. Furthermore, our Manager has the sole discretion to hire and fire employees, and our board of directors and stockholders have no authority over the individual employees of our Manager, although our board of directors does have authority over our officers who are supplied by our Manager. Accordingly, we are completely reliant upon, and our success depends exclusively on, our Manager's personnel, services, resources, facilities, relationships and contacts. No assurance can be given that our Manager will act in our best interests with respect to the allocation of personnel, services and resources to our business. In addition, the management agreement does not require our Manager to dedicate specific personnel to us or to require personnel servicing our business to allocate a specific amount of time to us. The failure of any of our Manager's key personnel to service our business with the requisite time and dedication, or the departure of such personnel from our Manager, or the failure of our Manager to attract and retain key personnel, would materially and adversely affect our ability to execute our business plan. Further, when there are turbulent conditions in the real estate industry, distress in the credit markets or other times when we will need focused support and assistance from our Manager, the attention of our Manager's personnel and executive officers and the resources of Angelo, Gordon will also be required by the other funds and accounts managed by our Manager and its affiliates, placing our Manager's resources in high demand. In such situations, we may not receive the level of support and assistance that we may receive if we were internally managed or if our Manager did not act as a manager for other entities. If the management agreement is terminated and a suitable replacement for our Manager is not secured in a timely manner or at all, we would likely be unable to execute our business plan, which would materially and adversely affect us.

The management agreement was not negotiated on an arm's length basis and the terms, including the fees payable to our Manager, may not be as favorable to us as if the agreement was negotiated with unaffiliated third parties.

All of our officers and our non-independent directors are employees of Angelo, Gordon or its affiliates. The management agreement was negotiated between related parties, and we did not have the benefit of arm's length negotiations of the type normally conducted with an unaffiliated third party and the terms, including the fees payable to our Manager, may not be as favorable to us. We may choose not to enforce, or to enforce less vigorously, our rights under the management agreement because of our desire to maintain our ongoing relationship with our Manager.

We expect that our Manager will source all of our investments, and existing or future entities or accounts managed by our Manager may compete with us for, or may participate in, some of those investments, which could result in conflicts of interest.

Although we are subject to Angelo, Gordon's allocation policy, which specifically addresses some of the conflicts relating to our investment opportunities, there is no assurance that this policy will be adequate to address all of the conflicts that may arise, or address such conflicts in a manner that results in the allocation of a particular investment opportunity to us or is otherwise favorable to us. Our Manager may be precluded from transacting in particular investments in certain situations, including, but not limited to, situations where Angelo, Gordon or its affiliates may have a prior contractual commitment with other accounts or clients or as to which Angelo, Gordon or any of its affiliates possess material, non-public information. Consistent with Angelo, Gordon's fiduciary duty to all of its clients, it may give priority in the allocation of investment opportunities to certain clients to the extent necessary to apply regulatory requirements, client guidelines or contractual obligations. Angelo, Gordon or our Manager may determine that an investment opportunity is appropriate for a particular account, but not for another. In addition, Angelo, Gordon or its employees may invest in opportunities declined by our Manager for us. The investment allocation policy may be amended by Angelo, Gordon at any time without our consent. As the investment programs of the various entities and accounts managed by Angelo, Gordon change and develop over time, additional issues and considerations may affect Angelo, Gordon's allocation policy and its expectations with respect to the allocation of investment opportunities.

Our Manager and Angelo, Gordon and their respective employees also may have ongoing relationships with the obligors of investments or the clients' counterparties and they or their clients may own equity or other securities or obligations issued by such parties. In addition, Angelo, Gordon, either for its own accounts or for the accounts of other clients, may hold securities or obligations that are senior to, or have interests different from or adverse to, the securities or obligations that are acquired for us. Employees may also invest in other entities managed by other managers which are eligible to purchase target assets. Angelo, Gordon or our Manager and their respective employees may make investment decisions for us that may be different from those undertaken for their personal accounts or on behalf of other clients (including the timing and nature of the action taken). Angelo, Gordon and its affiliates may at certain times simultaneously seek to purchase or sell the same or similar investments for clients or for themselves. Likewise, our Manager may on our behalf purchase or sell an investment in which another Angelo, Gordon client or affiliate is already invested or has co-invested. Such transactions may differentiate across Angelo, Gordon clients or affiliates.

We may enter into transactions to purchase or sell investments with entities or accounts managed by our Manager.

Our Manager may make, or may be required to make, investment decisions on our behalf where our trading counterparty is an entity affiliated with or an account managed by our Manager. Although we are subject to Angelo, Gordon's cross trade policy, which specifically addresses the requirements of these types of trades, there is no assurance that this policy will ensure the most favorable outcome for us or will ensure that this policy will be adequate to address all of the conflicts that may arise. There is no assurance that the terms of such transactions would be as favorable to us as transacting in the open market with unaffiliated third parties. Furthermore, the cross trade policy may be amended by Angelo, Gordon at any time without our consent. As the investment programs of the various entities and accounts managed by our Manager change over time, additional issues and considerations may affect the cross trade policy and our Manager's expectations with respect to such transactions.

Our board of directors has approved very broad investment policies for our Manager and does not review or approve each investment decision made by our Manager.

Our Manager is authorized to follow very broad investment policies and, therefore, has great latitude in determining the types of assets that are proper investments for us, the allocations among asset classes and individual investment decisions. In the future, our Manager may make investments with lower rates of return than those anticipated under current market conditions or may make investments with greater risks to achieve those anticipated returns. Our board of directors periodically reviews our investment policies and our investment portfolio but does not review or approve each proposed investment by our Manager. In addition, in conducting periodic reviews, our board of directors relies primarily on information provided to it by our Manager. Furthermore, our Manager may use complex strategies and transactions that may be costly, difficult or impossible to unwind by the time they are reviewed by our board of directors.

The management fee may not provide sufficient incentive to our Manager to maximize risk-adjusted returns on our investment portfolio because it is based on our Stockholders' Equity, adjusted for certain non-cash and other items, and not on our performance.

Our Manager is entitled to receive a management fee at the end of each quarter that is based on our Stockholders' Equity, adjusted for certain non-cash and other items, as further discussed in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations". Accordingly, the possibility exists that significant management fees could be payable to our Manager for a given quarter despite the fact that we could experience a net loss during that quarter. Our Manager's entitlement to such significant non-performance-based compensation may not provide sufficient incentive to our Manager to devote its time and effort to source and maximize risk-adjusted returns on our investment portfolio, which could, in turn, adversely affect our ability to make distributions to our stockholders and the market price of our common stock. The compensation payable to our Manager will increase as a result of any future issuances of our equity securities, even if the issuances are dilutive to existing stockholders.

Termination of our management agreement would be costly and, in certain cases, not permitted.

It is difficult and costly to terminate the management agreement we have entered into with our Manager without cause. Our independent directors review our Manager's performance and the management fees annually. The management agreement renews automatically each year for an additional one-year period, subject to certain termination rights. As of December 31, 2016, our management agreement has not been terminated. The management agreement provides that it may be terminated annually by us without cause upon the affirmative vote of at least two-thirds of our independent directors or by a vote of the holders of at least two-thirds of our outstanding common stock, in each case based upon (i) our Manager's unsatisfactory performance that is materially detrimental to us or (ii) our determination that the management fees payable to our Manager are not fair, subject to our Manager's right to prevent termination based on unfair fees by accepting a reduction of management fees agreed to by at least two-thirds of our independent directors. Our Manager must be provided 180-days' prior notice of any such termination. We may not terminate or elect not to renew the management agreement, even in the event of our Manager's poor performance, without having to pay substantial termination fees. Upon any such termination without cause, the management agreement provides that we will pay our Manager a termination fee equal to three times the average annual management fee earned by our Manager during the 24-month period prior to termination, calculated as of the end of the most recently completed fiscal quarter. While under certain circumstances the obligation to make such a payment might not be enforceable, this provision may increase the cost to us of terminating the management agreement and adversely affect our ability to terminate the management agreement without cause.

Our Manager may terminate the management agreement if we become required to register as an investment company under the Investment Company Act with termination deemed to occur immediately before such event, in which case we would not be required to pay a termination fee to our Manager. Furthermore, our Manager may decline to renew the management agreement by providing us with 180 days' written notice, in which case we would not be required to pay a termination fee to our Manager. Our Manager may also terminate the management agreement upon at least 60 days' prior written notice if we default in the performance of any material term of the management agreement and the default continues for a period of 30 days after written notice to us, whereupon we would be required to pay to our Manager the termination fee described above. If the management agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our business plan.

Depository institutions that finance our investments may require that AG REIT Management, LLC remain as our Manager under the management agreement and that certain key personnel of our Manager continue to service our business. If AG REIT Management, LLC ceases to be our Manager or one or more of our Manager's key personnel are no longer servicing our business, it may constitute an event of default and the depository institution providing the arrangement may have acceleration rights with respect to outstanding borrowings and termination rights with respect to our ability to finance our future investments with that institution. If we are unable to obtain financing for our accelerated borrowings and for our future investments under such circumstances, we may be required to curtail our asset acquisitions and/or dispose of assets at an inopportune time.

We have engaged Red Creek Asset Management LLC, an affiliate of our Manager (the "Asset Manager") to manage certain of our residential mortgage loans and Securitized Whole Loans. The terms of the asset management agreement with the Asset Manager may not be as favorable to us as if the agreement was negotiated with unaffiliated third parties.

In connection with our investments in residential loans and Securitized Whole Loans, we engage asset managers to provide advisory, consultation, asset management and other services to formulate and implement strategic plans to manage, collect and dispose of loans in a manner that is reasonably expected to maximize the amount of proceeds from each loan. We engaged the Asset Manager, a related party of the Manager and direct subsidiary of Angelo, Gordon, as the asset manager for certain of our residential loans and Securitized Whole Loans. We pay separate arm's-length asset management fees as assessed and confirmed by a third party valuation firm for (i) non-performing loans and (ii) reperforming loans, in each case, to the Asset Manager. The asset management agreement was negotiated between related parties, and we did not have the benefit of arm's-length negotiations as we normally would with unaffiliated third parties. As such, the terms may not be as favorable to us as they otherwise might have been.

Risks related to U.S. government programs

The Federal Reserve's recent increases of the federal funds rate could impact the market for and the value of the Agency RMBS in which we invest as well as our net asset value, net interest margin, net income and book value.

On December 16, 2016 the Federal Reserve announced its decision to raise the target range of the federal funds rate by 25 basis points, from a range of 0.25% - 0.50% to a range of 0.50% - 0.75%. The FOMC stated that the process of normalizing interest rates is likely to proceed gradually and future policy actions depend on how the economy evolves relative to the FOMC's objectives of maximum employment and 2% inflation. A large portion of our portfolio is comprised of Agency RMBS and as a result, our net asset value, net interest margin, net income and book value could be negatively affected by additional increases in the federal funds rate.

Adoption of the Basel III standards could negatively affect our access to future financings.

In response to various financial crises and the volatility of financial markets, the Basel Committee on Banking Supervision, (the "Basel Committee") an international body comprised of senior representatives of bank supervisory authorities and central banks from 27 countries, including the United States, adopted the Basel III standards several years ago. The final package of Basel III reforms was approved by the G20 leaders in November 2010. U.S. regulators have elected to implement substantially all of the Basel III standards, which plan to be fully phased in by January 1, 2019. One of these new standards involves implementing a supplemental leverage ratio ("SLR") and a liquidity coverage ratio ("LCR").

The SLR applies to U.S. bank holding companies with $700 billion or more in consolidated assets, or over $10 trillion in assets under custody, and their bank subsidiaries. The SLR requires that a covered institution maintain a regulatory leverage buffer of 2% above the minimum leverage ratio that is otherwise required (3%), for a total of 5%, and covered bank subsidiaries must maintain a 6% leverage ratio to be considered well-capitalized. The LCR applies to all banking organizations with $250 billion or more in total consolidated assets, or $10 billion or more in foreign exposure on the organization's balance sheet, and a less stringent LCR applies to a banking organization with $50 billion or more in consolidated assets that does not meet the other tests. The LCR creates a minimum liquidity standard that requires a banking organization to hold high quality, liquid assets that would meet net cash outflows during a 30-day stress period. The SLR will be effective on January 1, 2018 and the LCR was effective on January 1, 2017. Implementation of these ratios may increase the financing costs of highly liquid assets, which may negatively impact our net interest margin and book value.

The Basel III standards will require certain banks to (i) hold more capital, predominantly in the form of common equity, than under the current capital framework, (ii) maintain specific leverage and liquidity ratios, (iii) decrease their reliance on short term, unstable financing and obtain and rely on funding sources that are stable and longer term in nature, (iv) calculate capital requirements using standardized models rather than the banks' own internal models, (v) limit internal transfers between trading books and banking books, limiting the amount of capital that banks have available for deployment, and (vi) provide additional reporting regarding risk monitoring, among others. The adoption of these standards could impact the leverage and funding profiles of large financial institutions and their affiliates, including many broker-dealers and other subsidiaries that are affiliated with large banking organizations and from which we obtain financing, and may constrain our ability to obtain attractive future financings and increase the cost of such financings if they are obtained. If the adoption of these standards causes the availability of financing to decline, we may have fewer financing options in the future which could lead to lower profitability and could adversely affect our financial condition, net interest margin and book value.

The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U.S. government, may adversely affect our business.

The payments we receive on the Agency RMBS in which we invest depend upon a steady stream of payments on the mortgages underlying the securities and are guaranteed by Ginnie Mae, Fannie Mae or Freddie Mac. Ginnie Mae is part of a U.S. Government agency and its guarantees are backed by the full faith and credit of the United States. Fannie Mae and Freddie Mac are U.S. Government-sponsored entities, or GSEs, but their guarantees are not backed by the full faith and credit of the United States.

In 2008 Congress and the U.S. Treasury undertook a series of actions to stabilize financial markets, generally, and Fannie Mae and Freddie Mac, in particular. The Housing and Economic Recovery Act of 2008 was signed into law on July 30, 2008, and established the Federal Housing Finance Agency, or 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, in response to the deterioration in the financial condition of Fannie Mae and Freddie Mac, the FHFA placed Fannie Mae and Freddie Mac into conservatorship, which is a statutory process pursuant to which the FHFA operates Fannie Mae and Freddie Mac as conservator in an effort to stabilize the entities. The appointment of the FHFA as conservator of both Fannie Mae and Freddie Mac allows the FHFA to control the actions of the two GSEs without forcing them to liquidate, which would be the case under receivership. In addition, the U.S. Treasury took steps to capitalize and provide financing to Fannie Mae and Freddie Mac and agreed to purchase direct obligations and Agency RMBS issued or guaranteed by them.

Shortly after Fannie Mae and Freddie Mac were placed in federal conservatorship, the Secretary of the U.S. Treasury, in announcing the actions, noted that the guarantee structure of Fannie Mae and Freddie Mac required examination and that changes in the structures of the entities were necessary to reduce risk to the financial system. The future roles of Fannie Mae and Freddie Mac could be significantly reduced and the nature of their guarantees could be eliminated or considerably limited relative to historical measurements. Any changes to the nature of the guarantees provided by Fannie Mae and Freddie Mac could redefine what constitutes Agency RMBS and could have broad adverse market implications as well as negatively impact our liquidity, financing rates, net income, and book value.

The problems faced by Fannie Mae and Freddie Mac that resulted in their being placed into federal conservatorship have stirred debate among some federal policy makers regarding the continued role of the U.S. Government in providing liquidity for the residential mortgage market. The gradual recovery of the housing market has made Fannie Mae and Freddie Mac profitable again and increased the uncertainty about their futures. If federal policy makers decide that the U.S. Government's role in providing liquidity for the residential mortgage market should be reduced or eliminated, each of Fannie Mae and Freddie Mac could be dissolved and the U.S. Government could decide to stop providing liquidity support of any kind to the mortgage market. If Fannie Mae or Freddie Mac were eliminated, or their structures were to change radically, we would not be able to acquire Agency RMBS from these companies, which would drastically reduce the amount and type of Agency RMBS available for investment.

Our income could be negatively affected in a number of ways depending on the manner in which related events unfold. For example, the continued backing of Fannie Mae and Freddie Mac by the U.S. Treasury and, any additional credit support it may provide in the future to the GSEs could have the effect of lowering the interest rate we receive from Agency RMBS, thereby tightening the spread between the interest we earn on our Agency RMBS portfolio and our cost of financing that portfolio. A reduction in the supply of Agency RMBS could also increase the prices of Agency RMBS we seek to acquire thereby reducing the spread between the interest we earn on our portfolio of targeted assets and our cost of financing that portfolio.

Any new laws affecting these GSEs may exacerbate market uncertainty and have the effect of reducing the actual or perceived credit quality of securities issued or guaranteed by Fannie Mae or Freddie Mac. It is also possible that such laws could adversely impact the market for such securities and the spreads at which they trade. All of the foregoing could materially adversely affect the pricing, supply, liquidity and value of our target assets and otherwise materially adversely affect our business, operations and financial condition.

We are subject to the risk that agencies of and entities sponsored by the U.S. government may not be able to fully satisfy their guarantees of Agency RMBS or that these guarantee obligations may be repudiated, which may adversely affect the value of our investment portfolio and our ability to sell or finance these securities.

The interest and principal payments we receive on the Agency RMBS in which we invest are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. Unlike the Ginnie Mae certificates in which we may invest, the principal and interest on securities issued by Fannie Mae and Freddie Mac are not guaranteed by the U.S. government. All the Agency RMBS in which we invest depend on a steady stream of payments on the mortgages underlying the securities.

As conservator of Fannie Mae and Freddie Mac, the FHFA may disaffirm or repudiate (subject to certain limitations for qualified financial contracts) contracts that Freddie Mac or Fannie Mae entered into prior to the FHFA's appointment as conservator if it determines, in its sole discretion, that performance of the contract is burdensome and that disaffirmation or repudiation of the contract promotes the orderly administration of its affairs. The Housing and Economic Recovery Act of 2008, or HERA, requires the FHFA to exercise its right to disaffirm or repudiate most contracts within a reasonable period of time after its appointment as conservator. Fannie Mae and Freddie Mac have disclosed that the FHFA has disaffirmed certain consulting and other contracts that these entities entered into prior to the FHFA's appointment as conservator. Freddie Mac and Fannie Mae have also disclosed that the FHFA has advised that it does not intend to repudiate any guarantee obligation relating to Fannie Mae and Freddie Mac's mortgage-related securities, because the FHFA views repudiation as incompatible with the goals of the conservatorship. In addition, HERA provides that mortgage loans and mortgage-related assets that have been transferred to a Freddie Mac or Fannie Mae securitization trust must be held for the beneficial owners of the related mortgage-related securities, and cannot be used to satisfy the general creditors of Freddie Mac or Fannie Mae.

If the guarantee obligations of Freddie Mac or Fannie Mae were repudiated by the FHFA, payments of principal and/or interest to holders of Agency RMBS issued by Freddie Mac or Fannie Mae would be reduced in the event of any borrowers' late payments or failure to pay or a servicer's failure to remit borrower payments to the trust. In that case, trust administration and servicing fees could be paid from mortgage payments prior to distributions to holders of Agency RMBS. Any actual direct compensatory damages owed due to the repudiation of Freddie Mac or Fannie Mae's guarantee obligations may not be sufficient to offset any shortfalls experienced by holders of Agency RMBS. The FHFA also has the right to transfer or sell any asset or liability of Freddie Mac or Fannie Mae, including its guarantee obligation, without any approval, assignment or consent. If the FHFA were to transfer Freddie Mac or Fannie Mae's guarantee obligations to another party, holders of Agency RMBS would have to rely on that party for satisfaction of the guarantee obligation and would be exposed to the credit risk of that party. If the new party does not guarantee these Agency RMBS, we are subject to credit loss on the Agency RMBS which could negatively affect liquidity, net income and book value.

Mortgage loan modification and refinancing programs may adversely affect the value of, and our returns on, mortgage-backed securities and residential mortgage loans.

The U.S. government, through the Federal Reserve, the FHA, the FHFA and the FDIC, has implemented a number of federal programs designed to assist homeowners, including the Home Affordable Modification Program, or HAMP, which provides homeowners with assistance in avoiding residential mortgage loan foreclosures, and the Home Affordable Refinance Program, or HARP, which allows borrowers who are current on their mortgage payments to refinance and reduce their monthly mortgage payments at loan-to-value ratios up to 125% without new mortgage insurance. Similar modification programs are also offered by several large non-GSE financial institutions.

HAMP, HARP and other loss mitigation programs may involve, among other things, the modification of mortgage loans to reduce the principal amount of the loans (through forbearance and/or forgiveness) and/or the rate of interest payable on the loans, or to extend the payment terms of the loans. Non-Agency RMBS and residential mortgage loan yields and cash flows could particularly be negatively impacted by a significant number of loan modifications with respect to a given security or residential mortgage loan pool, including, but not limited to, those related to principal forgiveness and coupon reduction. These loan modification, loss mitigation and refinance programs may adversely affect the value of, and the returns on, mortgage-backed securities and residential mortgage loans that we own or may purchase.

We cannot predict the impact, if any, on our earnings or cash available for distribution to our stockholders of the FHFA's proposed revisions to Fannie Mae's and Freddie Mac's existing infrastructures in order to align the standards and practices of the two entities.

On May 13, 2014, the FHFA released its updated 2014 *Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac,* which set forth three goals for the next phase of the Fannie Mae and Freddie Mac conservatorships. These three goals are to (i) maintain foreclosure prevention activities and credit availability for new and refinanced mortgages, which should refine and improve servicing initiatives for distressed borrowers (ii) reduce taxpayer risk by expanding the credit risk transfer transactions which would increase the participation of private capital in assuming credit risk associated with the secondary mortgage market, and (iii) build a new single-family securitization infrastructure for use by the GSEs and adaptable for use by other participants in the secondary market in the future. This would be done by replacing the current, outdated infrastructures of Fannie Mae and Freddie Mac with a common, more efficient securitization infrastructure that aligns the standards and practices of the two entities, beginning with core functions performed by both entities such as issuance, master servicing, bond administration, collateral management and data integration, also known as the Common Securitization Platform ("CSP").

There are a number of factors that could influence the FHFA's success in achieving its goals and we cannot predict the impact, if any, on our earnings or cash available of the FHFA's proposed revisions to Fannie Mae's and Freddie Mac's existing infrastructure.

Risks related to our organization and structure

Loss of our exemption from regulation under the Investment Company Act would negatively affect the value of shares of our common stock and our ability to distribute cash to our stockholders.

We conduct our operations so that we maintain an exemption from the Investment Company Act. Under Section 3(a)(1)(A) of the Investment Company Act, a company is an investment company if it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities. Under Section 3(a)(1)(C) of the Investment Company Act, a company is deemed to be an investment company if it is engaged, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire "investment securities" having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis (the "40% test"). "Investment securities" do not include, among other things, U.S. government securities, and securities issued by majority-owned subsidiaries that (i) are not investment companies and (ii) are not relying on the exceptions from the definition of investment company provided by Section 3(c)(1) or 3(c)(7) of the Investment Company Act (the so called "private investment company" exemptions).

We are not engaged, except to a minor extent, in actively investing, reinvesting or trading in securities. Rather, we are primarily engaged in the business of owning or holding the securities of our wholly-owned or majority-owned subsidiaries that are in real estate-related businesses. Therefore, we believe that we are not an investment company as defined in Section 3(a)(1)(A).

We also believe we are not considered an investment company under Section 3(a)(1)(C) of the Investment Company Act. The operations of many of our wholly-owned or majority-owned subsidiaries' are generally conducted so that they are exempted from investment company status in reliance upon Section 3(c)(5)(C) of the Investment Company Act. Because entities relying on Section 3(c)(5)(C) are not investment companies, our interests in those subsidiaries do not constitute "investment securities" for purposes of Section 3(a)(1)(C). To the extent that our direct subsidiaries qualify only for either Section 3(c)(1) or 3(c)(7) exemptions from the Investment Company Act, we limit our holdings in those kinds of entities so that, together with other investment securities, we satisfy the 40% test. Although we continuously monitor our and our subsidiaries' portfolios on an ongoing basis to determine compliance with that test, there can be no assurance that we will be able to maintain the exemptions from registration for us and each of our subsidiaries.

As discussed, we generally conduct our wholly-owned or majority-owned subsidiaries' operations so that they are exempted from investment company status in reliance upon Section 3(c)(5)(C) of the Investment Company Act. Section 3(c)(5)(C) exempts from the definition of "investment company" entities primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. The staff of the Securities and Exchange Commission, or the SEC, generally requires an entity relying on Section 3(c)(5)(C) to invest at least 55% of its portfolio in "qualifying assets" and at least another 25% in additional qualifying assets or in "real estate-related" assets (with no more than 20% comprised of miscellaneous assets).

The method we use to classify our and our subsidiaries' assets for purposes of the Investment Company Act is based in large measure upon no-action positions taken by the SEC staff. These no-action positions were issued in accordance with factual situations that may be substantially different from the factual situations we may face, and a number of these no-action positions were issued decades ago. No assurance can be given that the SEC or its staff will concur with our classification of our or our subsidiaries' assets or that the SEC or its staff will not, in the future, issue further guidance that may require us to reclassify those assets for purposes of qualifying for an exclusion from regulation under the Investment Company Act. In August 2011, the SEC solicited public comment on a wide range of issues relating to Section 3(c)(5)(C), including the nature of the assets that qualify for purposes of the exemption and leverage used by mortgage related vehicles. There can be no assurance that the laws and regulations governing the 1940 Act status of companies primarily owning real estate related assets, including the SEC or its staff providing more specific or different guidance regarding these exemptions, will not change in a manner that adversely affects our operations. To the extent that the SEC or its staff provides more specific guidance regarding Section 3(c)(5)(C) or any of the other matters bearing upon the definition of investment company and the exceptions to that definition, we may be required to adjust our investment strategy accordingly. Additional guidance from the SEC or its staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the investment strategy we have chosen.

Qualification for exemption from the definition of investment company under the Investment Company Act limits our ability to make certain investments. For example, these restrictions limit our and our subsidiaries' ability to invest directly in mortgage-related securities that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations, certain real estate companies or assets not related to real estate. If we fail to qualify for these exemptions, or the SEC determines that companies that invest in RMBS are no longer able to rely on these exemptions, we could be required to restructure our activities in a manner that, or at a time when, we would not otherwise choose to do so, or we may be required to register as an investment company under the Investment Company Act. Either of these outcomes could negatively affect the value of shares of our stock and our ability to make distributions to our stockholders.

If we were required to register with the CFTC as a Commodity Pool Operator, it could materially adversely affect our business, financial condition and results of operations.

Under the Dodd-Frank Act, the U.S. Commodity Futures Trading Commission, or the CFTC, was given jurisdiction over the regulation of swaps. Under rules implemented by the CFTC, companies that utilize swaps as part of their business model, including many mortgage REITs, may be deemed to fall within the statutory definition of Commodity Pool Operator, or CPO, and, absent relief from the CFTC's Division of Swap Dealer and Intermediary Oversight, may be required to register with the CFTC as a CPO. As a result of numerous requests for no-action relief from CPO registration, in December 2012 the CFTC issued no-action relief entitled "No-Action Relief from the Commodity Pool Operator Registration Requirement for Commodity Pool Operators of Certain Pooled Investment Vehicles Organized as Mortgage Real Estate Investment Trusts," which permits a CPO to receive relief from registration requirements by filing a claim stating that the CPO meets the criteria specified in the no-action letter. We submitted a claim for relief within the required time period and believe we meet the criteria for such relief. There can be no assurance, however, that the CFTC will not modify or withdraw the no-action letter in the future or that we will be able to continue to satisfy the criteria specified in the no-action letter in order to qualify for relief from CPO registration. If we were required to register as a CPO in the future or change our business model to ensure that we can continue to satisfy the requirements of the no-action relief, it could materially and adversely affect our financial condition, our results of operations and our ability to operate our business.

Certain provisions of Maryland law could inhibit a change in our control.

Certain provisions of the Maryland General Corporation Law, or the MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change in our control under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then prevailing market price of such shares. We are subject to the "business combination" provisions of the MGCL that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our then outstanding voting shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then outstanding voting shares) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder and, thereafter, imposes special stockholder voting requirements to approve these combinations unless the consideration being received by common stockholders satisfies certain conditions. These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our board of directors has, by resolution, exempted business combinations between us and any other person, provided that the business combination is first approved by our board of directors. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, or our board of directors does not otherwise approve a business combination, this statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

The "control share" provisions of the MGCL provide that "control shares" of a Maryland corporation (defined as shares which, when aggregated with all other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in the election of directors) acquired in a "control share acquisition" (defined as the acquisition of "control shares," subject to certain exceptions) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquirer of control shares, our officers and our directors who are also our employees. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our shares. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

The "unsolicited takeover" provisions of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain provisions (since we have a class of equity securities registered under the Exchange Act and at least three directors who are not officers or employees of the corporation and are not affiliated with any acquiring person). These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in our control under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then current market price.

Our authorized but unissued common and preferred shares may prevent a change in our control.

Our charter authorizes us to issue additional authorized but unissued common stock and preferred shares. In addition, our board of directors may, without stockholder approval, increase the aggregate number of our authorized shares or the number of shares of any class or series that we have authority to issue and classify or reclassify any unissued common stock or preferred shares and may set the preferences, rights and other terms of the classified or reclassified shares. As a result, among other things, our board may establish a class or series of common stock or preferred shares that 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 interests of our stockholders.

Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit your recourse in the event of actions taken not in your best interest.

Our charter limits the liability of our present and former directors and officers to us and our stockholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law, our present and former directors and officers will not have any liability to us or our stockholders for money damages other than liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment as being material to the cause of action.

Our charter authorizes us to indemnify our present and former directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each present and former director or officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. In addition, we may be obligated to pay or reimburse the expenses incurred by our present and former directors and officers without requiring a preliminary determination of their ultimate entitlement to indemnification. As a result, we and our stockholders may have more limited rights against our present and former directors and officers than might otherwise exist absent the current provisions in our charter and bylaws or that might exist with other companies, which could limit your recourse in the event of actions not in your best interest.

Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our management.

Our charter and bylaws provide that, subject to the rights of any series of preferred shares, a director may be removed only for “cause” (as defined in our charter), and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors. Vacancies generally may be filled only by a majority of the remaining directors in office, even if less than a quorum, for the full term of the director who vacated. These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in our control that is in the best interests of our stockholders.

Risks related to taxation

Our failure to qualify as a REIT would result in higher taxes and reduced cash available for distribution to our stockholders.

We operate in a manner that is intended to cause us to qualify as a REIT for U.S. federal income tax purposes. However, the U.S. federal income tax laws governing REITs are complex, and interpretations of the U.S. federal income tax laws governing qualification as a REIT are limited. Qualifying as a REIT requires us to meet various tests regarding the nature of our assets and our income, the ownership of our outstanding stock, and the amount of our distributions on an ongoing basis.

Our ability to satisfy the asset tests depends upon the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Although we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given that we will so qualify for any particular year.

If we fail to qualify as a REIT in any calendar year, we would be required to pay U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and dividends paid to our stockholders would not be deductible by us in computing our taxable income. Further, if we fail to qualify as a REIT, we might need to borrow money or sell assets in order to pay any resulting tax. Our payment of income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to maintain our qualification as a REIT, we no longer would be required to distribute substantially all of our REIT taxable income to our stockholders. Unless our failure to qualify as a REIT was subject to relief under U.S. federal tax laws, we could not re-elect to qualify as a REIT for four taxable years following the year in which we failed to qualify.

Complying with the REIT requirements can be difficult and may cause us to forego otherwise attractive opportunities.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our shares. We may be required to make distributions to our stockholders at disadvantageous times or when we do not have funds readily available for distribution, and may be unable to pursue otherwise attractive investments in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

The REIT distribution requirements could adversely affect our ability to execute our business strategies.

We generally must distribute annually at least 90% of our net taxable income, excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our taxable income, we will be subject to U.S. federal corporate income tax, and may be subject to state and local income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal income tax laws. We intend to make distributions to our stockholders to comply with the requirements of the Code and to avoid paying corporate income tax. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the distribution requirements of the Code.

We may find it difficult or impossible to meet distribution requirements in certain circumstances. Due to the nature of the assets in which we will invest, we may be required to recognize taxable income from those assets in advance of our receipt of cash flow on or proceeds from disposition of such assets. For example, we may be required to accrue interest and discount income on mortgage loans, mortgage-backed securities, and other types of debt securities or interests in debt securities before we receive any payments of interest or principal on such assets. We also acquire distressed debt investments that may be subsequently modified by agreement with the borrower. If the amendments to the outstanding debt are “significant modifications” under the applicable Treasury regulations, the modified debt may be considered to have been reissued to us at a gain in a debt-for-debt exchange with the borrower, with gain recognized by us to the extent that the principal amount of the modified debt exceeds our cost of purchasing it prior to modification. Finally, we may be required under the terms of indebtedness that we incur to use cash received from interest payments to make principal payments on that indebtedness, with the effect of recognizing income but not having a corresponding amount of cash available for distribution to our stockholders.

As a result, to the extent such income is not recognized within a domestic TRS, the requirement to distribute a substantial portion of our net taxable income could cause us to: (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt or (iv) make a taxable distribution of our shares as part of a distribution in which stockholders may elect to receive shares or (subject to a limit measured as a percentage of the total distribution) cash, in order to comply with REIT requirements. Moreover, if our only feasible alternative were to make a taxable distribution of our shares to comply with the REIT distribution requirements for any taxable year and the value of our shares was not sufficient at such time to make a distribution to our stockholders in an amount at least equal to the minimum amount required to comply with such REIT distribution requirements, we would generally fail to qualify as a REIT for such taxable year and would be precluded from being taxed as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT.

Even if we qualify as a REIT, we may face tax liabilities that reduce our cash flow.

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from certain activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes, such as mortgage recording taxes. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold certain assets through, and derive a significant portion of our taxable income and gains in, TRSs. Such subsidiaries are subject to corporate level income tax at regular rates. Any of these taxes would decrease cash available for distribution to our stockholders.

Liquidation of assets may jeopardize our REIT qualification.

To qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, 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.

The failure of assets subject to repurchase agreements to be treated as owned by us for U.S. federal income tax purposes could adversely affect our ability to qualify as a REIT.

We have entered and may in the future enter into repurchase agreements that are structured as sale and repurchase agreements pursuant to which we nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings which are secured by the assets sold pursuant thereto. We believe that we are treated for REIT asset and income test purposes as the owner of the assets that are the subject of any such sale and repurchase agreement notwithstanding that such agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we could fail to qualify as a REIT.

Complying with the REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Code may limit our ability to hedge our assets and operations. Under current law, any income that we generate from transactions intended to hedge our interest rate, inflation or currency risks will be excluded from gross income for purposes of the REIT 75% and 95% gross income tests if (i) the instrument hedges risk of interest rate or currency fluctuations on indebtedness incurred or to be incurred to carry or acquire real estate assets, (ii) the instrument hedges risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the REIT 75% or 95% gross income tests, or (iii) the instrument was entered into to "offset" certain instruments described in clauses (i) or (ii) of this sentence and certain other requirements are satisfied and such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements may constitute nonqualifying income for purposes of both the REIT 75% and 95% gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous to us and could result in greater risks associated with interest rate fluctuations or other changes than we would otherwise be able to mitigate.

Our ability to invest in and dispose of TBA securities could be limited by our REIT status, and we could lose our REIT status as a result of these investments.

We may utilize TBA dollar roll transactions as a means of investing and financing Agency RMBS. The law is unclear regarding whether TBAs will be qualifying assets for the 75% asset test and whether income and gains from dispositions of TBAs will be qualifying income for the 75% gross income test.

Until such time as we seek and receive a favorable private letter ruling from the IRS or we are advised by counsel that TBAs should be treated as qualifying assets for purposes of the 75% asset test, we will limit our net investment in TBAs and any non-qualifying assets to no more than 25% of our assets at the end of any calendar quarter and will limit our investments in TBAs with a single counterparty to no more than 5% of our total assets at the end of any calendar quarter. Further, until such time as we seek and receive a favorable private letter ruling from the IRS or we are advised by counsel that income and gains from the disposition of TBAs should be treated as qualifying income for purposes of the 75% gross income test, we will limit our gains from dispositions of TBAs and any non-qualifying income to no more than 25% of our gross income for each calendar year. Accordingly, our ability to utilize TBA dollar roll transactions as a means of investing and financing Agency RMBS could be limited.

Moreover, even if we are advised by counsel that TBAs should be treated as qualifying assets or that income and gains from dispositions of TBAs should be treated as qualifying income, it is possible that the IRS could successfully take the position that such assets are not qualifying assets and such income is not qualifying income. In that event, we could be subject to a penalty tax or we could fail to qualify as a REIT if (i) the value of our TBAs, together with our non-qualifying assets for the 75% asset test, exceeded 25% of our gross assets at the end of any calendar quarter or if the value of our investments in TBAs with a single counterparty exceeded 5% of our total assets at the end of any calendar quarter or (ii) our income and gains from the disposition of TBAs, together with our non-qualifying income for the 75% gross income test, exceeded 25% of our gross income for any taxable year.

The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of securitizing mortgage loans, that would be treated as sales for U.S. federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% tax with no offset for losses. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including mortgage loans, held primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we dispose of or securitize loans in a manner that was treated as a sale of the loans, if we frequently buy and sell securities or open and close TBA contracts in a manner that is treated as dealer activity with respect to such securities or contracts for U.S. federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose to engage in certain sales of loans through a TRS and not at the REIT level, and may limit the structures we utilize for our securitization transactions, even though the sales or structures might otherwise be beneficial to us.

The share ownership limits applicable to us that are imposed by the Code for REITs and our charter may restrict our business combination opportunities.

In order for us to maintain our qualification as a REIT under the Code, not more than 50% in value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year after our first taxable year. Our charter, with certain exceptions, authorizes our board of directors to take the actions that are necessary or appropriate to preserve our qualification as a REIT. Under our charter, no person may own, directly or indirectly, (i) more than 9.8% in value or in number of shares, whichever is more restrictive, of our outstanding common stock, or (ii) more than 9.8% in value or in number of shares, whichever is more restrictive, of our outstanding capital stock. However, our board of directors may, in its sole discretion, grant an exemption to the share ownership limits (prospectively or retrospectively), subject to certain conditions and the receipt by our board of certain representations and undertakings. In addition, our board of directors may change the share ownership limits as described under "Business—Restrictions on ownership and transfer of our shares." The share ownership limit is based upon direct or indirect ownership by "persons," which is defined to include entities and certain groups of stockholders. Our share ownership limits might delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

The constructive ownership rules contained in our charter are complex and may cause the outstanding shares owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than these percentages of the outstanding shares by an individual or entity could cause that individual or entity to own constructively in excess of these percentages of the outstanding shares and thus violate the share ownership limits. Any attempt to own or transfer our common stock or preferred shares (if and when issued) in excess of the share ownership limits without the consent of our board of directors or in a manner that would cause us to be "closely held" under Section 856(h) of the Code (without regard to whether the shares are held during the last half of a taxable year) will result in the shares being deemed to be transferred to a director for a charitable trust or, if the transfer to the charitable trust is not automatically effective to prevent a violation of the share ownership limits or the restrictions on ownership and transfer of our shares, any such transfer of our shares will be void *ab initio*. Further, any transfer of our shares that would result in our shares being held by fewer than 100 persons will be void *ab initio*.

We may lose our REIT status if the IRS successfully challenges our characterization of our income from our foreign TRS.

We have elected to treat one foreign entity as a TRS and we may elect to treat other foreign entities as TRSs in the future. We will likely be required to include in our income, even without the receipt of actual distributions, earnings from our investment in any foreign TRS. Income inclusions from equity investments in foreign corporations are technically neither actual dividends nor any of the other enumerated categories of qualifying income for the 95% gross income test. However, the IRS has issued private letter rulings to other REITs holding that income inclusions from equity investments in foreign corporations would be treated as qualifying income for purposes of the 95% gross income test. Private letter rulings may be relied upon only by the taxpayers to whom they are issued and the IRS may revoke a private letter ruling. Based on those private letter rulings and advice of counsel, we intend to treat such income inclusions as qualifying income for purposes of the 95% gross income test. Nevertheless, no assurance can be provided that the IRS would not successfully challenge our treatment of such income as qualifying income. In the event that such income was determined not to qualify for the 95% gross income test, we could be subject to a penalty tax with respect to such income to the extent it exceeds 5% of our gross income or we could fail to continue to qualify as a REIT.

If our foreign TRS is subject to U.S. federal income tax at the entity level, it would greatly reduce the amounts that entity would have available to distribute to us and pay its creditors.

There is a specific exemption from federal income tax for non-U.S. corporations that restrict their activities in the United States to trading stock and securities (or any activity closely related thereto) for their own account whether such trading (or such other activity) is conducted by the corporation or its employees through a resident broker, commission agent, custodian or other agent. We intend that our foreign TRS and certain other foreign entities we may form or acquire in the future will rely on that exemption or otherwise operate in a manner so that they will not be subject to U.S. federal income tax on their net income at the entity level. If the IRS succeeded in challenging that tax treatment, it would greatly reduce the amount that those entities would have available to distribute to us and to pay to their creditors.

New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT.

The present U.S. federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in our common stock. The U.S. federal tax rules that affect REITs are under review constantly by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in statutory changes as well as frequent revisions to Treasury regulations and interpretations. Revisions in U.S. federal tax laws and interpretations thereof could cause us to change our investments and commitments, which could also affect the tax considerations of an investment in our stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2016, we did not own any real estate or other physical property materially important to our operations. Our principal executive offices are located at 245 Park Avenue, 26th Floor, New York, New York 10167. Our telephone number is (212) 692-2000.

ITEM 3. LEGAL PROCEEDINGS

We are at times subject to various legal proceedings arising in the ordinary course of business. As of the date of this report, we are not party to any litigation or legal proceedings, or to our knowledge, any threatened litigation or legal proceedings, which we believe, individually or in the aggregate, would have a material adverse effect on our results of operations or financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market and dividend information

Our common stock is traded on the NYSE under the symbol "MITT." As of February 20, 2017, there were 27,701,902 shares of common stock outstanding and approximately 42 registered holders of our common stock. The 42 holders of record include Cede & Co., which holds shares as nominee for The Depository Trust Company, which itself holds shares on behalf of the beneficial owners of the Company's common stock. Such information was obtained through the Company's registrar and transfer agent, based on the results of a broker search.

The following tables set forth, for the periods indicated, the high and low sale price of our common stock as reported on the NYSE and the dividends declared per share of our common stock.

	Sales Prices	
2016	**High**	**Low**
First Quarter	$ 13.40	$ 10.78
Second Quarter	14.65	12.78
Third Quarter	16.39	14.18
Fourth Quarter	18.85	14.72
2015	**High**	**Low**
First Quarter	$ 19.25	$ 18.21
Second Quarter	19.52	17.24
Third Quarter	18.45	15.07
Fourth Quarter	16.17	12.58

2016

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/10/2016	3/21/2016	4/29/2016	$ 0.475
6/9/2016	6/20/2016	7/29/2016	0.475
9/12/2016	9/23/2016	10/31/2016	0.475
12/6/2016	12/19/2016	1/31/2017	0.475

2015

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/12/2015	3/23/2015	4/30/2015	$ 0.60
6/11/2015	6/22/2015	7/31/2015	0.60
9/10/2015	9/21/2015	10/30/2015	0.60
12/10/2015	12/21/2015	1/29/2016	0.475

We intend to pay quarterly dividends and to distribute to our stockholders all of our annual taxable income in a timely manner. This will enable us to maintain our qualification as a REIT under the Code. We have not established a minimum dividend payment level and our ability to pay dividends may be adversely affected for the reasons described under the caption "Risk Factors." All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our REIT status, Maryland law and such other factors as our board of directors may deem relevant from time to time.

Equity compensation plan information

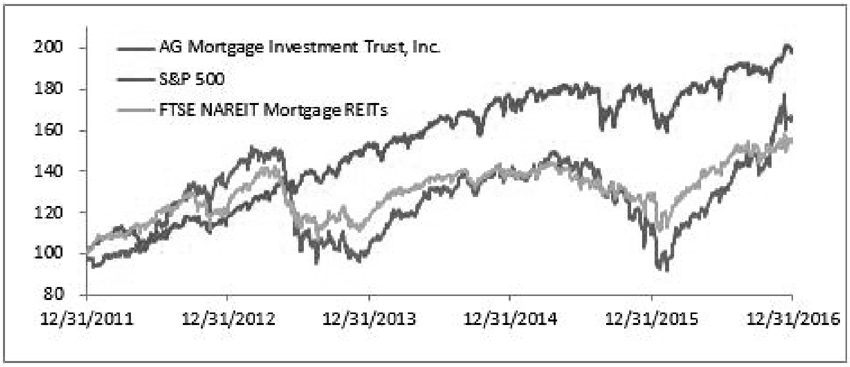
We have adopted equity incentive plans to provide incentive compensation to attract and retain qualified directors, officers, advisors, consultants and other personnel, including our Manager and personnel of our Manager and its affiliates. The total number of shares that may be made subject to awards under our Manager Equity Incentive Plan and our Equity Incentive Plan is 277,500 shares. Awards under our equity incentive plans are forfeitable until they become vested.

The following table presents certain information about our equity incentive plans as of December 31, 2016:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column of this Table)
Equity compensation plans approved by stockholders	-	$ -	133,590
Equity compensation plans not approved by stockholders	-	-	-
Total	-	$ -	133,590

Performance graph

The following graph provides a comparison of the cumulative total return on our common stock from December 31, 2011 to the NYSE closing price per share on December 31, 2016 with the cumulative total return on the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500") and an index of selected issuers of FTSE NAREIT Mortgage REITs. Total return values were calculated assuming $100 invested with the reinvestment of all dividends. Historical prices are not necessarily indicative of future price performance.



Source: Bloomberg.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below has been derived from the Company's audited consolidated financial statements.

The information presented below is only a summary and does not provide all of the information contained in our historical financial statements, including the related notes. You should read the information below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements, including the related notes, included elsewhere in this report.

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Balance Sheet Data:					
Real estate securities, at fair value:					
Agency	$ 1,057,663,726	$ 1,201,441,652	$ 1,808,314,746	$ 2,423,002,768	$ 3,785,867,151
Non-Agency	1,043,017,308	1,229,811,018	1,140,077,928	844,217,568	568,858,645
ABS	21,231,956	54,761,837	66,693,243	71,344,784	33,937,097
CMBS	211,652,660	148,948,690	100,520,652	93,251,470	148,365,887
Residential mortgage loans, at fair value	38,195,576	57,080,227	85,089,859	-	-
Commercial loans, at fair value	60,068,800	72,800,000	72,800,000	-	2,500,000
U.S. Treasury securities, at fair value	-	223,434,922	-	-	-
Investments in debt and equity of affiliates	72,215,919	43,040,191	20,345,131	16,411,314	-
Excess mortgage servicing rights, at fair value	412,648	425,311	628,367	-	-
Cash and cash equivalents	52,469,891	46,253,291	64,363,514	86,190,011	149,594,782
Receivable on unsettled trades	3,633,161	-	-	-	96,310,999
Derivative assets, at fair value	3,703,366	1,755,467	11,382,622	55,060,075	-
Total assets	2,628,644,566	3,164,076,232	3,458,405,131	3,684,706,374	4,855,268,512
Repurchase agreements	1,900,509,806	2,034,963,460	2,644,955,948	2,891,634,416	3,911,419,818
FHLBC Advances	-	396,894,000	-	-	-
Securitized debt	21,491,710	30,046,861	39,777,914	-	-
Loan participation payable	1,800,000	-	-	-	-
Payable on unsettled trades	-	1,198,587	-	-	84,658,035
Derivative liabilities, at fair value	2,907,255	6,863,770	8,608,209	2,206,289	36,375,947
Dividend payable	13,157,573	13,496,139	17,031,609	17,020,893	18,540,667
Stockholders' equity	655,876,390	666,944,713	732,675,143	704,430,734	794,621,781

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Statement of Operations Data:					
Net Interest Income					
Interest income	$ 123,006,112	$ 141,273,414	$ 141,573,188	$ 151,000,673	$ 96,376,692
Interest expense	33,785,031	31,230,369	26,497,398	25,553,273	15,010,444
	89,221,081	110,043,045	115,075,790	125,447,400	81,366,248
Other Income					
Net realized gain/(loss)	(10,391,118)	(17,148,069)	3,637,954	(115,594,848)	24,568,561
Income/(loss) from linked transactions, net	-	-	12,503,516	5,610,609	24,983,333
Realized loss on periodic interest settlements of derivative instruments, net	(6,009,638)	(13,204,884)	(22,261,187)	(27,912,227)	(9,962,125)
Unrealized gain/(loss) on real estate securities and loans, net	2,672,426	(32,491,857)	72,480,056	(84,195,306)	52,071,455
Unrealized gain/(loss) on derivative and other instruments, net	8,613,084	(12,180,501)	(51,255,430)	89,112,320	(24,086,526)
Other income	373,902	66,250	29,127	-	-
	(4,741,344)	(74,959,061)	15,134,036	(132,979,452)	67,574,698
Expenses					
Management fee to affiliate	9,809,427	9,971,287	10,089,239	10,688,725	6,413,443
Other operating expenses	10,290,513	12,356,644	11,903,554	10,844,988	5,443,059
Servicing fees	404,129	671,246	511,519	-	-
Equity based compensation to affiliate	298,592	164,487	291,131	251,447	400,200
Excise tax	1,513,167	1,500,000	1,783,539	1,483,630	1,748,327
	22,315,828	24,663,664	24,578,982	23,268,790	14,005,029
Income/(loss) before income tax benefit/(expense) and equity in earnings/(loss) from affiliates	62,163,909	10,420,320	105,630,844	(30,800,842)	134,935,917
Income tax benefit/(expense)	-	-	79,914	(3,041,616)	-
Equity in earnings/(loss) from affiliates	1,518,862	3,398,217	3,684,810	2,263,822	-
Net Income/(Loss)	63,682,771	13,818,537	109,395,568	(31,578,636)	134,935,917
Dividends on preferred stock	13,469,416	13,469,416	13,469,416	13,469,416	4,137,010
Net Income/(Loss) Available to Common Stockholders	$ 50,213,355	$ 349,121	$ 95,926,152	$ (45,048,052)	$ 130,798,907
Share Data:					
Earnings/(Loss) Per Share of Common Stock					
Basic	$ 1.80	$ 0.01	$ 3.38	$ (1.61)	$ 7.20
Diluted	$ 1.80	$ 0.01	$ 3.37	$ (1.61)	$ 7.18
Dividends Declared Per Share of Common Stock	$ 1.90	$ 2.275	$ 2.40	$ 2.80	$ 2.97

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements and should be read in conjunction with our consolidated financial statements and the accompanying notes to our consolidated financial statements, which are included in this report.

Our company

We are a Maryland corporation focused on investing in, acquiring and managing a diversified portfolio of residential mortgage assets, other real estate-related securities and financial assets, which we refer to as our target assets. We are externally managed by our Manager, a wholly-owned subsidiary of Angelo, Gordon, pursuant to a management agreement. Our Manager, pursuant to the delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility of its day-to-day duties and obligations arising under the management agreement. We conduct our operations to qualify and be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes. Accordingly, we generally will not be subject to U.S. federal income taxes on our taxable income that we distribute currently to our stockholders as long as we maintain our intended qualification as a REIT. We also operate our business in a manner that permits us to maintain our exemption from registration under the Investment Company Act of 1940, as amended, or the Investment Company Act. Our common stock is traded on the New York Stock Exchange, or the NYSE, under the symbol MITT. Our 8.25% Series A Cumulative Redeemable Preferred Stock and our 8.00% Series B Cumulative Redeemable Preferred Stock trade on the NYSE under the symbols MITT-PA and MITT-PB, respectively.

Market overview

Agency RMBS outperformed the selloff in benchmark rates during the fourth quarter as slowing prepayments, higher yields, reduced gross supply and a heavy Federal Reserve reinvestment schedule all served as tailwinds to the sector. Foreign investor and bank demand slowed in response to post-election rate volatility, but Fed buying surpassed the slowdown in gross issuance to more than offset the loss of yield based buying. Agency RMBS derivatives, specifically interest only product, also experienced significant spread tightening in response to higher rates, slower projected prepayments and increased demand from hedge funds and money managers.

The outcome of the U.S. Presidential race during the fourth quarter resulted in a re-pricing of a broad array of financial instruments from risk assets to risk-free benchmark rates. The 10-year U.S. Treasury rate moved 85bps higher in the fourth quarter. However, because this move followed a rally of similar magnitude earlier in the year in response to the first quarter growth scare and the Brexit vote, the 10-year U.S. Treasury rate moved only17bps higher over the course of 2016. Our positive duration gap had a positive impact on book value and core for much of the year, but it resulted in a negative impact to book value during the fourth quarter. There has been a significant amount of speculation over the size, scope and potential impact of proposed fiscal stimulus measures and policy actions that may come from the new administration, but we feel there is too much uncertainty to gauge the economic impact at this time. Given an increased distribution of possible economic outcomes and, as a result, ranges of possible interest rate scenarios, we chose to reduce our duration gap during the fourth quarter and to hedge the sizeable extension risk of our Agency RMBS. We added pay-fixed swaps as well as sold Agency RMBS, US Treasuries and US Treasury futures during the quarter.

Spreads for legacy mortgage assets (securities issued in 2010 or earlier) tightened through the end of the year following the U.S. election. Persistently favorable fundamentals and strong net demand continue to support positive performance in the legacy mortgage sectors. Spreads for the credit-risk transfer (CRT) sector were relatively volatile during the fourth quarter as election uncertainty and a heavy new issue calendar weighed on the market. Spreads reversed course following the year's final CRT deal which priced in early December. During the quarter, we chose to rotate out of a portion of our CRT positions, RPL/NPL securities, and residential loans. Additionally, a consumer ABS position was refinanced and called by the issuer in October. We made an equity investment in a seasoned pool of performing and re-performing loans through a securitization, which is included in our Alt-A investment category, and purchased a commercial real estate loan during the quarter. Fixed rate securities and CMBS interest only securities experienced unrealized fair value losses due to higher interest rates during the fourth quarter. Those losses were partially offset by credit spread tightening and there was an overall decline in credit book value for the fourth quarter.

Housing, economic and interest rate trends

Inclusive of distressed sales, home prices nationwide increased by 7.2% on a year-over-year basis in December 2016 as compared with December 2015, according to data released by CoreLogic. This marks the 59th consecutive monthly increase year-over-year in national home prices. The housing market remains strong; however, given the duration and strength of the recovery, we expect home price appreciation to moderate but remain positive over the course of 2017. The U.S. government agencies and the Federal Reserve (the "Fed") policy sponsorship of housing via lower mortgage rates and the further loosening of credit available to prospective homeowners, coupled with a stable broader domestic economy, have provided some support for the housing market recovery.

According to CoreLogic, the aggregate value of all residential properties with negative equity (homes where the homeowner owes more on the home than the home is worth) decreased to $281.9 billion in the third quarter of 2016, from $306.9 billion in the third quarter of 2015, a decrease of 8.2%. For much of the country, the negative equity epidemic that developed during the 2008-2009 recession has lifted due to the rise in home prices over the past five years. CoreLogic predicts that if home prices rise an additional 5.0% in the next twelve months, 600,000 homeowners could regain positive equity. Additionally, credit performance in terms of serious delinquencies and subsequent default rates continued to improve in 2016 and is anticipated to remain stable in the near future.

The Fed, in its December 14, 2016 meeting, decided to raise the federal funds interest rate by 0.25%. Progress continues to be made with respect to the Fed's dual mandate of full employment and price stability, as unemployment remains below 5% and year-over-year core personal consumption expenditures (core PCE) inches toward the Fed's 2% target. At the December meeting, the Fed modestly increased its median forecast for real GDP growth for 2016, 2017 and 2019, while lowering its median forecast for the unemployment rate in each of those same years. As a result, the Fed increased their median expectation for the number of further federal funds rate increases in 2017 from two 25bp moves to three 25bps moves. U.S. Dollar strength, negative demographic trends and meager productivity growth continue to constrain longer term growth prospects and hold down the neutral federal funds rate. Notwithstanding the Fed's increased forecasts, the pace of federal funds rate moves beyond 2017 was unchanged from the previous gradual pace.

The initial reading on fourth quarter GDP growth decelerated sharply to 1.9% from 3.5% in the third quarter of 2016. Net exports and investment in nonresidential structures each proved to be a larger drag than expected, while personal consumption slowed in-line with expectations. A surprise inventory accumulation added one percentage point to GDP growth, however real final sales rose just 0.9% in the fourth quarter.

The rise in savings rates since the financial crisis, continued low interest rates, steady employment gains and low energy costs have all contributed to significant improvement in the consumer's balance sheet. This continues to fuel our optimism about the prospects of further housing recovery and longer term moderate home price appreciation. The U.S. housing market still benefits from favorable supply/demand dynamics, historically low mortgage rates and a willingness on the part of federal regulators at the Federal Housing Finance Agency ("FHFA") to further credit expansion and assist household formation. However, we expect that, without an increase in median income, the pace of home price appreciation is likely to moderate over the coming years.

The market movements outlined above have had a meaningful impact on our existing portfolio and may also have a significant impact on our operating results going forward. We also believe that current market dynamics may impact the availability and cost of financing. We expect that overall market conditions will continue to impact our operating results and will cause us to adjust our investment and financing strategies over time as new opportunities emerge and the risk profiles of our business change.

Recent government activity

On January 12, 2016, the FHFA issued RIN 2590-AA39, Members of Federal Home Loan Banks (the "Final Rule"). The Final Rule, among other things, expressly excludes captive insurance companies, such as MITT Insurance Company LLC ("MITT Insurance"), from being eligible for membership in the Federal Home Loan Bank (the "FHLB") system. Under the Final Rule, there is a one-year transition period from the effective date, February 19, 2016 (the "Effective Date"), within which the FHLB must wind down its relationships with any captive insurance companies that had been admitted to membership in the FHLB on or after September 12, 2014, including MITT Insurance ("Excluded Captives"). The Final Rule also prevents the FHLB from making any new advances or extending any existing advances to Excluded Captives after the Effective Date. Upon the termination of membership, the FHLB must liquidate all outstanding advances to Excluded Captives and settle all other business transactions in accordance with the Final Rule. In addition, all FHLB stock held by the terminated Excluded Captive will be repurchased or redeemed at the FHLB's discretion. Therefore, MITT Insurance, along with all other Excluded Captives, must completely wind down all business relationships with the FHLB, including the repayment of all outstanding advances, prior to or simultaneously with the termination of MITT Insurance's membership with the Federal Home Loan Bank of Cincinnati (the "FHLBC") where it is a member.

The current regulatory environment may be impacted by future legislative developments, such as amendments to key provisions of the Dodd-Frank Act, including provisions setting forth capital and risk retention requirements. The new administration's agenda has not yet been proposed, but it may include certain deregulatory measures for the U.S. banking and financial industry, including to the Dodd-Frank Act. In addition, one pending bill, called the Financial CHOICE Act would specifically remove risk retention requirements for non-residential mortgage securitizations.

In addition, according to publicly released statements, a top legislative priority of the new President's administration and of Congress may be significant reform of the Internal Revenue Code, including significant changes to taxation of business entities. There is a substantial lack of clarity around both the timing and the details of any such tax reform and the impact of any potential tax reform on our operations.

Results of operations

Factors impacting our operating results

Our operating results can be affected by a number of factors and primarily depend on the size and composition of our investment portfolio, the level of our net interest income, the market value of our assets and the supply of, and demand for, our target assets in the marketplace, which can be impacted by unanticipated credit events, such as defaults, liquidations or delinquencies, experienced by borrowers whose mortgage loans are included in our RMBS. Our primary source of net income available to common stockholders is our net interest income, less our cost of hedging, which represents the difference between the interest earned on our investment portfolio and the costs of financing and hedging our investment portfolio. Our net interest income varies primarily as a result of changes in market interest rates, prepayment speeds, as measured by the Constant Prepayment Rate ("CPR") on the Agency RMBS in our investment portfolio, and our funding and hedging costs.

The table below presents certain information from our Consolidated Statement of Operations for the years ended December 31, 2016, December 31, 2015 and December 31, 2014:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Statement of Operations Data:			
Net Interest Income			
Interest income	$ 123,006,112	$ 141,273,414	$ 141,573,188
Interest expense	33,785,031	31,230,369	26,497,398
	89,221,081	110,043,045	115,075,790
Other Income			
Net realized gain/(loss)	(10,391,118)	(17,148,069)	3,637,954
Income/(loss) from linked transactions, net	-	-	12,503,516
Realized loss on periodic interest settlements of derivative instruments, net	(6,009,638)	(13,204,884)	(22,261,187)
Unrealized gain/(loss) on real estate securities and loans, net	2,672,426	(32,491,857)	72,480,056
Unrealized gain/(loss) on derivative and other instruments, net	8,613,084	(12,180,501)	(51,255,430)
Other income	373,902	66,250	29,127
	(4,741,344)	(74,959,061)	15,134,036
Expenses			
Management fee to affiliate	9,809,427	9,971,287	10,089,239
Other operating expenses	10,290,513	12,356,644	11,903,554
Servicing fees	404,129	671,246	511,519
Equity based compensation to affiliate	298,592	164,487	291,131
Excise tax	1,513,167	1,500,000	1,783,539
	22,315,828	24,663,664	24,578,982
Income/(loss) before income tax benefit/(expense) and equity in earnings/(loss) from affiliates	62,163,909	10,420,320	105,630,844
Income tax benefit/(expense)	-	-	79,914
Equity in earnings/(loss) from affiliates	1,518,862	3,398,217	3,684,810
Net Income/(Loss)	63,682,771	13,818,537	109,395,568
Dividends on preferred stock	13,469,416	13,469,416	13,469,416
Net Income/(Loss) Available to Common Stockholders	$ 50,213,355	$ 349,121	$ 95,926,152
Share Data:			
Earnings/(Loss) Per Share of Common Stock			
Basic	$ 1.80	$ 0.01	$ 3.38
Diluted	$ 1.80	$ 0.01	$ 3.37

Net Income (Loss)

Net income/(loss) available to common stockholders increased $49.9 million from $0.3 million for the year ended December 31, 2015 to $50.2 million for the year ended December 31, 2016 primarily due to higher prices on our securities, which increased our “Unrealized gain/(loss) on real estate securities and loans, net”, coupled with higher derivative prices, which increased our “Unrealized gain/(loss) on derivatives and other instruments, net”. Net income/(loss) available to common stockholders decreased $95.6 million from $95.9 million for the year ended December 31, 2014 to $0.3 million for the year ended December 31, 2015 primarily due to lower prices on our securities, which decreased our “Unrealized gain/(loss) on real estate securities and loans, net”, and the sale of certain derivatives at losses which decreased our “Realized gain/(loss)”.

Prior to January 1, 2015, the effective date for ASU No. 2014-11, certain line items on our consolidated statement of operations were netted within the “Income/(loss) from linked transactions, net” line item. As of January 1, 2015, those line items, (“Interest income”, “Interest expense”, Net realized gain/(loss)”, and “Unrealized gain/(loss) on real estate securities and loans, net”) have been grossed up.

Interest income

Interest income is calculated using the effective interest method for our GAAP investment portfolio and calculated based on the actual coupon rate and the outstanding principal balance on our U.S. Treasury securities.

Year Ended December 31, 2016 compared to the Year Ended December 31, 2015

Interest income decreased by $18.3 million from $141.3 million at December 31, 2015 to $123.0 million at December 31, 2016 primarily due to a decrease in the weighted average cost of our GAAP investment portfolio and U.S. Treasury securities period over period by $0.4 billion from $3.2 billion at December 31, 2015 to $2.8 billion at December 31, 2016. This was coupled with a decrease in the weighted average yield on our GAAP investment portfolio and U.S. Treasury securities during the period of 0.08% from 4.45% at December 31, 2015 to 4.37% at December 31, 2016.

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Interest income decreased by $0.3 million from $141.6 million at December 31, 2014 to $141.3 million at December 31, 2015 primarily due to a decrease in the weighted average cost of our GAAP investment portfolio, and U.S. Treasury securities period over period by $0.2 billion from $3.4 billion at December 31, 2014 to $3.2 billion at December 31, 2015. This was offset by an increase in the weighted average yield on our GAAP investment portfolio and U.S. Treasury securities during the period of 0.34% from 4.11% at December 31, 2014 to 4.45% at December 31, 2015.

Interest expense

Interest expense is calculated based on the actual financing rate and the outstanding financing balance of our GAAP investment portfolio and U.S. Treasury securities.

Year Ended December 31, 2016 compared to the Year Ended December 31, 2015

Interest expense increased by $2.6 million from $31.2 million at December 31, 2015 to $33.8 million at December 31, 2016 primarily due to an increase in the weighted average financing rate on our GAAP investment portfolio and U.S. Treasury securities during the period, by 0.28% from 1.19% at December 31, 2015 to 1.47% at December 31, 2016. This was offset by a decrease in the weighted average financing balance on our GAAP investment portfolio and U.S. Treasury securities during the period of $0.3 billion from $2.6 billion at December 31, 2015 to $2.3 billion at December 31, 2016. Refer to the “Financing activities” section below for a discussion of material changes in our cost of funds.

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Interest expense increased by $4.7 million from $26.5 million at December 31, 2014 to $31.2 million at December 31, 2015 primarily due to an increase in the weighted average financing rate on our GAAP investment portfolio and U.S. Treasury securities during the period, by 0.27% from 0.92% at December 30, 2014 to 1.19% at December 31, 2015. This was offset by a decrease in the weighted average financing balance on our GAAP investment portfolio and U.S. Treasury securities during the period by $0.3 billion from $2.9 billion at December 31, 2014 to $2.6 billion at December 31, 2015.

Net realized gain/(loss)

Net realized gain/(loss) represents the net gain or loss recognized on any sales out of our GAAP investment portfolio, Other assets, derivatives, or other instruments as well as transfers from Residential Mortgage Loans to Other assets or other-than-temporary impairment ("OTTI") charges recorded during the period. Refer to Footnote 2, Footnote 3 and Footnote 4 of the "Notes to Consolidated Financial Statements" for further discussion on OTTI.

Year Ended December 31, 2016

During the year ended December 31, 2016, net realized gain/(loss) was $(10.4) million. We sold certain real estate securities and residential mortgage loans, realizing net gains of $6.9 million and $3.5 million, respectively. In addition, we recognized a $0.3 million realized gain on loans transferred to Other assets and a $0.3 million realized gain on the sale of Other assets. We also recognized $2.8 million of realized gains due to the settlement of TBAs, $4.8 million of realized loss due to the settlement of certain derivatives and other instruments, and $19.4 million of realized loss due to OTTI charges on certain securities and loans.

Year Ended December 31, 2015

During the year ended December 31, 2015, net realized gain/(loss) was $(17.1) million. We sold certain real estate securities and residential mortgage loans, realizing net gains of $7.9 million and $1.9 million, respectively. In addition, we recognized $1.9 million of realized gains due to the settlement of TBAs, $20.0 million of realized loss due to the settlement of certain derivatives and other instruments, and $8.8 million of realized loss due to OTTI charges on certain securities and loans.

Year Ended December 31, 2014

During the year ended December 31, 2014, net realized gain/(loss) was $3.6 million. We sold certain real estate securities, including a reversal of related tax benefits, realizing a net gain of $10.0 million. In addition, we recognized $5.5 million of realized gains due to the settlement of TBAs, $7.1 million of realized loss due to the settlement of certain derivatives and other instruments and $4.8 million of realized loss due to OTTI charges on certain securities.

Income/(loss) from linked transactions, net

On June 12, 2014, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2014-11. This amendment requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. If all derecognition criteria are met, the initial transferee will account for the initial transfer as a purchase and the related repurchase agreement component of the transaction will be accounted for as a secured borrowing. Refer to Note 7 of the "Notes to Consolidated Financial Statements" for further detail on the adoption of ASU 2014-11 and its impact on our results of operations.

Realized loss on periodic interest settlement of derivative instruments, net

Realized loss on periodic interest settlement of derivative instruments, net represents the net interest expense paid on our interest rate swaps.

Year Ended December 31, 2016 compared to the Year Ended December 31, 2015

Realized loss on periodic interest settlement of derivative instruments, net decreased by $7.2 million from $13.2 million at December 31, 2015 to $6.0 million at December 31, 2016 due to a decrease in swap notional amount for the period, coupled with an increase in the 3 month LIBOR rate. We net terminated $325.0 million notional amount of swaps from December 31, 2015 to December 31, 2016. In addition, 3 month LIBOR increased from 0.613% at December 31, 2015 to 0.998% at December 31, 2016.

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Realized loss on periodic interest settlement of derivative instruments, net decreased by $9.1 million from $22.3 million at December 31, 2014 to $13.2 million at December 31, 2015 due to a decrease in swap notional amount for the period, coupled with an increase in the 3 month LIBOR rate. We net terminated $477.0 million notional amount of swaps from December 31, 2014 to December 31, 2015. In addition, 3 month LIBOR increased from 0.256% at December 31, 2014 to 0.613% at December 31, 2015.

Unrealized gain/(loss) on real estate securities and loans, net

Refer to the "Market overview" section of this Item 7 for a discussion of the changes in market pricing which drive our "Unrealized gain/(loss) on real estate securities and loans, net" and "Unrealized gain/(loss) on derivatives and other instruments, net" line items. Realized gains and losses on sale generally impact unrealized gains and losses.

Year Ended December 31, 2016

For the year ended December 31, 2016, Unrealized gain/(loss) on real estate securities and loans, net was $2.7 million. The $2.7 million was comprised of unrealized gains on securities of $3.9 million, offset by unrealized losses on loans of $1.2 million during the year.

Year Ended December 31, 2015

For the year ended December 31, 2015, Unrealized gain/(loss) on real estate securities and loans, net was $(32.5) million. The $(32.5) million was comprised of unrealized losses on securities of $34.0 million, offset by unrealized gains on loans of $1.5 million during the year.

Year Ended December 31, 2014

For the year ended December 31, 2014, Unrealized gain/(loss) on real estate securities and loans, net was $72.5 million. The $72.5 million was comprised of unrealized gains on securities of $71.2 million, coupled with unrealized gains on loans of $1.3 million during the year.

Unrealized gain/(loss) on derivative and other instruments, net

Refer to the "Market overview" section of this Item 7 for a discussion of the changes in market pricing which drive our "Unrealized gain/(loss) on real estate securities and loans, net" and "Unrealized gain/(loss) on derivatives and other instruments, net" line items. Realized gains and losses on sale also impact unrealized gains and losses.

Year Ended December 31, 2016

For the year ended December 31, 2016, Unrealized gain/(loss) on derivative and other instruments, net was $8.6 million. The $8.6 million was comprised of unrealized gains on certain derivatives of $8.9 million, offset by unrealized losses on TBAs of $0.3 million during the year.

Year Ended December 31, 2015

For the year ended December 31, 2015, Unrealized gain/(loss) on derivative and other instruments, net was $(12.2) million. The $(12.2) million was comprised of unrealized losses on certain derivatives of $10.6 million, coupled with unrealized losses on TBAs of $1.6 million during the year.

Year Ended December 31, 2014

For the year ended December 31, 2014, Unrealized gain/(loss) on derivative and other instruments, net was $(51.3) million. The $(51.3) million was comprised of unrealized losses on certain derivatives of $52.7 million, offset by unrealized gains on TBAs of $1.4 million during the year.

Other income

Other income pertains to certain fees we receive on our residential mortgage loans.

Year Ended December 31, 2016 compared to the Year Ended December 31, 2015

For the years ended December 31, 2016 and December 31, 2015, Other income was $0.4 million and $66,250, respectively. The increase in Other income pertains to increased fees we received on one of our residential mortgage loan pools.

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

For the years ended December 31, 2015 and December 31, 2014 Other income was $66,250 and $29,127, respectively. The increase in Other income pertains to increased fees we received for holding our residential mortgage loan pools for an entire year.

Management fee to affiliate

Our management fee is based upon a percentage of our stockholders' equity after excluding unrealized gains or losses and other non-cash items. See the "Contractual obligations" section of this Item 7 for further detail on the calculation of our management fee.

Year Ended December 31, 2016 compared to the Year Ended December 31, 2015

For the years ended December 31, 2016 and December 31, 2015 our management fees were $9.8 million and $10.0 million, respectively. Management fees decreased slightly primarily due to the decrease in our stockholders' equity from $666.9 million at December 31, 2015 to $655.9 million at December 31, 2016.

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

For the years ended December 31, 2015 and December 31, 2014 our management fees were $10.0 million and $10.1 million, respectively. Management fees decreased slightly primarily due to the decrease in our stockholders' equity from $732.7 million at December 31, 2014 to $666.9 million at December 31, 2015.

Other operating expenses

These amounts are primarily comprised of professional fees, directors' and officers' ("D&O") insurance and directors' fees, as well as certain expenses reimbursable to the Manager. We are required to reimburse our Manager or its affiliates for operating expenses which are incurred by our Manager or its affiliates on our behalf, including certain salary expenses and other expenses relating to accounting, legal, due diligence, and other services.

Year Ended December 31, 2016 compared to the Year Ended December 31, 2015

For the years ended December 31, 2016 and December 31, 2015, Other operating expenses were $10.3 million and $12.4 million, respectively. The decrease of $2.1 million is primarily a result of decreased amounts reimbursed to the manager, decreased professional fees, and decreased fees paid for D&O insurance.

Of the $10.3 million and $12.4 million of Other operating expenses for year ended December 31, 2016 and December 31, 2015, respectively, the Company has expensed $6.0 million and $7.1 million, respectively, representing a reimbursement of expenses to the Manager or its affiliates.

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

For the years ended December 31, 2015 and December 31, 2014, Other operating expenses were $12.4 million and $11.9 million, respectively. The increase of $0.5 million is primarily a result of increased amounts reimbursed to the manager for certain deal related expenses as well as increased professional fees.

Of the $12.4 million and $11.9 million of Other operating expenses for year ended December 31, 2015 and December 31, 2014, respectively, the Company has expensed $7.1 million and $6.9 million, respectively, representing a reimbursement of expenses to the Manager or its affiliates.

Servicing fees

We incur servicing fee expenses in connection with the servicing of our residential mortgage loans. We previously acquired three pools of residential mortgage loans and will continue to pay fees as we hold these assets.

Year Ended December 31, 2016 compared to the Year Ended December 31, 2015

For the years ended December 31, 2016 and December 31, 2015 our servicing fees were $0.4 million and $0.7 million, respectively. The decrease in fees primarily pertains to sales of residential mortgage loans during the period.

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

For the years ended December 31, 2015 and December 31, 2014 our servicing fees were $0.7 million and $0.5 million, respectively. The increase in fees primarily pertains to the recognition of a full year’s worth of expense on our residential mortgage loans in 2015, after purchases of residential mortgage loans in 2014.

Equity based compensation to affiliate

Equity based compensation to affiliates represents the amortization of the fair value of our restricted stock units remeasured quarterly, less the present value of dividends expected to be paid on the underlying shares through the requisite service period.

Year Ended December 31, 2016 compared to the Year Ended December 31, 2015

For the years ended December 31, 2016 and December 31, 2015, our equity based compensation to affiliate was $0.3 million and $0.2 million, respectively. The increase is a result of an increased stock price for the year.

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

For the years ended December 31, 2015 and December 31, 2014, our equity based compensation to affiliate was $0.2 million and $0.3 million, respectively. The decrease is a result of a decreased stock price for the year.

Excise tax

Excise tax represents a four percent tax on the required amount of our ordinary income and net capital gains not distributed during the year. The quarterly expense is calculated in accordance with applicable tax regulations.

Year Ended December 31, 2016 compared to the Year Ended December 31, 2015

For the years ended December 31, 2016 and December 31, 2015 our excise tax remained relatively unchanged.

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

For the years ended December 31, 2015 and December 31, 2014 we recorded excise tax expense of $1.5 million and $1.8 million, respectively. The decrease pertains to an increased excise tax in 2014 paid in conjunction with the filing of our 2013 tax return.

Equity in earnings/(loss) from affiliates

Equity in earnings/(loss) from affiliates represents our share of earnings and profits of investments held within affiliated entities. A majority of these investments are comprised of real estate securities, loans and our investment in AG Arc.

Year Ended December 31, 2016 compared to the Year Ended December 31, 2015

For the years ended December 31, 2016 and December 31, 2015 we recorded Equity in earnings/(loss) from affiliates of $1.5 million and $3.4 million, respectively. The decrease primarily pertains to unrealized losses on investments held within affiliated entities.

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

For the years ended December 31, 2015 and December 31, 2014 we recorded Equity in earnings/(loss) from affiliates of $3.4 million and $3.7 million, respectively. The decrease primarily pertains to realized losses on investments held within affiliated entities.

Book value per share

As of December 31, 2016, December 31, 2015 and December 31, 2014, our book value per common share was $17.86, $17.88 and $20.13, respectively.

Presentation of investment, financing and hedging activities

In the “Investment activities,” “Financing activities”, “Hedging activities” and “Liquidity and capital resources” sections of this Item 7, where we disclose our investment portfolio and the related repurchase agreements and FHLBC Advances, if applicable, that finance it, we have presented this information inclusive of (i) unconsolidated ownership interests in affiliates that are accounted for under GAAP using the equity method and (ii) TBAs, which are accounted for as derivatives under GAAP. Our investment portfolio and the related repurchase agreements and FHLBC Advances, if applicable, that finance it are presented along with a reconciliation to GAAP. This presentation of our investment portfolio is consistent with how our management evaluates the business, and we believe this presentation, when considered with the GAAP presentation, provides supplemental information useful for investors in evaluating our investment portfolio and financial condition. See Note 2 to the Notes to Consolidated Financial Statements for a discussion of investments in debt and equity of affiliates.

Net interest margin

Net interest margin is calculated by subtracting the weighted average cost of funds from the weighted average yield for our investment portfolio, which excludes cash held by us and any net TBA position. The weighted average yield on our investment portfolio represents an effective interest rate, which utilizes all estimates of future cash flows and adjusts for actual prepayment and cash flow activity as of quarter-end. The weighted average cost of funds is the sum of the weighted average funding costs on total financing outstanding at quarter-end and our weighted average hedging cost, which is the weighted average of the net pay rate on our interest rate swaps, the net receive/pay rate on our Treasury long and short positions, respectively, and the net receivable rate on our IO index derivatives, if any. Both elements of cost of funds are weighted by the outstanding repurchase agreements on our investment portfolio, securitized debt, and loan participation payable at quarter-end, exclusive of repurchase agreements associated with U.S. Treasury securities.

Our GAAP net interest margin is calculated by subtracting the weighted average cost of funds on our GAAP investment portfolio from the weighted average yield for our GAAP investment portfolio, which excludes cash held by us and any net TBA position. Both elements of cost of funds on our GAAP investment portfolio are weighted by the outstanding repurchase agreements on our GAAP investment portfolio, securitized debt, and loan participation payable at quarter-end, exclusive of repurchase agreements associated with U.S. Treasury securities.

See below for a reconciliation of net interest margin from our GAAP investment portfolio to our investment portfolio as of December 31, 2016, December 31, 2015, and December 31, 2014:

December 31, 2016

Weighted Average	GAAP Investment Portfolio	Investments in Debt and Equity of Affiliates	Investment Portfolio*
Yield	4.94%	14.54%	5.18%
Cost of Funds	2.01%	3.51%	2.02%
Net Interest Margin	2.93%	11.03%	3.16%

December 31, 2015

Weighted Average	GAAP Investment Portfolio	Investments in Debt and Equity of Affiliates	Investment Portfolio*
Yield	4.73%	11.32%	4.86%
Cost of Funds	1.79%	3.00%	1.81%
Net Interest Margin	2.94%	8.32%	3.05%

December 31, 2014

Weighted Average	GAAP Investment Portfolio	Investments in Debt and Equity of Affiliates	Linked Transactions	Investment Portfolio*
Yield	4.52%	12.13%	5.94%	4.67%
Cost of Funds	1.78%	3.00%	1.74%	1.78%
Net Interest Margin	2.74%	9.13%	4.20%	2.89%

*Excludes any net TBA position.

Core earnings

We define core earnings, a non-GAAP financial measure, as net income excluding both unrealized and realized gains/(losses) on the sale or termination of securities and the related tax expense/benefit or disposition expense, if any, on such sale, including (i) investments held in affiliated entities and (ii) derivatives. As defined, Core Earnings include the net interest and other income earned on these investments on a yield adjusted basis, including credit derivatives, investments in debt and equity of affiliates, inverse Agency Interest-Only securities, interest rate derivatives, TBA drop income or any other investment activity that may earn or pay net interest or its economic equivalent. One of our objectives is to generate net income from net interest margin on the portfolio, and management uses Core Earnings to measure this objective. Management believes that this non-GAAP measure, when considered with the Company's GAAP financials, provides supplemental information useful for investors in evaluating our results of operations. This metric, in conjunction with related GAAP measures, provides greater transparency into the information used by our management in its financial and operational decision-making. Our presentation of Core Earnings may not be comparable to similarly-titled measures of other companies, who may use different calculations. This non-GAAP measure should not be considered a substitute for, or superior to, the financial measures calculated in accordance with GAAP. Our GAAP financial results and the reconciliations from these results should be carefully evaluated. Refer to the "Results of Operations" section above for a detailed discussion of our GAAP financial results.

A reconciliation of GAAP net income to Core Earnings for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 is set forth below:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Net Income/(loss) available to common stockholders	$ 50,213,355	$ 349,121	$ 95,926,152
Add (Deduct):			
Net realized (gain)/loss	10,391,118	17,148,069	(3,637,954)
Tax (benefit)/expense related to realized gain	-	-	(79,914)
Drop income	269,661	2,211,417	3,513,890
(Income)/loss from linked transactions, net	-	-	(12,503,516)
Net interest income on linked transactions	-	-	9,550,706
Equity in (earnings)/loss from affiliates	(1,518,862)	(3,398,217)	(3,684,810)
Net interest income and expenses from equity method investments*	4,957,071	4,290,149	1,897,376
Unrealized (gain)/loss on real estate securities and loans, net	(2,672,426)	32,491,857	(72,480,056)
Unrealized (gain)/loss on derivative and other instruments, net	(8,613,084)	12,180,501	51,255,430
Core Earnings	$ 53,026,833	$ 65,272,897	$ 69,757,304
Core Earnings, per Diluted Share	$ 1.90	$ 2.30	$ 2.45

*For the year ended December 31, 2016, we recognized $(0.4) million or $(0.01) per share of net income/(loss) attributed to our investment in AG Arc. We did not recognize any net income/(loss) on our investment in AG Arc for the years ended December 31, 2015 or December 31, 2014.

Investment activities

We evaluate investments in Agency RMBS using factors including expected future prepayment trends, supply of and demand for Agency RMBS, costs of financing, costs of hedging, expected future interest rate volatility and the overall shape of the U.S. Treasury and interest rate swap yield curves. Prepayment speeds, as reflected by the CPR, and interest rates vary according to the type of investment, conditions in financial markets and other factors, none of which can be predicted with any certainty. In general, as prepayment speeds on our Agency RMBS portfolio increase, the related purchase premium amortization increases, thereby reducing the net yield on such assets.

Our credit investments are subject to risk of loss with regard to principal and interest payments. We evaluate each investment in our credit portfolio based on the characteristics of the underlying collateral and the securitization structure. We maintain a comprehensive portfolio management process that generally includes day-to-day oversight by the portfolio management team and a quarterly credit review process for each investment that examines the need for a potential reduction in accretable yield, missed or late contractual payments, significant declines in collateral performance, prepayments, projected defaults, loss severities and other data which may indicate a potential issue in our ability to recover our capital from the investment. These processes are designed to enable our Manager to evaluate and proactively manage asset-specific credit issues and identify credit trends on a portfolio-wide basis. Nevertheless, we cannot be certain that our review will identify all issues within our portfolio due to, among other things, adverse economic conditions or events adversely affecting specific assets. Therefore, potential future losses may stem from issues with our investments that are not identified by our credit reviews.

For the period from our IPO to December 31, 2011, the risk-reward profile of investment opportunities supported the deployment of a majority of our capital in Agency RMBS. Labor, housing and economic fundamentals, together with U.S. monetary policy designed to keep interest rates low, supported our Agency RMBS investments in this period. Overweighting of these investments was also favored by the relative ease of funding and superior liquidity. We also acquired a limited amount of Non-Agency RMBS, ABS and CMBS assets for our investment portfolio during this period.

In 2012, we began increasing our exposure to credit investments and leveraging the broader Angelo, Gordon platform. Throughout the first quarter of 2013, we remained positioned in Agency RMBS assets that we believed would perform well in an ongoing elevated prepayment environment. During the second quarter of 2013, we elected to increase our hedging activity, perceiving the potential for an increase in interest rate volatility and benchmark interest rates. We subsequently reduced our hedging activity, rotated into shorter duration Agency RMBS and continued rotating assets away from Agency RMBS into credit investments, basing our decisions on a variety of factors, including liquidity, duration, interest rate expectations and hedging. Our investment decisions supported the continued allocation into credit assets throughout 2015 and 2016. This shift has caused a change in the mix of our assets, and as a result, our portfolio has decreased over time.

As of December 31, 2016, we had a $2.4 billion GAAP investment portfolio, which consisted of $1.1 billion, or 43.5%, of assets in our GAAP Agency RMBS portfolio and $1.3 billion, or 56.5%, of assets in our GAAP credit portfolio. As of December 31, 2016, our investment portfolio totaled $2.5 billion, which consisted of $1.1 billion, or 43.5%, of assets in our Agency RMBS portfolio and $1.4 billion, or 56.5%, of assets in our credit portfolio. This compares with a $2.8 billion GAAP investment portfolio as of December 31, 2015, which consisted of $1.2 billion, or 43.4%, of assets in our GAAP Agency RMBS portfolio and $1.6 billion, or 56.6%, of assets in our GAAP credit portfolio. As of December 31, 2015, our investment portfolio was $2.9 billion, which consisted of $1.3 billion, or 44.2%, of assets in our Agency RMBS portfolio and $1.6 billion, or 55.8%, of assets in our credit portfolio.

The following table presents a reconciliation of our investment portfolio to our GAAP investment portfolio as of December 31, 2016:

Instrument	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value	Weighted Average Coupon (1)	Weighted Average Yield (2)	Weighted Av Life (Years) (
Agency RMBS:							
30 Year Fixed Rate	$ 713,234,586	$ 741,572,808	$ (1,845,087)	$ 739,727,721	3.64%	2.99%	
Fixed Rate CMO	62,570,005	63,101,436	595,962	63,697,398	3.00%	2.80%	
ARM	208,592,111	206,958,936	4,385,116	211,344,052	2.35%	2.84%	
Inverse Interest Only	99,127,607	11,977,729	377,150	12,354,879	3.50%	7.30%	
Interest Only	317,774,720	29,081,115	1,458,561	30,539,676	2.46%	8.65%	
Fixed Rate 30 Year TBA (3)	50,000,000	51,427,734	(177,734)	51,250,000	3.50%	N/A	
Credit Investments:							
Residential Investments							
Prime (4) (5)	619,345,362	497,837,476	14,920,082	512,757,558	4.17%	5.98%	
Alt-A (4) (6)	279,857,391	181,398,827	4,012,575	185,411,402	4.54%	5.57%	
Subprime (4) (7)	127,967,069	122,497,412	135,065	122,632,477	4.04%	5.31%	
RMBS Interest Only	449,759,113	3,731,799	29,646	3,761,445	0.25%	12.47%	
Credit Risk Transfer	60,682,441	60,592,617	1,969,919	62,562,536	5.57%	6.82%	
RPL/NPL (8)	114,976,337	114,301,187	(1,141,699)	113,159,488	4.39%	4.88%	
Securitized Whole Loans (9)	68,716,366	51,248,931	(894,934)	50,353,997	4.03%	14.74%	
Residential Mortgage Loans	56,827,230	39,293,224	823,478	40,116,702	5.59%	8.72%	
Excess Mortgage Servicing Rights	58,862,755	281,664	130,984	412,648	N/A	34.81%	
Commercial Investments							
CMBS	209,526,282	152,985,726	(2,150,419)	150,835,307	5.04%	6.03%	
Freddie Mac K-Series CMBS	158,976,049	57,058,621	(733,708)	56,324,913	5.66%	13.06%	
CMBS Interest Only (11)	2,855,494,786	57,993,758	517,543	58,511,301	0.31%	6.48%	
Commercial Loans	60,800,000	59,295,366	773,434	60,068,800	7.39%	9.19%	
ABS	22,025,000	21,667,978	(436,022)	21,231,956	5.43%	6.32%	
Total: Non-GAAP Basis	$6,595,115,210	$ 2,524,304,344	$ 22,749,912	$2,547,054,256	1.99%	5.18%	
Investments in Debt and Equity of Affiliates	$1,057,695,652	$ 65,120,616	$ (1,559,034)	$ 63,561,582	0.22%	14.54%	
TBAs	$ 50,000,000	$ 51,427,734	$ (177,734)	$ 51,250,000	3.50%	N/A	
Total: GAAP Basis	$5,487,419,558	$ 2,407,755,994	$ 24,486,680	$2,432,242,674	2.28%	4.94%	

(1) Equity residuals, principal only securities and MSRs with a zero coupon rate are excluded from this calculation.
(2) Fixed Rate 30 Year TBA are excluded from this calculation.
(3) Represents long positions in Fixed Rate 30 Year TBA.
(4) Non-Agency RMBS with credit scores above 700, between 700 and 620 and below 620 at origination are classified as Prime, Alt-A, and Subprime, respectively. The weighted average credit scores of our Prime, Alt-A and Subprime Non-Agency RMBS were 725, 667 and 603, respectively.
(5) Included in Prime is $164.7 million fair market value of new issue securities. New issue is defined as being issued after 2010. Included in new issue prime is $71.3 million fair market value of Prime Jumbo securities. We define Prime Jumbo Securities as a prime security with an issuance year after 2010, an original rating of AAA and a weighted average original loan balance greater than the conforming loan limits published by the FHFA.
(6) Included in Alt-A is $48.7 million fair market value of new issue securities. New issue is defined as being issued after 2010.
(7) Included in Subprime is $35.0 million fair market value of new issue securities. New issue is defined as being issued after 2010.
(8) RPL/NPL MBS are collateralized by re-performing or non-performing loans whose deal structures contain an interest rate step-up feature.
(9) Whole loans purchased by an affiliate of our manager in securitized form.
(10) Actual maturities of investments and loans are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(11) Includes Freddie Mac K-Series CMBS interest-only bonds.

The following table presents a reconciliation of our investment portfolio to our GAAP investment portfolio as of December 31, 2015:

Instrument	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value	Weighted Average Coupon (1)	Weighted Average Yield (2)	Weighted Average Life (Years) (2)(10)
Agency RMBS:							
30 Year Fixed Rate	$ 782,276,607	$ 817,182,510	$ 2,954,782	$ 820,137,292	3.76%	3.10%	8.58
Fixed Rate CMO	76,098,478	76,770,854	1,254,658	78,025,512	3.00%	2.81%	5.26
ARM	248,169,781	245,510,904	4,298,463	249,809,367	2.37%	2.84%	5.44
Inverse Interest Only	123,846,050	15,016,734	664,161	15,680,895	3.54%	7.52%	4.46
Interest Only	398,212,194	38,364,624	(576,038)	37,788,586	2.44%	7.58%	4.12
Fixed Rate 30 Year TBA (3)	75,000,000	77,502,930	(141,600)	77,361,330	3.50%	N/A	N/A
Credit Investments:							
Residential Investments							
Prime (4) (5)	783,496,575	659,470,180	10,330,014	669,800,194	4.09%	5.58%	10.29
Alt-A (4) (6)	258,855,964	221,414,910	2,043,783	223,458,693	3.98%	5.25%	9.43
Subprime (4) (7)	113,943,920	109,867,883	1,734,214	111,602,097	4.49%	5.32%	5.36
RMBS Interest Only	465,387,354	5,489,775	63,958	5,553,733	0.12%	11.05%	6.40
Credit Risk Transfer	36,993,762	36,916,025	39,725	36,955,750	5.75%	6.83%	8.17
RPL/NPL (8)	135,725,197	134,351,745	(698,090)	133,653,655	4.39%	5.03%	1.77
Securitized Whole Loans (9)	86,722,548	62,025,088	(1,557,289)	60,467,799	4.19%	7.60%	4.35
Residential Mortgage Loans	88,980,522	60,963,511	2,657,226	63,620,737	5.47%	8.71%	5.23
Excess Mortgage Servicing Rights	72,155,804	411,372	13,939	425,311	N/A	6.33%	1.61
Commercial Investments							
CMBS	220,742,772	131,308,112	(545,260)	130,762,852	5.12%	6.26%	4.36
Freddie Mac K-Series CMBS	88,154,185	35,018,421	(390,121)	34,628,300	4.83%	12.88%	8.04
CMBS Interest Only (11)	1,774,907,989	17,994,891	576,062	18,570,953	0.20%	7.33%	3.18
Commercial Loans	72,800,000	72,660,971	139,029	72,800,000	6.80%	8.30%	0.58
ABS	56,264,253	55,910,560	(1,148,723)	54,761,837	5.26%	5.62%	4.24
Total: Non-GAAP Basis	$5,958,733,955	$ 2,874,152,000	$ 21,712,893	$2,895,864,893	2.38%	4.86%	5.75
Investments in Debt and Equity of Affiliates	$ 750,815,986	$ 53,077,015	$ 157,813	$ 53,234,828	0.36%	11.32%	4.89
TBAs	$ 75,000,000	$ 77,502,930	$ (141,600)	$ 77,361,330	3.50%	N/A	N/A
Total: GAAP Basis	$5,132,917,969	$ 2,743,572,055	$ 21,696,680	$2,765,268,735	2.64%	4.73%	5.88

(1) Equity residuals, principal only securities and MSRs with a zero coupon rate are excluded from this calculation.
(2) Fixed Rate 30 Year TBA are excluded from this calculation.
(3) Represents long positions in Fixed Rate 30 Year TBA.
(4) Non-Agency RMBS with credit scores above 700, between 700 and 620 and below 620 at origination are classified as Prime, Alt-A, and Subprime, respectively. The weighted average credit scores of our Prime, Alt-A and Subprime Non-Agency RMBS were 725, 674 and 599, respectively.
(5) Included in Prime is $169.5 million fair market value of new issue securities. New issue is defined as being issued after 2010. Included in new issue prime is $108.3 million fair market value of Prime Jumbo securities. We define Prime Jumbo Securities as a prime security with an issuance year after 2010, an original rating of AAA and a weighted average original loan balance greater than the conforming loan limits published by the FHFA.
(6) Included in Alt-A is $65.9 million fair market value of new issue securities. New issue is defined as being issued after 2010.
(7) Included in Subprime is $35.4 million fair market value of new issue securities. New issue is defined as being issued after 2010.
(8) RPL/NPL MBS are collateralized by re-performing or non-performing loans whose deal structures contain an interest rate step-up feature.
(9) Whole loans purchased by an affiliate of our manager in securitized form.
(10) Actual maturities of investments and loans are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(11) Includes Freddie Mac K-Series CMBS interest-only bonds.

The following table presents certain information grouped by vintage as it relates to our credit securities portfolio as of December 31, 2016. We have also presented a reconciliation to GAAP.

Credit Securities:	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value	Weighted Average Coupon (1)	Weighted Average Yield	Weighted Average Life (Years) (2)
Pre 2005	$ 88,697,196	$ 86,085,152	$ 376,229	$ 86,461,381	3.68%	6.44%	4.70
2005	193,951,980	154,998,772	6,941,224	161,939,996	4.31%	5.95%	11.37
2006	280,083,255	182,839,758	6,743,899	189,583,657	4.14%	6.02%	9.50
2007	188,265,662	148,015,242	4,266,444	152,281,686	4.17%	6.27%	11.73
2008	16,424,000	13,638,581	491,993	14,130,574	7.00%	5.73%	9.06
2011	7,113,232	5,716,817	(276,523)	5,440,294	3.14%	5.77%	7.66
2012	81,928,364	20,325,054	(178,093)	20,146,961	2.43%	6.04%	2.93
2013	140,878,507	72,931,048	335,727	73,266,775	2.92%	5.46%	4.43
2014	1,149,462,384	122,144,577	(62,871)	122,081,706	0.56%	9.13%	1.76
2015	1,376,578,039	286,726,007	(3,060,150)	283,665,857	1.10%	6.58%	4.09
2016	1,443,943,577	227,893,324	650,169	228,543,493	1.06%	6.31%	5.69
Total: Non-GAAP Basis	$4,967,326,196	$ 1,321,314,332	$ 16,228,048	$1,337,542,380	1.51%	6.48%	4.92
Less: Investments in Debt and Equity of Affiliates	$1,054,695,758	$ 63,163,256	$ (1,522,800)	$ 61,640,456	0.21%	14.74%	5.93
Total: GAAP Basis	$3,912,630,438	$ 1,258,151,076	$ 17,750,848	$1,275,901,924	1.82%	6.09%	4.64

(1) Equity residual investments and principal only securities are excluded from this calculation.
(2) Actual maturities of mortgage-backed securities are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

The following table presents certain information grouped by vintage as it relates to our credit securities portfolio as of December 31, 2015. We have also presented a reconciliation to GAAP.

Credit Securities:	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value	Weighted Average Coupon (1)	Weighted Average Yield	Weighted Average Life (Years) (2)
Pre 2005	$ 103,593,089	$ 99,567,269	$ 2,563,406	$ 102,130,675	3.33%	6.23%	4.81
2005	207,457,651	173,524,833	3,605,565	177,130,398	4.33%	5.57%	11.83
2006	392,439,663	258,661,802	3,403,637	262,065,439	4.20%	6.03%	8.76
2007	216,970,753	178,714,834	1,434,094	180,148,928	4.17%	5.76%	11.62
2008	16,424,000	13,499,033	429,317	13,928,350	7.00%	5.80%	9.90
2010	55,625,323	45,042,515	1,094,741	46,137,256	N/A	6.05%	7.83
2011	6,936,188	5,533,202	114,100	5,647,302	5.32%	6.69%	9.60
2012	81,928,364	21,147,817	202,330	21,350,147	2.39%	5.87%	3.58
2013	175,615,818	135,450,104	(406,855)	135,043,249	3.78%	4.78%	6.17
2014	1,284,072,165	219,023,610	(1,549,522)	217,474,088	0.83%	6.24%	2.54
2015	1,480,131,505	319,602,571	(442,540)	319,160,031	1.06%	5.93%	5.64
Total: Non-GAAP Basis	$4,021,194,519	$ 1,469,767,590	$ 10,448,273	$1,480,215,863	1.85%	5.85%	5.61
Less: Investments in Debt and Equity of Affiliates	$ 740,670,238	$ 46,534,959	$ 159,359	$ 46,694,318	0.28%	11.32%	4.89
Total: GAAP Basis	$3,280,524,281	$ 1,423,232,631	$ 10,288,914	$1,433,521,545	2.18%	5.66%	5.77

(1) Equity residual investments and principal only securities are excluded from this calculation.
(2) Actual maturities of mortgage-backed securities are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

The following table presents the fair value of our credit securities portfolio by credit rating as of December 31, 2016 and December 31, 2015:

Credit Rating - Credit Securities (1)	December 31, 2016	December 31, 2015
AAA	$ 85,530,578	$ 112,107,249
A	154,674,845	119,939,358
BBB	21,304,102	20,468,267
BB	33,965,384	43,576,568
B	71,712,259	110,878,213
Below B	503,636,658	527,154,975
Not Rated	466,718,554	546,091,233
Total: Non-GAAP Basis	$ 1,337,542,380	$ 1,480,215,863
Less: Investments in Debt and Equity of Affiliates	$ 61,640,456	$ 46,694,318
Total: GAAP Basis	$ 1,275,901,924	$ 1,433,521,545

(1) Represents the minimum rating for rated assets of S&P, Moody and Fitch credit ratings, stated in terms of the S&P equivalent.

The following table presents the CPR experienced on our Agency RMBS portfolio (excluding TBAs), on an annualized basis, for the quarterly periods presented in 2016.

	Three Months Ended (1) (2)			
Agency RMBS	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**
30 Year Fixed Rate	13%	10%	9%	8%
Fixed Rate CMO	16%	10%	7%	6%
ARM	11%	19%	12%	9%
Interest Only	18%	17%	15%	12%
Weighted Average	13%	12%	10%	8%

(1) Represents the weighted average monthly CPRs published during the quarter for our in-place portfolio during the same period.
(2) Source: Bloomberg

The following table presents the CPR experienced on our Agency RMBS portfolio (excluding TBAs), on an annualized basis, for the quarterly periods presented in 2015.

	Three Months Ended (1) (2)			
Agency RMBS	**December 31, 2015**	**September 30, 2015**	**June 30, 2015**	**March 31, 2015**
20 Year Fixed Rate	3%	11%	11%	11%
30 Year Fixed Rate	8%	8%	11%	5%
Fixed Rate CMO	7%	10%	8%	6%
ARM	12%	15%	13%	9%
Interest Only	12%	15%	13%	10%
Weighted Average	9%	10%	11%	7%

(1) Represents the weighted average monthly CPRs published during the quarter for our in-place portfolio during the same period.
(2) Source: Bloomberg

The following tables present the geographic concentration of the underlying collateral for our Non-Agency RMBS and CMBS portfolios:

December 31, 2016			
Non-Agency RMBS State	**Percentage**	**CMBS State**	**Percentage**
California	23.6%	California	11.4%
Florida	8.1%	Texas	9.7%
New York	7.7%	Florida	7.7%
Texas	4.1%	New Jersey	6.7%
New Jersey	3.9%	Nevada	6.0%
Other	52.6%	Other	58.5%
Total	100.0%	**Total**	100.0%

December 31, 2015			
Non-Agency RMBS State	**Percentage**	**CMBS State**	**Percentage**
California	30.3%	California	11.7%
Florida	8.8%	New York	10.0%
New York	8.7%	Florida	8.9%
New Jersey	4.6%	Texas	8.7%
Maryland	3.8%	Arizona	5.0%
Other	43.8%	Other	55.7%
Total	100.0%	**Total**	100.0%

The following tables present certain information regarding credit quality for certain categories within our Non-Agency RMBS and CMBS portfolios:

December 31, 2016

Non-Agency RMBS*

Category	**Weighted Average 60+ Days Delinquent**	**Weighted Average Loan Age (Months)**	**Weighted Average Credit Enhancement**
Prime	10.5%	107.29	15.7%
Alt-A	13.9%	127.18	22.7%
Subprime	17.9%	158.67	69.4%
Credit Risk Transfer	0.1%	16.10	0.8%
RPL/NPL	63.4%	108.06	46.0%

CMBS*

Category	**Weighted Average 60+ Days Delinquent**	**Weighted Average Loan Age (Months)**	**Weighted Average Credit Enhancement**
CMBS	3.0%	41.00	14.7%
Freddie Mac K Series CMBS	0.0%	26.24	5.9%

*Sources: Intex, Trepp

Financing activities

We use leverage to complete the purchase of real estate securities and loans in our investment portfolio. In 2016 and 2015, leverage has been in the form of repurchase agreements, securitized debt, loan participations payable and, for portions of 2015 and 2016, FHLBC Advances. Repurchase agreements involve the sale and a simultaneous agreement to repurchase the transferred assets or similar assets at a future date. FHLBC Advances involved loan advances made to us by the FHLBC in exchange for the pledge of our real estate securities as collateral. The amount borrowed generally is equal to the fair value of the assets pledged less an agreed-upon discount, referred to as a “haircut.” The size of the haircut reflects the perceived risk associated with the pledged asset. Haircuts may change as our repurchase agreements mature or roll and are sensitive to governmental regulations. We have not experienced fluctuations in our haircuts that altered our business and financing strategies for year ended December 31, 2016, but we continue to monitor the regulatory environment, which may influence the timing and volume of our repurchase agreement activity. We seek to obtain financing from several different counterparties in order to reduce our financing risk related to any single counterparty. We had outstanding debt with 23 and 21 counterparties at December 31, 2016 and December 31, 2015, respectively, on a GAAP basis.

In January 2016, the FHFA issued the Final Rule, which expressly excludes captive insurance companies, including our captive insurance subsidiary, from being eligible for membership in the FHLBC and prevents the FHLBC from making any new advances or extending any existing advances to MITT Insurance. Under the Final Rule, MITT Insurance must wind down its membership with the FHLBC by February 19, 2017. As of December 31, 2016, we had no FHLBC Advances outstanding. As of December 31, 2015, we had $396.9 million of FHLBC Advances outstanding.

As a result of new regulations passed by the SEC in October 2016 which require prime and municipal money market funds to move from a fixed net asset value of $1.00 per share to a floating net asset value calculation based on market values, cash providers began moving their cash from prime funds to government securities which are exempt from the reform. As a result, the spreads on Agency RMBS funding tightened as more cash moved into that space while at the same time LIBOR began to widen as prime funds and large buyers of commercial paper were forced out of the market. Despite Agency RMBS funding tightening, our overall cost of funds has increased throughout the year to 1.72% at December 31, 2016 from 1.40% at December 31, 2015 due to the rise in LIBOR as well as the increase in rates by the Fed as discussed above in the “Housing, economic and interest rate trends” section.

Our repurchase agreements and FHLBC Advances are accounted for as financings and require the repurchase of the transferred securities or loans or repayment of the advance at the end of each agreement’s term, typically 30 to 90 days. If we maintain the beneficial interest in the specific assets pledged during the term of the borrowing, we receive the related principal and interest payments. If we do not maintain the beneficial interest in the specific assets pledged during the term of the borrowing, we will have the related principal and interest payments remitted to us by the lender. Interest rates on borrowings are fixed based on prevailing rates corresponding to the terms of the borrowings, and interest is paid at the termination of the borrowing at which time we may enter into a new borrowing arrangement at prevailing market rates with the same counterparty or repay that counterparty and negotiate financing with a different counterparty. In response to declines in fair value of pledged assets due to changes in market conditions or the publishing of monthly security paydown factors, lenders typically require us to post additional assets as collateral, pay down borrowings or establish cash margin accounts with the counterparties in order to re-establish the agreed-upon collateral requirements, referred to as margin calls. As of December 31, 2016 and December 31, 2015, we have met all margin call requirements.

The following table presents the quarter-end balance, average quarterly balance and maximum balance at any month-end for the Company's (i) repurchase agreements on its investment portfolio and U.S Treasury securities, and FHLBC Advances, (ii) unlinked repurchase agreements and (iii) repurchase agreements through affiliated entities, excluding any financing utilized in our investment in AG Arc, with a reconciliation of all quarterly figures to GAAP. For more information on our repurchase agreements secured by U.S. Treasury securities, refer to the "Hedging activities" section below.

Quarter Ended	Quarter-End Balance	Average Quarterly Balance	Maximum Balance at Any Month-End
December 31, 2016			
Non-GAAP Basis	$1,910,508,715	$ 1,972,784,763	$ 2,009,130,688
Less: Investments in Debt and Equity of Affiliates	9,998,909	10,525,232	11,019,272
GAAP Basis	$1,900,509,806	$ 1,962,259,532	$ 1,998,111,416
September 30, 2016			
Non-GAAP Basis	$2,237,848,414	$ 2,242,396,467	$ 2,275,367,639
Less: Investments in Debt and Equity of Affiliates	11,484,705	12,147,413	12,842,577
GAAP Basis	$2,226,363,709	$ 2,230,249,054	$ 2,262,525,062
June 30, 2016			
Non-GAAP Basis	$2,263,590,848	$ 2,305,132,749	$ 2,368,334,965
Less: Investments in Debt and Equity of Affiliates	13,594,846	14,627,811	15,534,683
GAAP Basis	$2,249,996,002	$ 2,290,504,939	$ 2,352,800,282
March 31, 2016			
Non-GAAP Basis	$2,573,321,330	$ 2,559,321,654	$ 2,582,943,709
Less: Investments in Debt and Equity of Affiliates	16,405,130	17,168,967	17,982,309
GAAP Basis	$2,556,916,200	$ 2,542,152,687	$ 2,564,961,400
December 31, 2015			
Non-GAAP Basis	$2,450,495,579	$ 2,611,418,224	$ 2,737,440,514
Less: Investments in Debt and Equity of Affiliates	$ 18,638,119	$ 19,119,157	$ 19,643,832
GAAP Basis	$2,431,857,460	$ 2,592,299,067	$ 2,717,796,682
September 30, 2015			
Non-GAAP Basis	$2,585,828,163	$ 2,509,992,155	$ 2,585,828,163
Less: Investments in Debt and Equity of Affiliates	20,212,522	20,566,999	20,876,667
GAAP Basis	$2,565,615,641	$ 2,489,425,156	$ 2,564,951,496
June 30, 2015			
Non-GAAP Basis	$2,534,309,367	$ 2,618,201,220	$ 2,689,179,519
Less: Investments in Debt and Equity of Affiliates	21,091,153	21,209,044	21,267,990
GAAP Basis	$2,513,218,214	$ 2,596,992,176	$ 2,667,911,529
March 31, 2015			
Non-GAAP Basis	$2,691,920,394	$ 2,713,017,544	$ 2,807,851,545
Less: Investments in Debt and Equity of Affiliates	21,305,161	21,305,161	21,305,161
GAAP Basis	$2,670,615,233	$ 2,691,712,383	$ 2,786,546,384
December 31, 2014			
Non-GAAP Basis	$2,779,624,982	$ 2,809,867,811	$ 2,838,591,258
Less: Linked Transactions	113,363,873	130,264,304	142,279,249
Less: Investments in Debt and Equity of Affiliates	21,305,161	18,880,600	21,305,161
GAAP Basis	$2,644,955,948	$ 2,660,722,907	$ 2,675,006,848
September 30, 2014			
Non-GAAP Basis	$2,871,453,629	$ 2,956,548,421	$ 3,102,782,512
Less: Linked Transactions	131,106,935	142,459,846	149,986,999
GAAP Basis	$2,740,346,694	$ 2,814,088,575	$ 2,952,795,513
June 30, 2014			
Non-GAAP Basis	$3,134,086,525	$ 3,094,449,312	$ 3,134,086,525
Less: Linked Transactions	158,275,177	170,448,011	187,381,609
GAAP Basis	$2,975,811,348	$ 2,924,001,301	$ 2,946,704,916
March 31, 2014			
Non-GAAP Basis	$3,255,756,359	$ 3,178,572,989	$ 3,255,756,359
Less: Linked Transactions	186,578,959	193,237,584	206,433,270
GAAP Basis	$3,069,177,400	$ 2,985,335,405	$ 3,049,323,089

As noted, we finance the purchase of our investments with repurchase agreements. Our repurchase agreement balance can reasonably be expected to increase as the size of our portfolio increases through equity capital raises and decrease as the size of our portfolio decreases through asset sales, principal paydowns, and the gradual increase of our investment allocation to credit investments. Since March 31, 2014, our investment portfolio has decreased $1.3 billion, from $3.8 billion to $2.5 billion. Accordingly, our average quarterly repurchase agreement balance has declined $1.2 billion, from $3.2 billion to $2.0 billion. This is due mainly to our credit portfolio increasing from 38.3% of our investment portfolio as of March 31, 2014 to 56.5% as of December 31, 2016. Credit investments, due to their elevated risk profile, have lower allowable leverage ratios than Agency RMBS, which restricts our financing counterparties from providing as much repurchase agreement financing to us and lowers our total repurchase agreement balance.

Master Repurchase Agreements on our Investment Portfolio

As of December 31, 2016 and December 31, 2015, we had master repurchase agreements with 37 and 37 counterparties, respectively, under which we had outstanding debt with 23 and 21 counterparties, respectively, inclusive of repurchase agreements in affiliated entities. See Note 6 to the Notes to Consolidated Financial Statements for a description of our material master repurchase agreements and refer to the "Hedging activities" section below for certain financial information related to repurchase agreements secured by U.S. Treasury securities.

Our MRAs generally include customary representations, warranties, and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each MRA, typical supplemental terms include requirements of minimum equity, leverage ratios, performance triggers or other financial ratios.

The following table presents the reconciliation of certain financial information related to repurchase agreements secured by real estate securities to information on a GAAP basis as of December 31, 2016:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Days to Maturity	Weighted Average Haircut
Overnight	$ 70,899,000	0.66%	3	3.5%
30 days or less	961,185,000	1.79%	11	14.7%
31-60 days	465,776,000	1.23%	47	8.6%
61-90 days	129,119,000	1.69%	72	13.2%
Greater than 90 days	231,072,906	2.03%	283	6.4%
Total: Non-GAAP Basis	$1,858,051,906	1.63%	57	11.6%
Investments in Debt and Equity of Affiliates	$ 4,882,802	3.51%	350	26.0%
Total: GAAP Basis	$1,853,169,104	1.63%	57	11.5%

The following table presents the reconciliation of certain financial information related to repurchase agreements secured by real estate securities to information on a GAAP basis as of December 31, 2015:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Days to Maturity	Weighted Average Haircut
30 days or less	$1,052,983,000	1.43%	14	15.4%
31-60 days	245,124,000	1.23%	47	11.8%
61-90 days	76,739,000	1.98%	74	21.1%
Greater than 90 days	372,341,865	1.60%	380	9.8%
Total: Non-GAAP Basis	$1,747,187,865	1.46%	99	14.0%
Investments in Debt and Equity of Affiliates	$ 7,989,207	3.00%	314	28.7%
Total: GAAP Basis	$1,739,198,658	1.46%	98	13.9%

The increase in the balance of our repurchase agreements from December 31, 2015 to December 31, 2016 was primarily driven by the Final Rule, which prevented us from receiving any additional financing from the FHLB. In order to continue to finance our real estate securities, we substituted repurchase agreement financing for the $396.9 million of FHLB financing that we lost. We did not have any FHLBC Advances as of December 31, 2016.

The following table presents certain financial information related to FHLBC Advances secured by Agency RMBS, as of December 31, 2015:

FHLBC Advances Maturing Within:	Balance	Weighted Average Rate	Weighted Average Days to Maturity	Weighted Average Haircut
30 days or less	$186,449,500	0.36%	10	0.2%
31-60 days	39,750,000	0.44%	54	2.7%
61-90 days	170,694,500	0.49%	66	0.3%
Greater than 90 days	-	-	-	-
Total / Weighted Average	$396,894,000	0.42%	39	0.5%

The following table presents the reconciliation of certain financial information related to repurchase agreements secured by residential mortgage loans and real estate owned to information on a GAAP basis as of December 31, 2016:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
30 days or less	$ -	-	-	-	-
31-60 days	-	-	-	-	-
61-90 days	-	-	-	-	-
Greater than 90 days	30,660,809	3.31%	3.75%	407	29.8%
Total: Non-GAAP Basis	$30,660,809	3.31%	3.75%	407	29.8%
Investments in Debt and Equity of Affiliates	$ 5,116,107	3.51%	3.51%	350	27.6%
Total: GAAP Basis	$25,544,702	3.27%	3.79%	419	30.3%

The following table presents the reconciliation of certain financial information related to repurchase agreements secured by residential mortgage loans and real estate owned to information on a GAAP basis as of December 31, 2015:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut (1)
30 days or less	$ -	-	-	-	-
31-60 days	-	-	-	-	-
61-90 days	-	-	-	-	-
Greater than 90 days	61,255,214	2.94%	3.15%	390	N/A
Total: Non-GAAP Basis	$61,255,214	2.94%	3.15%	390	N/A
Investments in Debt and Equity of Affiliates	$10,648,912	3.00%	3.00%	314	25.0%
Total: GAAP Basis	$50,606,302	2.93%	3.18%	406	N/A

(1) As of December 31, 2015, we had a total of $88.2 million of collateral pledged, comprised of $64.9 million of financial instruments and $23.3 million of cash from loan sales, which at December 31, 2015 was held by our broker. The Non-GAAP and GAAP haircut based on total collateral pledged is 30.1% and 31.1%, respectively, as of December 31, 2015.

The primary difference between the balance of our repurchase agreements at December 31, 2015 and at December 31, 2016 is due to financing repaid in January 2016 on certain residential mortgage loans sold in December of 2015.

The following table presents certain financial information related to repurchase agreements secured by commercial loans as of December 31, 2016:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
30 days or less	$ -	-	-	-	-
31-60 days	-	-	-	-	-
61-90 days	-	-	-	-	-
Greater than 90 days	21,796,000	2.91%	3.13%	990	33.5%
Total / Weighted Average	$21,796,000	2.91%	3.13%	990	33.5%

The following table presents certain financial information related to repurchase agreements secured by commercial loans as of December 31, 2015:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
30 days or less	$ -	-	-	-	-
31-60 days	-	-	-	-	-
61-90 days	-	-	-	-	-
Greater than 90 days	42,796,000	2.67%	3.62%	1,356	31.8%
Total / Weighted Average	$42,796,000	2.67%	3.62%	1,356	31.8%

The balance of our outstanding repurchase agreements on commercial loans declined from December 31, 2015 to December 31, 2016 with the pay-off in June 2016 of a commercial mortgage loan and the termination of the associated financing.

Other financing transactions

In 2014, we entered into a resecuritization transaction, pursuant to which we created a special purpose entity ("SPE") to facilitate the transaction (the "Resecuritization"). We determined that the SPE was a variable interest entity ("VIE") and that the VIE should be consolidated by us under ASC 810-10 and treated as a secured borrowing (the "Consolidated VIE"). As of December 31, 2016 and December 31, 2015, the principal balance of the consolidated tranche was $21.6 million and $30.4 million, respectively. As of December 31, 2016 and December 31, 2015, the fair value of the consolidated tranche issued by the Consolidated VIE was $21.5 million and $30.0 million, respectively, which is classified as an asset in the "Non-Agency" line item and as a liability in the "Securitized debt, at fair value" line item on our consolidated balance sheets. The cost of financing on December 31, 2016 and December 31, 2015 on the consolidated tranche was 3.87% and 3.67%, respectively. See Note 2 to the Notes to Consolidated Financial Statements for more detail.

In February 2016, we originated a $12.0 million commercial loan and, at closing, transferred a 15.0% or $1.8 million participation interest in the loan (the "Participation Interest") to an unaffiliated third party. The Participation Interest bears interest at a rate of LIBOR+ 10.00% with a LIBOR floor of 0.25%. We determined that the Participation Interest should be consolidated under ASC 860 due to the fact that the sale of the Participation Interest did not meet the sales criteria established under ASC 860. As of December 31, 2016, the commercial loan had a balance of $12.0 million, which is classified as an asset in the "Commercial loans, at fair value" line item, and a $1.8 million liability was recorded in the "Loan participation payable, at fair value" line item on our consolidated balance sheets representing the transfer of the Participation Interest. On December 31, 2016, the cost of financing on the Participation Interest was 21.7%.

Leverage

We define non-GAAP "at-risk" leverage as the sum of: (i) our GAAP repurchase agreements, (ii) FHLBC Advances, if any, (iii) repurchase agreements held through affiliated entities but exclusive of any financing utilized through AG Arc (iv) the amount payable on purchases that have not yet settled less the financing remaining on sales that have not yet settled, (v) the consolidated tranche issued by the Consolidated VIE, (vi) the Participation Interest and (vii) our net TBA position (at cost). Our calculations of each type of leverage exclude repurchase agreements and net receivables/payables on unsettled trades pertaining to U.S. Treasury securities due to the highly liquid and temporary nature of these investments. The calculations in the tables below divide our leverage calculations by our GAAP stockholders equity to derive our leverage ratios. The following tables present a reconciliation of our non-GAAP "at-risk" leverage ratio back to GAAP.

December 31, 2016	**Leverage**	**Stockholders' Equity**	**Leverage Ratio**
GAAP Leverage	$1,921,225,560	$ 655,876,390	2.9x
Repurchase agreements through affiliated entities	9,861,515		
Net TBA receivable/(payable) adjustment	(22,916,016)		
Non-GAAP "At Risk" Leverage	$1,908,171,059	$ 655,876,390	2.9x

December 31, 2015	**Leverage**	**Stockholders' Equity**	**Leverage Ratio**
GAAP Leverage	$2,259,541,821	$ 666,944,713	3.4x
Repurchase agreements through affiliated entities	18,638,119	-	
Net TBA receivable/(payable) adjustment	77,502,930	-	
Non-GAAP "At Risk" Leverage	$2,355,682,870	$ 666,944,713	3.5x

Hedging activities

Subject to maintaining our qualification as a REIT and our Investment Company Act exemption, to the extent leverage is deployed, we utilize hedging instruments, including interest rate swaps, swaption agreements, synthetic IO Indexes, Futures, and other financial instruments such as short positions in U.S. Treasury securities, in an effort to hedge the interest rate risk associated with the financing of our portfolio. Specifically, we may seek to hedge our exposure to potential interest rate mismatches between the interest we earn on our investments and our borrowing costs caused by fluctuations in short-term interest rates. In utilizing leverage and interest rate hedges, our objectives are to improve risk-adjusted returns and, where possible, to lock in, on a long-term basis, a spread between the yield on our assets and the costs of our financing and hedging.

We utilize multiple hedging instruments as a means to mitigate interest rate risk. As of December 31, 2016, we had entered into $644.0 million notional amount of interest rate swaps, $24.0 million notional amount of short positions in U.S. Treasury securities and $141.5 million notional amount of short positions in U.S. Treasury Futures. As of December 31, 2015, we had entered into $1.0 billion notional amount of interest rate swaps and $226.0 million notional amount of long positions in U.S. Treasury securities. We had no short positions in U.S. Treasury securities or short positions in U.S. Treasury Futures as of December 31, 2015.

The following table presents the fair value of our derivative and other instruments and their balance sheet location at December 31, 2016 and December 31, 2015.

Derivatives and Other Instruments	GAAP Designation	Balance Sheet Location	December 31, 2016	December 31, 2015
Interest rate swaps	Non-Hedge	Derivative liabilities, at fair value	$ (1,847,219)	$ (6,722,170)
Interest rate swaps	Non-Hedge	Derivative assets, at fair value	3,703,366	1,755,467
Short positions on U.S. Treasury Futures	Non-Hedge	Derivative liabilities, at fair value	(636,211)	-
Long positions on U.S. Treasuries	Non-Hedge	U.S. Treasury securities, at fair value	-	223,434,922
Short positions on U.S. Treasuries	Non-Hedge	Obligation to return securities borrowed under reverse repurchase agreements, at fair value (1)	(22,365,000)	-

(1) The Company's obligation to return securities borrowed under reverse repurchase agreements as of December 31, 2016 relates to securities borrowed to cover short sales of U.S. Treasury securities. The change in fair value of the borrowed securities is recorded in the "Unrealized gain/(loss) on derivatives and other instruments, net" line item in the Company's consolidated statement of operations.

The following table summarizes the notional amount of certain of our non-hedge derivatives and other instruments:

Non-hedge derivatives and other instruments held long/(short):	December 31, 2016	December 31, 2015
Notional amount of Pay Fix/Receive Float Interest Rate Swap Agreements	$ 644,000,000	$ 969,000,000
Notional amount of short positions on U.S. Treasury Futures (1)	(141,500,000)	-
Notional amount of long positions on U.S. Treasuries	-	226,000,000
Notional amount of short positions on U.S. Treasuries	(24,000,000)	-

(1) Each U.S. Treasury Future contract embodies $100,000 of notional value.

The following table summarizes gains/(losses) related to derivatives and other instruments:

Non-hedge derivatives and other instruments gain/(loss):	Statement of Operations Location	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Interest rate swaps, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	$ 5,009,458	$ (8,018,902)	$ (52,615,387)
Interest rate swaps, at fair value	Net realized gain/(loss)	(10,938,839)	(11,728,954)	(3,458,409)
Swaptions, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	-	-	(82,102)
Swaptions, at fair value	Net realized gain/(loss)	-	-	(546,750)
Long positions on Eurodollar Futures	Net realized gain/(loss)	(1,045,697)	-	-
Short positions on Eurodollar Futures	Net realized gain/(loss)	2,104,465	-	-
Long positions on U.S. Treasury Futures	Net realized gain/(loss)	(582,876)	-	-
Short positions on U.S. Treasury Futures	Unrealized gain/(loss) on derivative and other instruments, net	(639,030)	-	-
Short positions on U.S. Treasury Futures	Net realized gain/(loss)	2,140,886	-	-
IO Index, at fair value	Net realized gain/(loss)	-	-	(1,770,548)
MBS Options, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	-	-	38,774
MBS Options, at fair value	Net realized gain/(loss)	-	-	19,531
Long positions on U.S. Treasuries	Unrealized gain/(loss) on derivative and other instruments, net	2,588,711	(2,588,711)	-
Long positions on U.S. Treasuries	Net realized gain/(loss)	3,241,250	(5,284,258)	-
Short positions on U.S. Treasuries	Unrealized gain/(loss) on derivative and other instruments, net	1,724,922	-	(12,935)
Short positions on U.S. Treasuries	Net realized gain	280,625	(3,013,867)	(1,407,255)

The following table summarizes the weighted average life of our non-hedge derivatives and other instruments:

Weighted Average Life (Years) on non-hedge derivatives and other instruments	December 31, 2016	December 31, 2015
Interest rate swaps	5.01	4.56
Short positions on U.S. Treasury Futures	9.19	-
Long positions on U.S. Treasuries	-	4.05
Short positions on U.S. Treasuries	9.38	-

We had no repurchase agreements secured by U.S. Treasury securities as of December 31, 2016. As of December 31, 2015, we had outstanding debt with 1 counterparty related to repurchase agreements secured by interests in U.S. Treasury securities. The following table represents the financial information related to such repurchase agreements as of December 31, 2015:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Days to Maturity	Weighted Average Haircut
Overnight	$ 202,362,500	0.42%	4	0.57%
30 days or less	-	-	-	-
31-60 days	-	-	-	-
61-90 days	-	-	-	-
Greater than 90 days	-	-	-	-
Total / Weighted Average	$ 202,362,500	0.42%	$ 4	0.57%

Interest rate swaps

To help mitigate exposure to increases in short-term interest rates, we use currently-paying and may use forward-starting, one- or three-month LIBOR-indexed, pay-fixed, receive-variable, interest rate swap agreements. This arrangement helps hedge our exposure to higher short-term interest rates because the variable-rate payments received on the swap agreements help to offset additional interest accruing on the related borrowings due to the higher interest rate, leaving the fixed-rate payments to be paid on the swap agreements as our effective borrowing rate, subject to certain adjustments including changes in spreads between variable rates on the swap agreements and actual borrowing rates.

As of December 31, 2016, our interest rate swap positions consisted of pay-fixed interest rate swaps. The following table presents information about the Company's interest rate swaps as of December 31, 2016:

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate	Weighted Average Years to Maturity
2017	$ 36,000,000	0.88%	0.89%	0.84
2019	170,000,000	1.36%	0.91%	2.88
2020	115,000,000	1.59%	0.90%	3.20
2021	60,000,000	1.86%	0.96%	4.94
2022	53,000,000	1.69%	0.94%	5.69
2023	85,000,000	2.30%	0.94%	6.43
2025	30,000,000	2.48%	0.94%	8.43
2026	95,000,000	2.17%	0.92%	9.90
Total/Wtd Avg	$ 644,000,000	1.74%	0.92%	5.01

As of December 31, 2015, our interest rate swap positions consist of pay-fixed interest rate swaps. The following table presents information about the Company's interest rate swaps as of December 31, 2015:

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate	Weighted Average Years to Maturity
2017	$ 36,000,000	0.88%	0.33%	1.84
2018	165,000,000	1.06%	0.50%	2.20
2019	210,000,000	1.29%	0.43%	3.73
2020	295,000,000	1.67%	0.40%	4.27
2022	73,000,000	1.75%	0.42%	6.53
2023	160,000,000	2.31%	0.43%	7.42
2025	30,000,000	2.48%	0.45%	9.43
Total/Wtd Avg	$ 969,000,000	1.59%	0.43%	4.56

Dividends

We intend to continue to make regular quarterly distributions to holders of our common stock if and to the extent authorized by our board of directors. Federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT ordinary taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our repurchase agreements and other debt payable. If our cash available for distribution is less than our net taxable income, we could be required to sell assets or borrow funds to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. In addition, prior to the time we have fully deployed the net proceeds of our follow-on offerings to acquire assets in our target asset classes we may fund our quarterly distributions out of such net proceeds.

As mentioned above, our distribution requirements are based on taxable income rather than GAAP net income. The primary differences between taxable income and GAAP net income include (i) unrealized gains and losses associated with investment and derivative portfolios which are marked-to-market in current income for GAAP purposes, but excluded from taxable income until realized or settled, (ii) temporary differences related to amortization of premiums and discounts paid on investments, (iii) the timing and amount of deductions related to stock-based compensation, (iv) temporary differences related to the recognition of certain terminated derivatives and (v) taxes. Undistributed taxable income is based on current estimates and is not finalized until we file our annual tax return, typically in September of the following year. As of December 31, 2016, the Company had estimated undistributed taxable income of approximately $1.90 per share.

The following tables detail our common stock dividends during the years ended December 31, 2016, 2015 and 2014:

2016

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/10/2016	3/21/2016	4/29/2016	$ 0.475
6/9/2016	6/20/2016	7/29/2016	0.475
9/12/2016	9/23/2016	10/31/2016	0.475
12/6/2016	12/19/2016	1/31/2017	0.475

2015

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/12/2015	3/23/2015	4/30/2015	$ 0.60
6/11/2015	6/22/2015	7/31/2015	0.60
9/10/2015	9/21/2015	10/30/2015	0.60
12/10/2015	12/21/2015	1/29/2016	0.475

2014

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/5/2014	3/18/2014	4/28/2014	$ 0.60
6/9/2014	6/19/2014	7/28/2014	0.60
9/11/2014	9/22/2014	10/27/2014	0.60
12/4/2014	12/18/2014	1/27/2015	0.60

The following tables detail our preferred stock dividends:

2016

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/12/2016	2/29/2016	3/17/2016	$ 0.51563
8.25% Series A	5/13/2016	5/31/2016	6/17/2016	0.51563
8.25% Series A	8/15/2016	8/31/2016	9/19/2016	0.51563
8.25% Series A	11/16/2016	11/30/2016	12/19/2016	0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/12/2016	2/29/2016	3/17/2016	$ 0.50
8.00% Series B	5/13/2016	5/31/2016	6/17/2016	0.50
8.00% Series B	8/15/2016	8/31/2016	9/19/2016	0.50
8.00% Series B	11/16/2016	11/30/2016	12/19/2016	0.50

2015

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/12/2015	2/27/2015	3/17/2015	$ 0.51563
8.25% Series A	5/14/2015	5/29/2015	6/17/2015	0.51563
8.25% Series A	8/14/2015	8/31/2015	9/17/2015	0.51563
8.25% Series A	11/13/2015	11/30/2015	12/17/2015	0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/12/2015	2/27/2015	3/17/2015	$ 0.50
8.00% Series B	5/14/2015	5/29/2015	6/17/2015	0.50
8.00% Series B	8/14/2015	8/31/2015	9/17/2015	0.50
8.00% Series B	11/13/2015	11/30/2015	12/17/2015	0.50

2014

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/14/2014	2/28/2014	3/17/2014	$ 0.51563
8.25% Series A	5/15/2014	5/30/2014	6/17/2014	0.51563
8.25% Series A	8/14/2014	8/29/2014	9/17/2014	0.51563
8.25% Series A	11/12/2014	11/28/2014	12/17/2014	0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/14/2014	2/28/2014	3/17/2014	$ 0.50
8.00% Series B	5/15/2014	5/30/2014	6/17/2014	0.50
8.00% Series B	8/14/2014	8/29/2014	9/17/2014	0.50
8.00% Series B	11/12/2014	11/28/2014	12/17/2014	0.50

Liquidity and capital resources

Our liquidity determines our ability to meet our cash obligations, including commitments to make distributions to our stockholders, pay our expenses, finance our investments and satisfy other general business needs. Our principal sources of cash as of December 31, 2016 consisted of borrowings under repurchase agreements, payments of principal and interest we receive on our Agency RMBS and credit portfolio, cash generated from our operating results, and proceeds from capital market transactions. We typically use cash to repay principal and interest on our repurchase agreements, to purchase real estate securities, loans and other real estate related assets, to make dividend payments on our capital stock, and to fund our operations. At December 31, 2016, we had $137.9 million available to support our liquidity needs, comprised of $52.5 million of cash, $52.4 million of Agency RMBS, and $33.0 million of Agency Interest-Only securities that have not been pledged as collateral under any of our financing agreements. Refer to the “Contractual obligations” section of this Item 7 for additional obligations that could impact our liquidity.

Leverage

The amount of leverage we may deploy for particular assets depends upon our Manager’s assessment of the credit and other risks of those assets, and also depends on any limitations placed upon us through covenants contained in our master repurchase agreements. As of December 31, 2016, our Non-GAAP “at-risk” and GAAP debt-to-equity leverage ratios were 2.9 to 1 and 2.9 to 1, respectively. Subject to maintaining both our qualification as a REIT for U.S. federal income tax purposes and our Investment Company Act exemption, to the extent leverage is deployed, we may use a number of sources to finance our investments.

As of December 31, 2016, we had MRAs with 37 counterparties, allowing us to utilize leverage in our operations. As of December 31, 2016, we had debt outstanding of $1.9 billion from 23 counterparties, inclusive of repurchase agreements through affiliated entities. The borrowings under repurchase agreements have maturities between January 3, 2017 and September 17, 2019. These agreements generally include customary representations, warranties, and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each lending agreement, typical supplemental terms include requirements of minimum equity, leverage ratios, performance triggers or other financial ratios. If we fail to meet or satisfy any covenants, supplemental terms or representations and warranties, we would be in default under these agreements and our lenders could elect to declare all amounts outstanding under the agreements to be immediately due and payable, enforce their respective interests against collateral pledged under such agreements and restrict our ability to make additional borrowings. Certain financing agreements may contain cross-default provisions, so that if a default occurs under any one agreement, the lenders under our other agreements could also declare a default.

Under our repurchase agreements, we may be required to pledge additional assets to our lenders in the event the estimated fair value of the existing pledged collateral under such agreements declines and such lenders demand additional collateral, which may take the form of additional securities or cash. Certain securities that are pledged as collateral under our repurchase agreements are in unrealized loss positions.

The following table presents contractual maturity information for our repurchase agreements and FHLBC Advances, if applicable, at December 31, 2016 and December 31, 2015:

	December 31, 2016	December 31, 2015
Overnight	$ 70,899,000	$ 202,362,500
30 days or less	961,185,000	1,239,432,500
31 to 60 days	465,776,000	284,874,000
61 to 90 days	129,119,000	247,433,500
91 to 119 days	-	32,109,000
Greater than or equal to 120 days	283,529,715	444,284,079
Total: Non-GAAP Basis	$ 1,910,508,715	$ 2,450,495,579
Investments in Debt and Equity of Affiliates	$ 9,998,909	$ 18,638,119
Total: GAAP Basis	$ 1,900,509,806	$ 2,431,857,460

As of December 31, 2016, we had no advances outstanding with the FHLBC, and as a result of the Final Rule, we can no longer rely on FHLBC Advances for liquidity. The Final Rule has not had a material impact on our liquidity or our ability to satisfy our financial obligations as they become due.

As described above in the “Financing activities” section of this Item 7, we entered into the Resecuritization in 2014 that resulted in the consolidation of the VIE created with the SPE. We recorded the proceeds from the issuance of the secured financing in the “Cash Flows from Financing Activities” section of the consolidated statement of cash flows. See Note 3 to the Notes to Consolidated Financial Statements for more detail.

As described above in the “Financing activities” section of this Item 7, we originated a $12.0 million commercial loan and transferred the Participation Interest to an unaffiliated third party. We recorded proceeds from the transfer in the “Cash Flows from Financing Activities” section of the consolidated statement of cash flows. As of December 31, 2016, the commercial loan had a balance of $12.0 million.

The following table presents information at December 31, 2016 with respect to each counterparty that provides us with financing for which we had greater than 5% of our stockholders’ equity at risk.

Counterparty	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Wells Fargo Bank, N.A.	$ 50,917,158	357	8%
JP Morgan Securities, LLC	34,885,263	160	5%

The following table presents information at December 31, 2015 with respect to each counterparty that provides us with financing for which we had greater than 5% of our stockholders’ equity at risk.

Counterparty	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Wells Fargo Bank, N.A.	$ 59,863,639	543	9%
RBC (Barbados) Trading Bank Corporation	50,746,844	44	8%
JP Morgan Securities, LLC	46,211,970	187	7%
Credit Suisse Securities, LLC	41,857,734	44	6%
Citigroup Global Markets Inc.	35,168,032	23	5%

Margin requirements

The fair value of our real estate securities and loans fluctuate according to market conditions. When the fair value of the assets pledged as collateral to secure a repurchase agreement decreases to the point where the difference between the collateral fair value and the repurchase agreement amount is less than the haircut, our lenders may issue a “margin call,” which requires us to post additional collateral to the lender in the form of additional assets or cash. Under our repurchase facilities, our lenders have full discretion to determine the fair value of the securities we pledge to them. Our lenders typically value assets based on recent trades in the market. Lenders also issue margin calls as the published current principal balance factors change on the pool of mortgages underlying the securities pledged as collateral when scheduled and unscheduled paydowns are announced monthly. We experience margin calls in the ordinary course of our business. In seeking to manage effectively the margin requirements established by our lenders, we maintain a position of cash and unpledged Agency RMBS. We refer to this position as our “liquidity.” The level of liquidity we have available to meet margin calls is directly affected by our leverage levels, our haircuts and the price changes on our securities. If interest rates increase or if credit spreads widen, then the prices of our collateral (and our unpledged assets that constitute our liquidity) will decline, we will experience margin calls, and we will need to use our liquidity to meet the margin calls. There can be no assurance that we will maintain sufficient levels of liquidity to meet any margin calls. If our haircuts increase, our liquidity will proportionately decrease. In addition, if we increase our borrowings, our liquidity will decrease by the amount of additional haircut on the increased level of indebtedness. We intend to maintain a level of liquidity in relation to our assets that enables us to meet reasonably anticipated margin calls but that also allows us to be substantially invested in securities. We may misjudge the appropriate amount of our liquidity by maintaining excessive liquidity, which would lower our investment returns, or by maintaining insufficient liquidity, which would force us to liquidate assets into potentially unfavorable market conditions and harm our results of operations and financial condition. Further, an unexpected rise in interest rates and a corresponding fall in the fair value of our securities may also force us to liquidate assets under difficult market conditions, thereby harming our results of operations and financial condition, in an effort to maintain sufficient liquidity to meet increased margin calls.

Similar to the margin calls that we receive on our borrowing agreements, we may also receive margin calls on our derivative instruments when their fair values decline. This typically occurs when prevailing market rates change adversely, with the severity of the change also dependent on the terms of the derivatives involved. Our posting of collateral with our counterparties can be done in cash or securities, and is generally bilateral, which means that if the fair value of our interest rate hedges increases, our counterparty will be required to post collateral with us.

Stock repurchase program

In November 2015, our board of directors authorized a stock repurchase program (the "Repurchase Program") to repurchase up to $25.0 million of our outstanding common stock. Such authorization does not have an expiration date. As part of the Repurchase Program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. Open market repurchases will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. Subject to applicable securities laws, the timing, manner, price and amount of any repurchases of common stock under the Repurchase Program may be determined by us in our discretion, using available cash resources. The Repurchase Program may be suspended or discontinued by us at any time without prior notice, and the authorization does not obligate us to acquire any particular amount of common stock. For the year ended December 31, 2016, we repurchased 614,695 shares of common stock at a total cost of approximately $8.7 million and at an average cost per share of $14.20, including brokerage, commissions and clearing fees. As of December 31, 2016, approximately $14.6 million of common stock remained authorized for future share repurchases under the Repurchase Program. Like other investments we may make, any repurchases of our common stock under this authorization would reduce our available liquidity. For the year ended December 31, 2015, we repurchased 126,715 shares of common stock at a total cost of approximately $1.7 million and at an average cost per share of $13.19.

Real estate securities

Real estate securities in an unrealized loss position as of the balance sheet date are not considered other than temporarily impaired as we have the ability and intent to hold the securities to maturity or for a period of time sufficient for a forecasted market price recovery up to or above the cost of the investment and we are not required to sell the security for regulatory or other reasons.

Forward-looking statements regarding liquidity

Based upon our current portfolio, leverage and available borrowing arrangements, we believe that the net proceeds of our common equity offerings, preferred equity offerings, and private placements, combined with cash flow from operations and our available borrowing capacity will be sufficient to enable us to meet our anticipated liquidity requirements, including funding our investment activities, paying fees under our management agreement, funding our distributions to stockholders and paying general corporate expenses.

Contractual obligations

Management agreement

On June 29, 2011, we entered into an agreement with our Manager pursuant to which our Manager is entitled to receive a management fee and the reimbursement of certain expenses. The management fee is calculated and payable quarterly in arrears in an amount equal to 1.50% of our Stockholders' Equity, per annum.

For purposes of calculating the management fee, "Stockholders' Equity" means the sum of the net proceeds from any issuances of equity securities (including preferred securities) since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance, and excluding any future equity issuance to the Manager), plus our retained earnings at the end of such quarter (without taking into account any non-cash equity compensation expense or other non-cash items described below incurred in current or prior periods), less any amount that we pay for repurchases of our common stock, excluding any unrealized gains, losses or other non-cash items that have impacted stockholders' equity as reported in our financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income, and excluding one-time events pursuant to changes in GAAP, and certain other non-cash charges after discussions between the Manager and our independent directors and after approval by a majority of our independent directors. Stockholders' Equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown on our financial statements. For the years ended December 31, 2016, December 31, 2015, and December 31, 2014, we incurred management fees of approximately $9.8 million, $10.0 million and $10.1 million, respectively.

Our Manager uses the proceeds from its management fee in part to pay compensation to its officers and personnel, who, notwithstanding that certain of them also are our officers, receive no compensation directly from us. We are required to reimburse our Manager or its affiliates for operating expenses which are incurred by our Manager or its affiliates on our behalf, including certain salary expenses and other expenses relating to legal, accounting, due diligence and other services. Our reimbursement obligation is not subject to any dollar limitation; however, the reimbursement is subject to an annual budget process which combines guidelines from the Management Agreement with oversight by our board of directors. Of the $10.3 million, $12.4 million and $11.9 million of Other operating expenses for the years ended December 31, 2016, December 31, 2015, and December 31, 2014 respectively, we expensed $6.0 million, $7.1 million and $6.9 million, respectively, representing a reimbursement of expenses.

Share-based compensation

Pursuant to the Manager Equity Incentive Plan and the Equity Incentive Plan, we can award up to 277,500 shares of common stock to our directors, officers, advisors, consultants and other personnel and to our Manager. As of December 31, 2016, 133,590 shares of common stock were available to be awarded under the equity incentive plans. Awards under the equity incentive plans are forfeitable until they become vested. An award will become vested only if the vesting conditions set forth in the applicable award agreement (as determined by the compensation committee) are satisfied. The vesting conditions may include performance of services for a specified period, achievement of performance goals, or a combination of both. The compensation committee also has the authority to provide for accelerated vesting of an award upon the occurrence of certain events in its discretion.

As of December 31, 2016, we have granted an aggregate of 43,660 shares of restricted common stock to our independent directors and 100,250 shares of restricted common stock to our Manager under our equity incentive plans. As of December 31, 2016, 80,247 and 43,660 shares of restricted common stock granted to our Manager and independent directors, respectively, have vested.

On July 1, 2014, we granted 60,000 restricted stock units to our Manager that represent the right to receive an equivalent number of shares of our common stock to be issued if and when such units vest. Annual vesting of approximately 20,000 units occurred or will occur on each of July 1, 2015, July 1, 2016, and July 1, 2017. The units do not entitle the participant the rights of a holder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The vesting of such units is subject to the continuation of the management agreement. If the management agreement terminates, all unvested units then held by our Manager or its transferee shall be immediately cancelled and forfeited without consideration. On each of July 1, 2015 and July 1, 2016, approximately 20,000 restricted stock units vested, and as of December 31, 2016, approximately 20,000 units remained unvested.

Arc Home

On December 9, 2015, we, alongside private funds under the management of Angelo, Gordon, through AG Arc, entered into the LLC Agreement of Arc Home. The capital commitment to Arc Home is $30.0 million, of which our share is $13.4 million. We have funded all of this commitment as of December 31, 2016.

Other

We have presented a table that details the contractual maturity of our financing arrangements at December 31, 2016 in the "Liquidity and capital resources" section for this Item 7. As of December 31, 2016 and December 31, 2015, we are obligated to pay accrued interest on our repurchase agreements in the amount of $2.5 million and $2.7 million, respectively, inclusive of accrued interest accounted for through investments in debt and equity of affiliates, and exclusive of accrued interest on any financing utilized through AG Arc.

Off-balance sheet arrangements

We have entered into TBA positions to facilitate the future purchase or sale of Agency RMBS. We record TBA purchases and sales on the trade date and present the purchase or receipt net of the corresponding payable or receivable until the settlement date of the transaction. Our maximum exposure to loss related to our TBAs is the net payable amount on our TBA transactions until the settlement date. As of December 31, 2016, our maximum exposure to loss on TBAs was $51.4 million.

Our investments in debt and equity of affiliates are comprised of real estate securities and loans, our interest in AG Arc, associated repurchase agreements and interest receivable/payable on such accounts. Investments in debt and equity of affiliates are accounted for using the equity method of accounting. As of December 31, 2016, our maximum exposure to loss on investments in debt and equity of affiliates was $81.8 million.

Certain related person transactions

Our board of directors has adopted a policy regarding the approval of any "related person transaction," which is any transaction or series of transactions in which (i) we or any of our subsidiaries is or are to be a participant, (ii) the amount involved exceeds $120,000, and (iii) a "related person" (as defined under SEC rules) has a direct or indirect material interest. Under the policy, a related person would need to promptly disclose to our Secretary or Assistant Secretary any related person transaction and all material facts about the transaction. Our Secretary or Assistant Secretary, in consultation with outside counsel, to the extent appropriate, would then assess and promptly communicate that information to the audit committee of our board of directors. Based on its consideration of all of the relevant facts and circumstances, the audit committee will review, approve or ratify such transactions as appropriate. The audit committee will not approve or ratify a related person transaction unless it shall have determined that such transaction is in, or is not inconsistent with, our best interests and does not create a conflict of interest. If we become aware of an existing related person transaction that has not been approved under this policy, the transaction will be referred to the audit committee which will evaluate all options available, including ratification, revision or termination of such transaction. Our policy requires any director who may be interested in a related person transaction to recuse himself or herself from any consideration of such related person transaction.

Grants of restricted common stock

As of December 31, 2016, we have granted an aggregate of 43,660 shares of restricted common stock to our independent directors and 100,250 shares of restricted common stock to our Manager under our equity incentive plans. As of December 31, 2016, 80,247 and 43,660 shares of restricted common stock granted to our Manager and independent directors, respectively, have vested. See Note 10 to the Notes to Consolidated Financial Statements for further detail on restricted stock grants.

Red Creek

In connection with our investments in residential loans and Securitized Whole Loans, we may engage asset managers to provide advisory, consultation, asset management and other services to formulate and implement strategic plans to manage, collect and dispose of loans in a manner that is reasonably expected to maximize the amount of proceeds from each loan. Beginning in November 2015, we engaged Red Creek Asset Management LLC ("Asset Manager"), an affiliate of the Manager and a direct subsidiary of Angelo, Gordon, as the asset manager for certain of our residential loans and Securitized Whole Loans. The Asset Manager acknowledges that we will at all times have and retain ownership and control of all loans and that the Asset Manager will not acquire (i) title to any loan, (ii) any security interest in any loan, or (iii) any other rights or interests of any kind or any nature whatsoever in or to any loan. We pay separate arm's-length asset management fees (as assessed and confirmed by a third party valuation firm) for the Asset Manager's services related to non-performing loans and reperforming loans. There were no changes to Red Creek's fee rates in 2016. For the year ended December 31, 2016, the fees paid by us to the Asset Manager, inclusive of fees paid through affiliated entities, totaled $0.3 million. For the year ended December 31, 2015, the fees paid by us to the Asset Manager totaled less than $120,000. No fees were paid to the Asset Manager for the year ended December 31, 2014.

Arc Home

On December 9, 2015, we, alongside private funds under the management of Angelo, Gordon, through AG Arc, entered into the Amended and Restated Limited Liability Company Agreement of Arc Home, a Delaware limited liability company. Arc Home, through its subsidiary, originates conforming, Government, Jumbo and other non-conforming residential mortgage loans and retains the associated mortgage servicing rights, as well as purchases additional mortgage servicing rights from third-party sellers and is led by an external management team.

Our investment in Arc Home, which is conducted through AG Arc, one of our subsidiaries, is reflected on the "Investments in debt and equity of affiliates" line item on our consolidated balance sheets and had a fair value of $12.9 and $(0.3) million on December 31, 2016 and December 31, 2015, respectively.

On March 8, 2016, an affiliate of the Manager ("the Affiliate") became a member of AG Arc. The Affiliate acquired an ownership interest in AG Arc which resulted in our ownership interest being reduced on a pro-rata basis. As a result of the Affiliate becoming a member of AG Arc, our overall commitment to Arc Home was reduced to $13.4 million. We have funded all of this commitment as of December 31, 2016.

Arc Home may sell loans that it originates to us, to third parties, or to affiliates of our Manager and may also enter into agreements with us, third parties or affiliates of our Manager to sell rights to receive the excess servicing spread related to its MSRs. In September and October of 2016, Arc Home entered into agreements with an affiliate of our Manager to sell rights to receive the excess servicing spread related to certain of its MSRs at fair value for approximately $10.7 million. For the year ended December 31, 2016, the fees received by Arc Home from affiliates of our Manager totaled less than $120,000.

Management agreement

On June 29, 2011 we entered into a management agreement with our Manager, which governs the relationship between us and our Manager and describes the services to be provided by our Manager and its compensation for those services. The terms of our management agreement, including the fees payable by us to Angelo, Gordon, were not negotiated at arm's length, and its terms may not be as favorable to us as if they had been negotiated with an unaffiliated party. Our Manager, pursuant to the delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility of its day-to-day duties and obligations arising under our management agreement. For further detail on the Management agreement, see the "Contractual obligations–Management agreement" section of this Item 7.

Other transactions with affiliates

In May 2015, we completed an arm's-length securitization with other investors managed by an affiliate of the Manager (the "Related Parties") by combining the assets of a prior private securitization, in which we held a 10.0% ownership interest, with the assets of another private securitization held entirely by the Related Parties. Our investment in this securitization is reflected on the "Non-Agency" line item on the consolidated balance sheets and had a fair value of $3.1 million as of the date of the securitization. We completed another similar arm's-length securitization in July 2015 with the Related Parties by combining the assets of a private securitization, in which we held a 7.5% ownership interest, with the assets of another private securitization held entirely by the Related Parties. Our investment in this securitization is reflected on the "Non-Agency" line item on the consolidated balance sheets and had a fair value of $5.1 million as of the date of the securitization. The remaining interests in each securitization were owned by certain of the Related Parties. Each securitization was backed by collateral consisting of seasoned NPLs and RPLs. We obtained third party pricing for each transaction.

In July 2015, we completed an arm's-length investment purchase at fair value. Certain entities managed by an affiliate of our Manager ("Related Entities") had previously formed a joint venture ("Joint Venture") with an unaffiliated third party. The Joint Venture owns certain multi-family properties for which the mortgages partly collateralize a securitization wherein we purchased certain bond tranches. To ensure an arm's-length transaction, the Manager delegated its decision making rights with respect to the securitization to a third party servicer. In addition, the members of the Joint Venture agreed to cease sharing material non-public information with our investment team regarding the collateral. Our investment in these bond tranches was reflected on the "Investments in debt and equity of affiliates" line item on the consolidated balance sheets with a fair value of $7.1 million as of the date of the purchase.

In June 2016, in accordance with our Affiliated Transactions Policy, we executed two trades whereby we acquired real estate securities from two separate affiliates of the Manager (the "Selling Affiliates"). As of the date of the trades, the securities acquired from the Selling Affiliates had a total fair value of $6.9 million. In each case, the Selling Affiliates sold the real estate securities through a BWIC (Bids Wanted in Competition). Prior to the submission of the BWIC by the Selling Affiliates, we submitted our bid for the real estate securities to the Selling Affiliates. The pre-submission of our bid allowed us to confirm third-party market pricing and best execution.

Critical accounting policies

Our consolidated financial statements are prepared in accordance with GAAP, which requires the use of estimates that involve the exercise of judgment and the use of assumptions as to future uncertainties. Our most critical accounting policies involve decisions and assessments that could affect our reported assets and liabilities, as well as our reported revenues and expenses. We believe that all of the decisions and assessments upon which our consolidated financial statements are based are reasonable at the time made and based upon information available to us at that time. We rely upon independent pricing of our assets at each quarter-end to arrive at what we believe to be reasonable estimates of fair market value, whenever available. For a review of recent accounting pronouncements that may impact our results of operations, see Note 2 of our Notes to Consolidated Financial Statements.

Investments in real estate securities

Our real estate securities portfolio consists primarily of Agency RMBS, Non-Agency RMBS, ABS, CMBS and other real estate-related assets on which we have chosen to make a fair value election pursuant to ASC 825. Investments in real estate securities are recorded in accordance with ASC 320-10, "Investments – Debt and Equity Securities," ASC 325-40, "Beneficial Interests in Securitized Financial Assets", or ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality." Real estate securities are recorded at fair market value on our consolidated balance sheets and the periodic change in fair market value is recorded in current period earnings on our consolidated statement of operations as a component of "Unrealized gain/(loss) on real estate securities and loans, net." Real estate securities acquired through securitizations are shown in the line item "Purchase of real estate securities" on the consolidated statement of cash flows.

Electing the fair value option allows the Company to record changes in fair value in the consolidated statement of operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities' activities will be recorded in a similar manner.

Valuation of our real estate securities portfolio is determined by our Manager using third-party pricing services. The evaluation methodology of third-party pricing services used incorporates commonly used market pricing methods, including a spread measurement to various indices such as the one-year constant maturity treasury and LIBOR, which are observable inputs. The evaluation also considers the underlying characteristics of each security, which are also observable inputs, including: coupon; maturity date, loan age, reset date, collateral type, periodic and life cap, geography, defaults, recoveries, and prepayment speeds. We collect and consider current market intelligence on all major markets, including benchmark security evaluations and bid-lists from various sources, when available. Changes in the market environment and other events that may occur over the life of our investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently estimated. See Note 5 of the Notes to Consolidated Financial Statements for more detail.

Investments in mortgage loans

We have chosen to make a fair value election pursuant to ASC 825 for our mortgage loans. Loans are recorded at fair market value on the consolidated balance sheets and any periodic change in fair market value is recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss) on real estate securities and loans, net." Refer to the explanation above for management's reasons for electing the fair value option.

Valuation of our mortgage loan portfolio is determined by our Manager using third-party pricing services where available, model-based pricing, or specialized third party valuation service providers to assess and corroborate the valuation of a selection of investments in the Company's loan portfolio on a periodic basis. These specialized third party valuation service providers conduct independent valuation analyses based on a review of source documents, available market data, and comparable investments. The overall valuation considers the underlying characteristics of each loan, which are observable inputs, including: coupon; maturity date, loan age, reset date, collateral type, periodic and life cap, geography, defaults, recoveries and prepayment speeds. These valuations also require significant judgments, which include assumptions regarding capitalization rates, reperformance rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management. Changes in the market environment and other events that may occur over the life of our investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently estimated. Analyses provided by valuation service providers are reviewed and considered by the Manager. See Note 5 of the Notes to Consolidated Financial Statements for more detail.

Investments in debt and equity of affiliates

Our unconsolidated ownership interests in affiliates are accounted for using the equity method. Except as described below, the underlying entities have chosen to make a fair value election on its financial instruments pursuant to ASC 825. As a result, we will treat these investments consistently with this election.

In December 2015, we, alongside private funds under the management of Angelo, Gordon, through AG Arc, formed Arc Home. We invest in Arc Home through AG Arc, one of our subsidiaries, and have chosen to make a fair value election on AG Arc pursuant to ASC 825.

Our investments in debt and equity of affiliates are recorded at fair market value on our consolidated balance sheets in the "Investments in debt and equity of affiliates" line item and periodic changes in fair market value are recorded in current period earnings on our consolidated statement of operations as a component of "Equity in earnings/(loss) from affiliates." Capital contributions, distributions and profits and losses of such entities are allocated in accordance with the terms of the applicable agreements.

Interest income

Interest income on our real estate securities and loan portfolios is accrued based on the actual coupon rate and the outstanding principal balance of such securities. We have elected to record interest in accordance with ASC 835-30-35-2 using the effective interest method for all securities and loans accounted for under the fair value option (ASC 825). As such, premiums and discounts are amortized or accreted into interest income over the lives of the respective investments. We estimate future expected cash flows at the time of purchase and determine the effective interest rate based on these estimated cash flows and our purchase price. At least quarterly, these estimated cash flows are assessed and a revised yield is computed based on the current amortized cost of the investment, as needed. As further explained below, there are uncertainties and contingencies involved in estimating cash flows, which are difficult to predict and are subject to future events that may impact our estimates and, as a result, our interest income.

On at least a quarterly basis for our real estate securities accounted for under ASC 320-10 and ASC 310-20, “Nonrefundable Fees and Other Costs” (generally Agency RMBS), prepayments of the underlying collateral must be estimated, which directly affect the speed at which we amortize such securities. If actual and anticipated cash flows differ from previous estimates; we recognize a “catch-up” adjustment in the current period to the amortization of premiums for the impact of the cumulative change in the effective yield through the reporting date.

Similarly, we also reassess the cash flows on at least a quarterly basis for our real estate securities accounted for under ASC 325-40, “Beneficial Interests in Financial Assets” (generally Non-Agency RMBS, ABS, CMBS and interest-only securities). In estimating these cash flows, there are a number of assumptions that are subject to uncertainties and contingencies. These include the rate and timing of principal and interest receipts, (including assumptions of prepayments, repurchases, defaults and liquidations), the pass-through or coupon rate and interest rate fluctuations. In addition, interest payment shortfalls due to delinquencies on the underlying mortgage loans have to be estimated. Differences between previously estimated cash flows and current actual and anticipated cash flows are recognized prospectively through an adjustment of the yield over the remaining life of the security based on the current amortized cost of the investment as adjusted for credit impairment, if any.

Other-than-temporary-impairment

We evaluate real estate securities for OTTI on at least a quarterly basis. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a real estate security is less than its amortized cost at the balance sheet date, the security is considered impaired, and the impairment is designated as either “temporary” or “other-than-temporary.”

When a real estate security is impaired, an OTTI is considered to have occurred if (i) we intend to sell the security (i.e. a decision has been made as of the reporting date) or (ii) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If we intend to sell the security or if it is more likely than not that we will be required to sell the real estate security before recovery of its amortized cost basis, the entire amount of the impairment loss, if any, is recognized in earnings as a realized loss and the cost basis of the security is adjusted to its fair value. Additionally, for real estate securities accounted for under ASC 325-40, an OTTI is deemed to have occurred when there is an adverse change in the expected cash flows to be received and the fair value of the security is less than its carrying amount. In determining whether an adverse change in cash flows occurred, the present value of the remaining cash flows, as estimated at the initial transaction date (or the last date previously revised), is compared to the present value of the expected cash flows at the current reporting date. The estimated cash flows reflect those a “market participant” would use and include observations of current information and events and assumptions related to fluctuations in interest rates, prepayment speeds and the timing and amount of potential credit losses. Cash flows are discounted at a rate equal to the current yield used to accrete interest income. Any resulting OTTI adjustments are reflected in the “Net realized gain/(loss)” line item on the consolidated statement of operations.

Increases in interest income may be recognized on a security on which the Company previously recorded OTTI if the performance of such security subsequently improves. The determination as to whether an OTTI exists is subjective, given that such determination is based on information available at the time of assessment as well as our estimate of the future performance and cash flow projections for the individual security. As a result, the timing and amount of an OTTI constitutes an accounting estimate that may change materially over time.

Real estate securities in an unrealized loss position as of the balance sheet date are not considered other than temporarily impaired as we have the ability and intent to hold the securities to maturity or for a period of time sufficient for a forecasted market price recovery up to or above the cost of the investment and we are not required to sell the security for regulatory or other reasons.

Interest income and other-than-temporary impairment recognition on mortgage loans and real estate securities acquired with deteriorated credit quality

When we purchase mortgage loans and real estate securities that have shown evidence of credit deterioration since origination, we will analyze such investments to determine if the application of ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" is warranted. If it is determined that it is probable we will not collect all contractual cash flows on those assets, we will apply the guidance found in ASC 310-30. For purposes of mortgage loan income recognition, we aggregate loans acquired that have common risk characteristics into a pool and use a composite interest rate and expectation of cash flows expected to be collected for such pool.

Interest income is recognized on a level-yield basis over the life of the loan or security as long as cash flows can be reasonably estimated. The level-yield is determined by the excess of our initial estimate of undiscounted expected principal, interest, and other cash flows expected to be collected over our initial investment in the mortgage loan or security (accretable yield). The excess of contractually required cash flows over cash flows expected to be collected (nonaccretable difference) is not recognized as an adjustment of yield.

On at least a quarterly basis, we update our estimate of the cash flows expected to be collected for loans and real estate securities. If based on the most current information and events it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, we will recognize these changes prospectively through an adjustment of the investment's yield over its remaining life. We will adjust the amount of accretable yield by reclassification from the nonaccretable difference. The adjustment is accounted for as a change in estimate in conformity with ASC 250 with the amount of periodic accretion adjusted over the remaining life of the loan. Decreases in cash flows expected to be collected from previously projected cash flows, which includes all cash flows originally expected to be collected by the investor plus any additional cash flows expected to be collected arising from changes in estimate after acquisition, are recognized as impairment.

Linked transactions

In June 2014, the FASB issued ASU 2014-11, which requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. If all derecognition criteria are met, the initial transferee will account for the initial transfer as a purchase and the related repurchase agreement component of the transaction will be accounted for as a secured borrowing. This guidance effectively changed the accounting for linked financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The accounting changes were effective for public business entities for the first interim or annual period beginning after December 15, 2014. Entities are required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. There was no effect on prior periods as the FASB did not require full retrospective application. As a result, disclosures for periods prior to January 1, 2015 will not be comparable to disclosures subsequent to that date.

Prior to the adoption of ASU 2014-11, in instances where the Company acquired assets through repurchase agreements with the same counterparty from whom the assets were purchased, ASC 860-10 required the initial transfer of a financial asset and repurchase financing that were entered into contemporaneously with, or in contemplation of, one another to be considered linked unless all of the criteria found in ASC 860-10 were met at the inception of the transaction. If the transaction met all of the conditions, the initial transfer was accounted for separately from the repurchase financing, and we recorded the assets and the related financing on a gross basis on our consolidated balance sheets with the corresponding interest income and interest expense on our consolidated statement of operations. If the transaction was determined to be linked, we recorded the initial transfer and repurchase financing on a net basis and record a forward commitment to purchase assets as a derivative instrument with changes in market value being recorded on the consolidated statement of operations. Such forward commitments were recorded at fair value with subsequent changes in fair value recognized in income. The analysis of transactions under these rules required assumptions based on management's judgment and experience.

The real estate securities underlying our linked transactions were valued using similar techniques to those used for our real estate securities portfolio.

Derivatives

We enter into various types of derivative instruments to hedge our exposure to market risk. We used or may use derivative instruments such as interest rate swaps, swaption agreements, TBAs, MBS options, synthetic IO Indexes, Futures, linked transactions, and other instruments including long and short positions in U.S. Treasury securities to manage interest rate risk. We account for derivative financial instruments in accordance with ASC 815-10, "Derivatives and Hedging."

In valuing our derivatives, we consider both our own creditworthiness and the creditworthiness of our counterparties, along with collateral provisions contained in each derivative agreement, from both our and our counterparties' perspective. All of our derivatives are either subject to bilateral collateral arrangements or clearing in accordance with the Dodd-Frank Act. For swaps cleared under the Dodd Frank Act, a Central Counterparty Clearing House now stands between us and the over-the-counter derivative counterparties. In order to access such clearing, we have entered into clearing agreements with futures commissions merchants ("FCMs"). We present derivative assets and liabilities on a gross basis.

Inflation

Virtually all of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance far more than inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates.

Other matters

We intend to conduct our business so as to maintain our exempt status under, and not to become regulated as an investment company for purposes of, the Investment Company Act. If we failed to maintain our exempt status under the Investment Company Act and became regulated as an investment company, our ability to, among other things, use leverage would be substantially reduced and, as a result, we would be unable to conduct our business as described in Item 1 of this report. Accordingly, we monitor our compliance with both the 55% Test and the 80% Test of the Investment Company Act in order to maintain our exempt status. As of December 31, 2016, we determined that we maintained compliance with both the 55% Test and the 80% Test requirements.

We calculate that at least 75% of our assets were real estate assets, cash and cash items and government securities for the year ended December 31, 2016. We also calculate that our revenue qualifies for the 75% gross income test and for the 95% gross income test rules for the year ended December 31, 2016. Overall, we believe that we met the REIT income and asset tests. We also believe that we met all other REIT requirements, including the ownership of our common stock and the distribution of our net income. Therefore, for the year ended December 31, 2016, we believe that we qualified as a REIT under the Code.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary components of our market risk relate to interest rates, liquidity, prepayment rates and credit risk. While we do not seek to avoid risk completely, we seek to assume risk that can be quantified from historical experience and to actively manage that risk, to earn sufficient returns to justify taking those risks and to maintain capital levels consistent with the risks we undertake.

Interest rate risk

Interest rate risk is highly sensitive to many factors, including governmental monetary, fiscal and tax policies, domestic and international economic and political considerations and other factors beyond our control. We are subject to interest rate risk in connection with both our investments and the financing under our repurchase agreements. We generally seek to manage this risk by monitoring, the reset index and interest rate related to our target assets and our financings; by structuring our financing agreements to have a range of maturity terms, amortizations and interest rate adjustment periods; and using hedging instruments to adjust interest rate sensitivity of our target assets and borrowings.

Interest rate effects on net interest income

Our operating results depend in large part upon differences between the yields earned on our investments and our cost of borrowing and upon the effectiveness of our interest rate hedging activities. The majority of our repurchase agreements are short term in nature with an initial term between 30 and 90 days. The financing rate on these agreements will generally be determined at the outset of each transaction by reference to prevailing short-term rates plus a spread. As a result, our borrowing costs will tend to increase during periods of rising short-term interest rates as we renew, or “roll”, maturing transactions at the higher prevailing rates. When combined with the fact that the income we earn on our fixed interest rate investments will remain substantially unchanged, this will result in a narrowing of the net interest spread between the related assets and borrowings and may even result in losses. We have obtained term financing on certain borrowing arrangements. The financing on term facilities generally are fixed at the outset of each transaction by reference to a pre-determined interest rate plus a spread.

In an attempt to offset the increase in funding costs related to rising short term interest rates, our Manager enters into hedging transactions structured to provide us with positive cash flow in the event short term interest rates rise. Our Manager accomplishes this through the use of interest rate derivatives. Some hedging strategies involving the use of derivatives are highly complex, may produce volatile returns and may expose us to increased risks relating to counterparty defaults.

Interest rate effects on fair value

Another component of interest rate risk is the effect that changes in interest rates will have on the market value of the assets that we acquire.

Generally, in a rising interest rate environment, the fair value of our real estate securities and loan portfolios would be expected to decrease, all other factors being held constant. In particular, the portion of our real estate securities and loan portfolios with fixed-rate coupons would be expected to decrease in value more severely than that portion with a floating-rate coupon. This is because fixed-rate coupon assets tend to have significantly more duration, or price sensitivity to changes in interest rates, than floating-rate coupon assets. Fixed-rate assets currently comprise a majority of our portfolio.

The fair value of our investment portfolio could change at a different rate than the fair value of our liabilities when interest rates change. We measure the sensitivity of our portfolio to changes in interest rates by estimating the duration of our assets and liabilities. Duration is the approximate percentage change in fair value for a 100 basis point parallel shift in the yield curve. In general, our assets have higher duration than our liabilities. In order to reduce this exposure, we use hedging instruments to reduce the gap in duration between our assets and liabilities.

We calculate estimated effective duration (i.e., the price sensitivity to changes in risk-free interest rates) to measure the impact of changes in interest rates on portfolio value. We estimate duration based on third-party models. Different models and methodologies can produce different effective duration estimates for the same securities. We allocate the net duration by asset type based on the interest rate sensitivity.

On December 31, 2016, we computed an estimated net effective duration of 1.53 years, comprised of 1.87 years of Agency RMBS duration, 1.41 years of credit investment duration, (1.66) years of hedge duration and (0.09) years of liability duration.

The following table quantifies the estimated changes in net interest income and GAAP equity should interest rates go up or down by 50 and 100 basis points, assuming (i) the yield curves of the rate shocks will be parallel to each other and the current yield curve and (ii) all other market risk factors remain constant. These estimates were compiled using a combination of third-party services and models, market data and internal models. All changes in income and equity are measured as percentage changes from the projected net interest income and GAAP equity from our base interest rate scenario. The base interest rate scenario assumes spot and forward interest rates, which existed as of December 31, 2016. Actual results could differ materially from these estimates.

Agency RMBS assumptions attempt to predict default and prepayment activity at projected interest rate levels. To the extent that these estimates or other assumptions do not hold true, actual results will likely differ materially from our projections and could be larger or smaller than the estimates in the table below. Moreover, if different models were employed in the analysis, materially different projections could result. In addition, while the table below reflects the estimated impact of interest rate increases and decreases on a static portfolio as of December 31, 2016, our Manager may from time to time sell any of our investments as a part of the overall management of our investment portfolio.

Change in Interest Rates (basis points) (1)(2)	Change in Market Value as a Percentage of GAAP Equity	Change in Market Value as a Percentage of Assets	Percentage Change in Projected Net Interest Income (3)
+100	-7.5%	-1.9%	-8.2%
+50	-3.6%	-0.9%	-4.1%
-50	3.0%	0.8%	3.9%
-100	5.2%	1.3%	5.9%

(1) Includes investments held through affiliated entities that are reported as “Investments in debt and equity of affiliates” on our consolidated balance sheet, but excludes AG Arc.
(2) Does not include cash investments, which typically have overnight maturities and are not expected to change in value as interest rates change.
(3) Interest income includes trades settled as of December 31, 2016.

Liquidity risk

Our primary liquidity risk arises from financing long-maturity assets with shorter-term borrowing primarily in the form of repurchase agreements.

Liquidity risk – repurchase agreements

We pledge real estate securities or mortgage loans and cash as collateral to secure our repurchase transactions. Should the fair value of our real estate securities or mortgage loans pledged as collateral decrease (as a result of rising interest rates, changes in prepayment speeds, widening of credit spreads or otherwise), we will likely be subject to margin calls for additional collateral from our financing counterparties. Should the fair value of our real estate securities or mortgage loans decrease materially and suddenly, margin calls will likely increase, causing an adverse change to our liquidity position which could result in substantial losses. In addition, we cannot be assured that we will always be able to roll our repurchase transactions at their scheduled maturities which could cause material additional harm to our liquidity position and result in substantial losses. Further, should funding conditions tighten as they did in 2007 - 2009, our repurchase agreement counterparties may increase our margin requirements on new financings, including repurchase transactions that we roll at maturity with the same counterparty, which would require us to post additional collateral and would reduce our ability to use leverage and could potentially cause us to incur substantial losses.

In January 2016, the FHFA issued the Final Rule, which expressly excludes captive insurance companies, including our captive insurance company, from being eligible for membership in the FHLBC and prohibits the FHLBC from making any more advances or extending any existing advances to our captive insurance company. Under the Final Rule, the FHLBC must wind down its relationships with our captive insurance company by February 19, 2017. The FHLBC cannot make any new advances or extend any existing advances to our captive insurance company. On December 31, 2016, we had no advances outstanding with the FHLBC and do not consider them a source for liquidity.

Liquidity risk – derivatives

The terms of our interest rate swaps require us to post collateral in the form of cash or Agency RMBS to our counterparties to satisfy two types of margin requirements: variation margin and initial margin.

We and our swap counterparties are both required to post variation margin to each other depending upon the daily moves in prevailing benchmark interest rates. The amount of this variation margin is derived from the mark to market valuation of our swaps. Hence, as our swaps lose value in a falling interest rate environment, we are required to post additional variation margin to our counterparties on a daily basis; conversely, as our swaps gain value in a rising interest rate environment, we are able to recall variation margin from our counterparties. By recalling variation margin from our swap counterparties, we are able to partially mitigate the liquidity risk created by margin calls on our repurchase transactions during periods of rising interest rates.

Initial margin works differently. Collateral posted to meet initial margin requirements is intended to create a safety buffer to benefit our counterparties if we were to default on our payment obligations under the terms of the swap and our counterparties were forced to unwind the swap. For our non-centrally cleared swaps, the initial margin is set at the outset of each trade as a fixed percentage of the notional amount of the swap. This means that once we post initial margin at the outset of a non-centrally cleared swap, we will have no further posting obligations as it pertains to initial margin. However, the initial margin on our centrally cleared swaps varies from day to day depending upon various factors, including the absolute level of interest rates and the implied volatility of interest rates. There is a distinctly positive correlation between initial margin, on the one hand, and the absolute level of interest rates and implied volatility of interest rates, on the other hand. As a result, in times of rising interest rates or increasing rate volatility, we anticipate that the initial margin required on our centrally-cleared swaps will likewise increase, potentially by a substantial amount. These margin increases will have a negative impact on our liquidity position and will likely impair the intended liquidity risk mitigation effect of our interest rate swaps discussed above.

Our TBA dollar roll contracts are also subject to margin requirements governed by the Mortgage-Backed Securities Division ("MBSD") of the Fixed Income Clearing Corporation and by our prime brokerage agreements, which may establish margin levels in excess of the MBSD. Such provisions require that we establish an initial margin based on the notional value of the TBA contract, which is subject to increase if the estimated fair value of our TBA contract or the estimated fair value of our pledged collateral declines. The MBSD has the sole discretion to determine the value of our TBA contracts and of the pledged collateral securing such contracts. In the event of a margin call, we must generally provide additional collateral, either securities or cash, on the same business day.

Our Manager seeks to mitigate our liquidity risks by maintaining a prudent level of leverage, monitoring our liquidity position on a daily basis and maintaining a substantial cushion of cash and unpledged real estate securities and loans in our portfolio in order to meet future margin calls. In addition, our Manager seeks to further mitigate our liquidity risk by (i) diversifying our exposure across a broad number of financing counterparties, (ii) limiting our exposure to any single financing counterparty and (iii) monitoring the ongoing financial stability of our financing counterparties.

Prepayment risk

Premiums arise when we acquire real estate assets at a price in excess of the principal balance of the mortgages securing such assets (i.e., par value). Conversely, discounts arise when we acquire assets at a price below the principal balance of the mortgages securing such assets. Premiums paid on our assets are amortized against interest income and accretable purchase discounts on our assets are accreted to interest income. Purchase premiums on our assets, which are primarily carried on our Agency RMBS, are amortized against interest income over the life of each respective asset using the effective yield method, adjusted for actual prepayment activity. An increase in the prepayment rate, as measured by the CPR, will typically accelerate the amortization of purchase premiums, thereby reducing the yield or interest income earned on such assets. Generally, if prepayments on our Non-Agency RMBS or mortgage loans are less than anticipated, we expect that the income recognized on such assets would be reduced due to the slower accretion of purchase discounts, and impairments could result.

As further discussed in the "Critical Accounting Policies" section above, differences between previously estimated cash flows and current actual and anticipated cash flows caused by changes to prepayment or other assumptions are adjusted retrospectively through a "catch up" adjustment for the impact of the cumulative change in the effective yield through the reporting date for securities accounted for under ASC 320-10 (generally, Agency RMBS) or adjusted prospectively through an adjustment of the yield over the remaining life of the investment for investments accounted for under ASC 325-40 (generally, Non-Agency RMBS, ABS, CMBS and interest-only securities) and mortgage loans accounted for under ASC 310-30.

In addition, our interest rate hedges are structured in part based upon assumed levels of future prepayments within our real estate securities or mortgage loan portfolio. If prepayments are slower or faster than assumed, the life of the real estate securities or mortgage loans will be longer or shorter than assumed, respectively, which could reduce the effectiveness of our Manager's hedging strategies and may cause losses on such transactions.

Our Manager seeks to mitigate our prepayment risk by investing in real estate assets with a variety of prepayment characteristics as well as by attempting to maintain in our portfolio a mix of assets purchased at a premium with assets purchased at a discount.

Real estate value risk

Residential and commercial property values are subject to volatility and may be affected adversely by a number of factors outside of our control, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing or commercial real estate); construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. Decreases in property values reduce the value of the collateral underlying our RMBS and CMBS portfolios as well as the potential sale proceeds available to repay our loans in the event of a default. In addition, substantial decreases in property values can increase the rate of strategic defaults by residential mortgage borrowers which can impact and create significant uncertainty in the recovery of principal and interest on our investments.

Credit risk

Although we expect to encounter only de minimis credit risk in our Agency RMBS portfolio, we are exposed to the risk of potential credit losses from an unanticipated increase in borrower defaults as well as general credit spread widening on any Non-Agency assets in our portfolio, including residential and commercial mortgage loans as well as Non-Agency RMBS, ABS and CMBS. We seek to manage this risk through our Manager's pre-acquisition due diligence process and, if available, through the use of non-recourse financing, which limits our exposure to credit losses to the specific pool of collateral which is the subject of the non-recourse financing. Our Manager's pre-acquisition due diligence process includes the evaluation of, among other things, relative valuation, supply and demand trends, the shape of various yield curves, prepayment rates, delinquency and default rates, recovery of various sectors and vintage of collateral.

Basis risk

Basis risk refers to the possible decline in our book value triggered by the risk of incurring losses on the fair value of our Agency RMBS as a result of widening market spreads between the yields on our Agency RMBS and the yields on comparable duration Treasury securities. The basis risk associated with fluctuations in fair value of our Agency RMBS may relate to factors impacting the mortgage and fixed income markets other than changes in benchmark interest rates, such as actual or anticipated monetary policy actions by the Federal Reserve, market liquidity, or changes in required rates of return on different assets. Consequently, while we use interest rate swaps and other hedges to protect against moves in interest rates, such instruments will generally not protect our net book value against basis risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
Index to Financial Statements

All financial statement schedules are omitted because they are not applicable or the required information is included in the consolidated financial statements and notes thereto.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of AG Mortgage Investment Trust, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of AG Mortgage Investment Trust, Inc. and its subsidiaries at December 31, 2016 and December 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

New York, New York
March 1, 2017

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31, 2016	December 31, 2015
Assets		
Real estate securities, at fair value:		
Agency - $972,232,174 and $1,133,899,693 pledged as collateral, respectively	$ 1,057,663,726	$ 1,201,441,652
Non-Agency - $990,985,143 and $1,157,357,871 pledged as collateral, respectively	1,043,017,308	1,229,811,018
ABS - $21,231,956 and $54,761,837 pledged as collateral, respectively	21,231,956	54,761,837
CMBS - $201,464,058 and $142,852,162 pledged as collateral, respectively	211,652,660	148,948,690
Residential mortgage loans, at fair value -$31,031,107 and $50,686,922 pledged as collateral, respectively	38,195,576	57,080,227
Commercial loans, at fair value - $32,800,000 and $62,800,000 pledged as collateral, respectively	60,068,800	72,800,000
U.S. Treasury securities, at fair value - $0 and $203,520,859 pledged as collateral, respectively	-	223,434,922
Investments in debt and equity of affiliates	72,215,919	43,040,191
Excess mortgage servicing rights, at fair value	412,648	425,311
Cash and cash equivalents	52,469,891	46,253,291
Restricted cash	26,583,527	32,200,558
Interest receivable	8,570,383	11,154,785
Receivable on unsettled trades - $3,057,814 and $0 pledged as collateral, respectively	3,633,161	-
Receivable under reverse repurchase agreements	22,680,000	-
Derivative assets, at fair value	3,703,366	1,755,467
Other assets	5,600,341	16,064,115
Due from broker	945,304	24,904,168
Total Assets	$ 2,628,644,566	$ 3,164,076,232
Liabilities		
Repurchase agreements	$ 1,900,509,806	$ 2,034,963,460
FHLBC advances	-	396,894,000
Securitized debt	21,491,710	30,046,861
Loan participation payable	1,800,000	-
Obligation to return securities borrowed under reverse repurchase agreements, at fair value	22,365,000	-
Payable on unsettled trades	-	1,198,587
Interest payable	2,570,854	2,731,846
Derivative liabilities, at fair value	2,907,255	6,863,770
Dividend payable	13,157,573	13,496,139
Due to affiliates	3,967,622	4,407,051
Accrued expenses	1,068,779	2,074,628
Taxes payable	1,717,883	1,714,716
Due to broker	1,211,694	2,740,461
Total Liabilities	1,972,768,176	2,497,131,519
Stockholders' Equity		
Preferred stock - $0.01 par value; 50,000,000 shares authorized:		
8.25% Series A Cumulative Redeemable Preferred Stock, 2,070,000 shares issued and outstanding ($51,750,000 aggregate liquidation preference)	49,920,772	49,920,772
8.00% Series B Cumulative Redeemable Preferred Stock, 4,600,000 shares issued and outstanding ($115,000,000 aggregate liquidation preference)	111,293,233	111,293,233
Common stock, par value $0.01 per share; 450,000,000 shares of common stock authorized and 27,700,154 and 28,286,210 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively	277,002	282,863
Additional paid-in capital	576,276,322	584,581,995
Retained earnings/(deficit)	(81,890,939)	(79,134,150)
Total Stockholders' Equity	655,876,390	666,944,713
Total Liabilities & Stockholders' Equity	$ 2,628,644,566	$ 3,164,076,232

The accompanying notes are an integral part of these consolidated financial statements.

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Operations

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Net Interest Income			
Interest income	$ 123,006,112	$ 141,273,414	$ 141,573,188
Interest expense	33,785,031	31,230,369	26,497,398
	89,221,081	110,043,045	115,075,790
Other Income			
Net realized gain/(loss)	(10,391,118)	(17,148,069)	3,637,954
Income/(loss) from linked transactions, net	-	-	12,503,516
Realized loss on periodic interest settlements of derivative instruments, net	(6,009,638)	(13,204,884)	(22,261,187)
Unrealized gain/(loss) on real estate securities and loans, net	2,672,426	(32,491,857)	72,480,056
Unrealized gain/(loss) on derivative and other instruments, net	8,613,084	(12,180,501)	(51,255,430)
Other income	373,902	66,250	29,127
	(4,741,344)	(74,959,061)	15,134,036
Expenses			
Management fee to affiliate	9,809,427	9,971,287	10,089,239
Other operating expenses	10,290,513	12,356,644	11,903,554
Servicing fees	404,129	671,246	511,519
Equity based compensation to affiliate	298,592	164,487	291,131
Excise tax	1,513,167	1,500,000	1,783,539
	22,315,828	24,663,664	24,578,982
Income/(loss) before income tax benefit/(expense) and equity in earnings/(loss) from affiliates	62,163,909	10,420,320	105,630,844
Income tax benefit/(expense)	-	-	79,914
Equity in earnings/(loss) from affiliates	1,518,862	3,398,217	3,684,810
Net Income/(Loss)	63,682,771	13,818,537	109,395,568
Dividends on preferred stock	13,469,416	13,469,416	13,469,416
Net Income/(Loss) Available to Common Stockholders	$ 50,213,355	$ 349,121	$ 95,926,152
Earnings/(Loss) Per Share of Common Stock			
Basic	$ 1.80	$ 0.01	$ 3.38
Diluted	$ 1.80	$ 0.01	$ 3.37
Weighted Average Number of Shares of Common Stock Outstanding			
Basic	27,952,185	28,398,718	28,379,782
Diluted	27,953,111	28,409,908	28,424,168

The accompanying notes are an integral part of these consolidated financial statements.

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

	Common Stock		8.25 % Series A Cumulative Redeemable	8.00 % Series B Cumulative Redeemable	Additional	Retained	
	Shares	Amount	Preferred Stock	Preferred Stock	Paid-in Capital	Earnings/(Deficit)	Total
Balance at January 1, 2014	28,365,655	$ 283,657	$ 49,920,772	$ 111,293,233	$ 585,619,488	$ (42,686,416)	$704,430,734
Grant of restricted stock and amortization of equity based compensation	20,360	204	-	-	432,263	-	432,467
Common dividends declared	-	-	-	-	-	(68,114,210)	(68,114,210)
Preferred Series A dividends declared	-	-	-	-	-	(4,269,416)	(4,269,416)
Preferred Series B dividends declared	-	-	-	-	-	(9,200,000)	(9,200,000)
Net loss	-	-	-	-	-	109,395,568	109,395,568
Balance at December 31, 2014	28,386,015	$ 283,861	$ 49,920,772	$ 111,293,233	$ 586,051,751	$ (14,874,474)	$732,675,143
Balance at January 1, 2015	28,386,015	$ 283,861	$ 49,920,772	$ 111,293,233	$ 586,051,751	$ (14,874,474)	$732,675,143
Offering costs	-	-	-	-	(83,651)	-	(83,651)
Repurchase of common stock	(126,715)	(1,267)	-	-	(1,670,212)	-	(1,671,479)
Grant of restricted stock and amortization of equity based compensation	26,910	269	-	-	284,107	-	284,376
Common dividends declared	-	-	-	-	-	(64,608,797)	(64,608,797)
Preferred Series A dividends declared	-	-	-	-	-	(4,269,416)	(4,269,416)
Preferred Series B dividends declared	-	-	-	-	-	(9,200,000)	(9,200,000)
Net income	-	-	-	-	-	13,818,537	13,818,537
Balance at December 31, 2015	28,286,210	$ 282,863	$ 49,920,772	$ 111,293,233	$ 584,581,995	$ (79,134,150)	$666,944,713
Balance at January 1, 2016	28,286,210	$ 282,863	$ 49,920,772	$ 111,293,233	$ 584,581,995	$ (79,134,150)	$666,944,713
Repurchase of common stock	(614,695)	(6,147)	-	-	(8,723,881)	-	(8,730,028)
Grant of restricted stock and amortization of equity based compensation	28,639	286	-	-	418,208	-	418,494
Common dividends declared	-	-	-	-	-	(52,970,144)	(52,970,144)
Preferred Series A dividends declared	-	-	-	-	-	(4,269,416)	(4,269,416)
Preferred Series B dividends declared	-	-	-	-	-	(9,200,000)	(9,200,000)
Net income	-	-	-	-	-	63,682,771	63,682,771
Balance at December 31, 2016	27,700,154	$ 277,002	$ 49,920,772	$ 111,293,233	$ 576,276,322	$ (81,890,939)	$655,876,390

The accompanying notes are an integral part of these consolidated financial statements.

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Cash Flows from Operating Activities			
Net income/(loss)	$ 63,682,771	$ 13,818,537	$ 109,395,568
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:			
Net amortization of premium	3,653,738	12,194,792	16,773,835
Net realized (gain)/loss	10,391,118	17,148,069	(3,637,954)
Net realized and unrealized (gains)/losses on securities underlying linked transactions	-	-	(2,952,810)
Unrealized (gain)/loss on real estate securities and loans, net	(2,672,426)	12,180,501	(72,480,056)
Unrealized (gain)/loss on derivative and other instruments, net	(8,613,084)	32,491,857	51,255,430
Equity based compensation to affiliate	298,592	164,487	291,131
Equity based compensation expense	119,902	119,889	147,370
Income from investments in debt and equity of affiliates in excess of distributions received	-	(2,553,535)	(76,658)
Change in operating assets/liabilities:			
Interest receivable	2,585,911	467,898	134,372
Other assets	589,399	1,373,987	(348,396)
Due from broker	303,318	1,935,070	(3,176,192)
Interest payable	(1,972,875)	(1,602,472)	(2,838,550)
Due to affiliates	(439,429)	(443,756)	205,510
Accrued expenses	(1,005,849)	(210,711)	890,156
Taxes payable	3,167	(28,800)	253,187
Net cash provided by (used in) operating activities	66,924,253	87,055,813	93,835,943
Cash Flows from Investing Activities			
Purchase of real estate securities	(563,567,934)	(714,412,238)	(980,792,941)
Purchase of residential mortgage loans	-	-	(84,678,576)
Purchase of commercial loans	(14,636,304)	-	-
Origination of commercial loans	(10,428,437)	-	(72,084,833)
Purchase of U.S. treasury securities	(358,417,649)	(863,414,732)	-
Investments in debt and equity of affiliates	(33,126,823)	(19,250,900)	(4,031,484)
Purchase of excess mortgage servicing rights	-	-	(730,146)
Purchase of securities underlying linked transactions	-	-	(48,250,318)
Proceeds from sale of real estate securities	364,353,994	762,005,404	872,701,795
Proceeds from sale of residential mortgage loans	35,606,480	-	-
Proceeds from sales of U.S. treasury securities	588,220,079	633,532,184	-
Proceeds from sale of securities underlying linked transactions	-	-	26,056,464
Distribution received from investments in debt and equity of affiliates	774,453	-	-
Principal repayments on real estate securities	482,421,807	517,538,387	583,423,535
Principal repayments on residential mortgage loans	3,249,589	6,029,735	2,250,087
Principal repayments on commercial loans	40,000,000	-	-
Principal repayments on securities underlying linked transactions	-	-	57,371,713
Receipt of premium for interest rate swaptions	-	-	433,751
Payment of premium for interest rate swaptions	-	-	(745,500)
Net proceeds from (payment made) on reverse repurchase agreements	(22,634,322)	(1,647)	27,473,695
Net proceeds from (payment made) on sales of securities borrowed under reverse repurchase agreements	24,356,107	(4,632,171)	(29,403,375)
Net settlement of interest rate swaps and other instruments	(8,322,061)	(11,728,953)	(3,438,878)
Net settlement of TBAs	2,771,406	1,909,844	5,500,858
Net settlement of IO Indexes	-	-	(1,855,253)
Purchase of FHLBC Stock	-	(8,015,900)	-
Proceeds from redemption of FHLBC Stock	8,013,900	-	-
Cash flows provided by (used in) other investing activities	2,289,826	2,904,812	(8,258,241)
Restricted cash provided by (used in) investing activities	(277,453)	11,638,098	(14,360,593)
Net cash provided by (used in) investing activities	540,646,658	314,101,923	326,581,760
Cash Flows from Financing Activities			
Offering costs	-	(83,651)	-
Repurchase of common stock	(9,928,615)	(472,892)	-
Borrowings under repurchase agreements	73,758,906,064	42,763,497,748	21,322,102,856
Borrowings under FHLBC advances	147,215,991	1,241,801,435	-
Borrowings under repurchase agreements underlying linked transactions	-	-	1,799,454,966

Repayments of repurchase agreements	(73,892,589,617)	(43,486,854,109)	(21,568,781,324)
Repayments of FHLBC advances	(544,109,991)	(844,907,435)	-
Proceeds from transfer of loan participation	1,564,266	-	-
Repayments of repurchase agreements underlying linked transactions	-	-	(1,908,937,408)
Payment made for repurchase agreement costs	-	-	(1,258,322)
Proceeds from issuance of securitized debt	-	-	39,842,166
Net collateral received from (paid to) derivative counterparty	4,280,618	(7,097,816)	(30,681,671)
Net collateral received from (paid to) repurchase counterparty	(164,901)	(3,287,556)	(12,412,553)
Net collateral received from (paid to) FHLBC	250,000	(250,000)	-
Dividends paid on common stock	(53,308,710)	(68,144,267)	(68,103,494)
Dividends paid on preferred stock	(13,469,416)	(13,469,416)	(13,469,416)
Net cash provided by (used in) financing activities	(601,354,311)	(419,267,959)	(442,244,200)
Net change in cash and cash equivalents	6,216,600	(18,110,223)	(21,826,497)
Cash and cash equivalents, Beginning of Year	46,253,291	64,363,514	86,190,011
Cash and cash equivalents, End of Year	$ 52,469,891	$ 46,253,291	$ 64,363,514
Supplemental disclosure of cash flow information:			
Cash paid for interest on repurchase agreements and FHLBC advances	$ 32,477,040	$ 29,153,643	$ 27,902,821
Cash paid for income tax	$ 1,587,078	$ 1,572,401	$ 1,583,739
Supplemental disclosure of non-cash financing and investing activities:			
Principal repayments on real estate securities not yet received	$ 1,124,242	$ -	$ -
Proceeds from mortgage loan sales not yet received	$ 3,633,161	$ 23,267,693	$ -
Common stock dividends declared but not paid	$ 13,157,573	$ 13,496,139	$ 17,031,609
Repayments of repurchase agreements not yet paid	$ 770,101	$ -	$ -
Decrease of securitized debt	$ 8,823,951	$ 10,310,268	$ -
Unsettled repurchases of common stock	$ -	$ 1,198,587	$ -
Transfer from residential mortgage loans to other assets	$ 1,897,452	$ 2,492,625	$ 1,341,379
Transfer from investments in debt and equity of affiliates to CMBS	$ 3,103,111	$ -	$ -
Transfer from Linked Transactions to real estate securities	$ -	$ 139,778,263	$ 119,253,223
Transfer from Linked Transactions to repurchase agreements	$ -	$ 113,363,873	$ 89,817,051

The accompanying notes are an integral part of these consolidated financial statements.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Organization

AG Mortgage Investment Trust, Inc. (the "Company") was incorporated in the state of Maryland on March 1, 2011. The Company is focused on investing in, acquiring and managing a diversified portfolio of residential mortgage-backed securities, or RMBS, issued or guaranteed by a government-sponsored entity such as Fannie Mae or Freddie Mac, (collectively, "GSEs") or any agency of the U.S. Government such as Ginnie Mae (collectively, "Agency RMBS"), and other real estate-related securities and financial assets, including Non-Agency RMBS, ABS, CMBS and loans (as defined below).

Non-Agency RMBS represent fixed-and floating-rate RMBS issued by entities or organizations other than a U.S. government-sponsored entity or agency of the U.S. government, including investment grade (AAA through BBB) and non-investment grade classes (BB and below). The mortgage loan collateral for Non-Agency RMBS consists of residential mortgage loans that do not generally conform to underwriting guidelines issued by U.S. government agencies or U.S. government-sponsored entities.

Asset Backed Securities ("ABS") are securitized investments similar to the aforementioned investments except the underlying assets are diverse, not only representing real estate related assets.

Commercial Mortgage Backed Securities ("CMBS") represent investments of fixed- and floating-rate CMBS, including investment grade (AAA through BBB) and non-investment grade classes (BB and below) secured by, or evidence an ownership interest in, a single commercial mortgage loan or a pool of commercial mortgage loans.

Collectively, the Company refers to Agency RMBS, Non-Agency RMBS, ABS, and CMBS asset types as "real estate securities" or "securities".

Commercial loans are secured by an interest in commercial real estate and represent a contractual right to receive money on demand or on fixed or determinable dates. Residential mortgage loans refer to performing, re-performing and non-performing loans secured by a first lien mortgage on residential mortgaged property located in any of the 50 states of the United States or in the District of Columbia. The Company refers to its residential and commercial mortgage loans as "mortgage loans" or "loans."

The Company is externally managed by AG REIT Management, LLC, a Delaware limited liability company (the "Manager"), a wholly-owned subsidiary of Angelo, Gordon & Co., L.P. ("Angelo, Gordon"), a privately-held, SEC-registered investment adviser, pursuant to a management agreement. The Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility of its day-to-day duties and obligations arising under the management agreement.

The Company conducts its operations to qualify and be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code").

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

2. Summary of significant accounting policies

The accompanying consolidated financial statements and related notes have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Certain prior period amounts have been reclassified to conform to the current period's presentation. In the opinion of management, all adjustments considered necessary for a fair presentation for the annual period of the Company's financial position, results of operations and cash flows have been included and are of a normal and recurring nature.

Previously the Company classified gains and losses related to linked transactions in the "Net realized gain/(loss)" line item, however the Company subsequently included such gains and losses in the "Income/(loss) from linked transactions, net" line item prior to the adoption of Accounting Standards Update ("ASU") 2014-11 Transfers and Servicing (Topic 860), "Repurchase to Maturity Transactions, Repurchase Financings and Disclosures" as the Company believes this presentation is most consistent with the accounting for other components of net income on linked transactions captured within that line. Refer to Note 7 for further detail on the adoption of ASU 2014-11.

Cash and cash equivalents

Cash is comprised of cash on deposit with financial institutions. The Company classifies highly liquid investments with original maturities of three months or less from the date of purchase as cash equivalents. As of December 31, 2016 and December 31, 2015, the Company held no cash equivalents. The Company places its cash with high credit quality institutions to minimize credit risk exposure. Cash pledged to the Company as collateral is unrestricted in use and, accordingly, is included as a component of "Cash and cash equivalents" on the consolidated balance sheets. Any cash held by the Company as collateral is included in the "Due to broker" line item on the consolidated balance sheets and in cash flows from financing activities on the consolidated statement of cash flows. Any cash due to the Company in the form of principal payments is included in the "Due from broker" line item on the consolidated balance sheets and in cash flows from operating activities on the consolidated statement of cash flows.

Restricted cash

Restricted cash includes cash pledged as collateral for clearing and executing trades, derivatives and repurchase agreements, and is not available to the Company for general corporate purposes. Restricted cash may be returned to the Company when the related collateral requirements are exceeded or at the maturity of the derivative or repurchase agreement. Restricted cash is carried at cost, which approximates fair value.

Offering costs

The Company incurred offering costs in May 2015 in connection with the filing of its Registration Statement on Form S-3. The offering costs have been accounted for as a reduction of additional paid-in capital.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates.

Earnings/(Loss) per share

In accordance with the provisions of Accounting Standards Codification ("ASC") 260, "Earnings per Share," the Company calculates basic income/(loss) per share by dividing net income/(loss) available to common stockholders for the period by weighted-average shares of the Company's common stock outstanding for that period. Diluted income per share takes into account the effect of dilutive instruments, such as stock options, warrants, unvested restricted stock and unvested restricted stock units, but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding. In periods in which the Company records a loss, potentially dilutive securities are excluded from the diluted loss per share calculation, as their effect on loss per share is anti-dilutive.

Valuation of financial instruments

The fair value of the financial instruments that the Company records at fair value will be determined by the Manager, subject to oversight of the Company's board of directors, and in accordance with ASC 820, "Fair Value Measurements and Disclosures." When possible, the Company determines fair value using independent data sources. ASC 820 establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable.

The three levels of the hierarchy under ASC 820 are described below:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Prices determined using other significant observable inputs. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3 – Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Company's assumptions about the factors that market participants would use in pricing an asset or liability, and would be based on the best information available.

Transfers between levels are assumed to occur at the beginning of the reporting period.

Accounting for real estate securities

Investments in real estate securities are recorded in accordance with ASC 320-10, "Investments – Debt and Equity Securities", ASC 325-40, "Beneficial Interests in Securitized Financial Assets", or ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality". The Company has chosen to make a fair value election pursuant to ASC 825, "Financial Instruments" for its real estate securities portfolio. Real estate securities are recorded at fair market value on the consolidated balance sheets and the periodic change in fair market value is recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss) on real estate securities and loans, net." Real estate securities acquired through securitizations are shown in the line item "Purchase of real estate securities" on the consolidated statement of cash flows.

These investments meet the requirements to be classified as available for sale under ASC 320-10-25 which requires the securities to be carried at fair value on the consolidated balance sheets with changes in fair value recorded to other comprehensive income, a component of stockholders' equity. Electing the fair value option allows the Company to record changes in fair value in the consolidated statement of operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner.

When the Company purchases securities with evidence of credit deterioration since origination, it will analyze to determine if the guidance found in ASC 310-30 is applicable.

The Company accounts for its securities under ASC 310 and ASC 325 and evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a real estate security is less than its amortized cost at the balance sheet date, the security is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary."

When a real estate security is impaired, an OTTI is considered to have occurred if (i) the Company intends to sell the security (i.e., a decision has been made as of the reporting date) or (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If the Company intends to sell the security or if it is more likely than not that the Company will be required to sell the real estate security before recovery of its amortized cost basis, the entire amount of the impairment loss, if any, is recognized in earnings as a realized loss and the cost basis of the security is adjusted to its fair value. Additionally for securities accounted for under ASC 325-40 an OTTI is deemed to have occurred when there is an adverse change in the expected cash flows to be received and the fair value of the security is less than its carrying amount. In determining whether an adverse change in cash flows occurred, the present value of the remaining cash flows, as estimated at the initial transaction date (or the last date previously revised), is compared to the present value of the expected cash flows at the current reporting date. The estimated cash flows reflect those a "market participant" would use and include observations of current information and events, and assumptions related to fluctuations in interest rates, prepayment speeds and the timing and amount of potential credit losses. Cash flows are discounted at a rate equal to the current yield used to accrete interest income. Any resulting OTTI adjustments are reflected in the "Net realized gain/(loss)" line item on the consolidated statement of operations.

The determination as to whether an OTTI exists is subjective, given that such determination is based on information available at the time of assessment as well as the Company's estimate of the future performance and cash flow projections for the individual security. As a result, the timing and amount of an OTTI constitutes an accounting estimate that may change materially over time.

Increases in interest income may be recognized on a security on which the Company previously recorded an OTTI charge if the performance of such security subsequently improves.

Any unrealized losses on securities at December 31, 2016 do not represent other than temporary impairment as the Company has the ability and intent to hold the securities to maturity or for a period of time sufficient for a forecasted market price recovery up to or above the amortized cost of the investment, and the Company is not required to sell the security for regulatory or other reasons. In addition, any unrealized losses on the Company's Agency RMBS accounted for under ASC 320 are not due to credit losses given their explicit guarantee of principal and interest by the GSEs, but rather are due to changes in interest rates and prepayment expectations. See Note 3 for a summary of OTTI charges recorded.

Sales of securities

Sales of securities are driven by the Manager's portfolio management process. The Manager seeks to mitigate risks including those associated with prepayments, defaults, severities, amongst others and will opportunistically rotate the portfolio into securities with more favorable attributes. Strategies may also be employed to manage net capital gains, which need to be distributed for tax purposes.

Realized gains or losses on sales of securities, loans and derivatives are included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The cost of positions sold is calculated using a first in, first out, or FIFO, basis. Realized gains and losses are recorded in earnings at the time of disposition.

Accounting for mortgage loans

Investments in mortgage loans are recorded in accordance with ASC 310-10. At purchase, the Company aggregates its mortgage loans into pools based on common risk characteristics. Once a pool of loans is assembled, its composition is maintained. The Company has chosen to make a fair value election pursuant to ASC 825 for its mortgage loan portfolio. Loans are recorded at fair market value on the consolidated balance sheets and any periodic change in fair market value will be recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss) on real estate securities and loans, net."

The Company amortizes or accretes any premium or discount over the life of the related loan utilizing the effective interest method. On at least a quarterly basis, the Company evaluates the collectability of both interest and principal of each loan, if circumstances warrant, to determine whether they are impaired. A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated and recorded accordingly. Income recognition is suspended for loans at the earlier of the date at which payments become 90-days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an impaired loan is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the principal of an impaired loan is not in doubt, contractual interest is recorded as interest income when received, under the cash basis method until an accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. A loan is written off when it is no longer realizable and/or legally discharged.

When the Company purchases mortgage loans with evidence of credit deterioration since origination and it determines that it is probable it will not collect all contractual cash flows on those loans, it will apply the guidance found in ASC 310-30. Mortgage loans that are delinquent 60 or more days are considered non-performing.

The Company updates its estimate of the cash flows expected to be collected on at least a quarterly basis for loans accounted for under ASC 310-30. In estimating these cash flows, there are a number of assumptions that will be subject to uncertainties and contingencies including both the rate and timing of principal and interest receipts, and assumptions of prepayments, repurchases, defaults and liquidations. If based on the most current information and events it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, the Company will recognize these changes prospectively through an adjustment of the loan's yield over its remaining life. The Company will adjust the amount of accretable yield by reclassification from the nonaccretable difference. The adjustment is accounted for as a change in estimate in conformity with ASC 250, "Accounting Changes and Error Corrections" with the amount of periodic accretion adjusted over the remaining life of the loan. Decreases in cash flows expected to be collected from previously projected cash flows, which includes all cash flows originally expected to be collected by the investor plus any additional cash flows expected to be collected arising from changes in estimate after acquisition, are recognized as impairment. Increases in interest income may be recognized on a loan on which the Company previously recorded an OTTI charge if the performance of such loan subsequently improves.

Investments in debt and equity of affiliates

The Company's unconsolidated ownership interests in affiliates are accounted for using the equity method. A majority of the Company's investments held through affiliated entities are comprised of real estate securities and loans. These underlying entities have chosen to make a fair value election on their financial instruments pursuant to ASC 825; as such, the Company will treat these investments consistently with this election. As of December 31, 2016 and December 31, 2015, these investments had a fair market value of $69.0 million and $62.2 million, respectively.

In December 2015, the Company, alongside private funds under the management of Angelo, Gordon, through AG Arc LLC, one of the Company's indirect subsidiaries ("AG Arc"), formed Arc Home LLC ("Arc Home"). The Company invests in Arc Home through AG Arc, and has chosen to make a fair value election on AG Arc pursuant to ASC 825. As of December 31, 2016 and December 31, 2015, the Company's interest in AG Arc had a fair market value of $12.9 and $(0.3) million, respectively.

In June 2016, Arc Home closed on the acquisition of a Fannie Mae, Freddie Mac, Federal Housing Administration ("FHA"), Veteran's Administration ("VA") and Ginnie Mae seller/servicer of mortgages with licenses to conduct business in 44 states, including Washington D.C. Through this subsidiary, Arc Home is currently originating conforming, Government, Jumbo and other non-conforming residential mortgage loans, and retaining the associated mortgage servicing rights, as well as purchasing additional mortgage servicing rights from third-party sellers.

Arc Home may sell loans that it originates to the Company, to third parties or to affiliates of the Manager and may also enter into agreements with the Company, third parties or affiliates of the Manager to sell rights to receive the excess servicing spread related to its MSRs. In September and October of 2016, Arc Home entered into agreements with an affiliate of the Manager to sell rights to receive the excess servicing spread related to certain of its MSRs at fair value for approximately $10.7 million. For the year ended December 31, 2016, the fees received by Arc Home from affiliates of the Manager totaled less than $120,000.

The Company's investments in debt and equity of affiliates are recorded at fair market value on the consolidated balance sheets in the "Investments in debt and equity of affiliates" line item and periodic changes in fair market value are recorded in current period earnings on the consolidated statement of operations as a component of "Equity in earnings/(loss) from affiliates." Capital contributions, distributions and profits and losses of such entities are allocated in accordance with the terms of the applicable agreements.

Excess mortgage servicing rights

The Company has acquired the right to receive the excess servicing spread related to excess mortgage servicing rights ("MSRs"). The Company has chosen to make a fair value election pursuant to ASC 825 for MSRs. MSRs are recorded at fair market value on the consolidated balance sheets and any periodic change in fair market value is recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss) on derivative and other instruments, net."

Investment consolidation and transfers of financial assets

For each investment made, the Company evaluates the underlying entity that issued the securities acquired or to which the Company makes a loan to determine the appropriate accounting. A similar analysis will be performed for each entity with which the Company enters into an agreement for management, servicing or related services. In performing the analysis, the Company refers to guidance in ASC 810-10, "Consolidation." In situations where the Company is the transferor of financial assets, the Company refers to the guidance in ASC 860-10 "Transfers and Servicing."

In variable interest entities ("VIEs"), an entity is subject to consolidation under ASC 810-10 if the equity investors either do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support, are unable to direct the entity's activities or are not exposed to the entity's losses or entitled to its residual returns. VIEs within the scope of ASC 810-10 are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is determined to be the party that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. This determination can sometimes involve complex and subjective analyses. Further, ASC 810-10 also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE. In accordance with ASC 810-10, all transferees, including variable interest entities, must be evaluated for consolidation. See Note 3 for more detail.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." This standard modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. The company adopted ASU 2015-02 on January 1, 2016 using the modified retrospective approach, which did not require the restatement of prior periods to conform to the post-adoption presentation. The Company concluded the adoption of this guidance did not have a material impact on its financial statements.

The Company has entered into resecuritization transactions which result in the Company consolidating the VIEs that were created to facilitate the transactions and to which the underlying assets in connection with the resecuritization were transferred. In determining the accounting treatment to be applied to these resecuritization transactions, the Company evaluated whether the entities used to facilitate these transactions were VIEs and, if so, whether they should be consolidated. Based on its evaluation, the Company concluded that the VIEs should be consolidated. If the Company had determined that consolidation was not required, it would have then assessed whether the transfer of the underlying assets would qualify as a sale or should be accounted for as secured financings under GAAP.

The Company may periodically enter into transactions in which it transfers assets to a third party. Upon a transfer of financial assets, the Company will sometimes retain or acquire senior or subordinated interests in the related assets. Pursuant to ASC 860-10, a determination must be made as to whether a transferor has surrendered control over transferred financial assets. That determination must consider the transferor's continuing involvement in the transferred financial asset, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. The financial components approach under ASC 860-10 limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. It defines the term "participating interest" to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale.

Under ASC 860-10, after a transfer of financial assets that meets the criteria for treatment as a sale—legal isolation, ability of transferee to pledge or exchange the transferred assets without constraint and transferred control—an entity recognizes the financial and servicing assets it acquired or retained and the liabilities it has incurred, derecognizes financial assets it has sold and derecognizes liabilities when extinguished. The transferor would then determine the gain or loss on sale of financial assets by allocating the carrying value of the underlying mortgage between securities or loans sold and the interests retained based on their fair values. The gain or loss on sale is the difference between the cash proceeds from the sale and the amount allocated to the securities or loans sold. When a transfer of financial assets does not qualify for sale accounting, ASC 860-10 requires the transfer to be accounted for as a secured borrowing with a pledge of collateral.

On February 12, 2016, the Company originated a $12.0 million commercial loan and at closing, transferred a 15% or $1.8 million interest in the loan to an unaffiliated third party. The Company, as transferor, evaluated the transfer under ASC 860-10, and concluded the transferred participation interest should be accounted for as a secured borrowing. The Company has recorded the $12.0 million commercial loan on its consolidated balance sheets as an asset in the "Commercial loans, at fair value" line item. The Company has recorded a $1.8 million liability in the "Loan participation payable, at fair value" line item representing the transfer of the participation interest. The Company has chosen to make a fair value election on the consolidated interest pursuant to ASC 825. The holder of the participation interest has no recourse to the general credit of the Company. See Note 4 for more detail.

From time to time, the Company may securitize mortgage loans it holds if such financing is available. These transactions will be recorded in accordance with ASC 860-10 and will be accounted for as either a "sale" and the loans will be removed from the consolidated balance sheets or as a "financing" and will be classified as "real estate securities" on the consolidated balance sheets, depending upon the structure of the securitization transaction. ASC 860-10 is a standard that may require the Company to exercise significant judgment in determining whether a transaction should be recorded as a "sale" or a "financing."

Interest income recognition

Interest income on the Company’s real estate securities portfolio is accrued based on the actual coupon rate and the outstanding principal balance of such securities. The Company has elected to record interest in accordance with ASC 835-30-35-2 using the effective interest method for all securities accounted for under the fair value option (ASC 825). As such, premiums and discounts are amortized or accreted into interest income over the lives of the securities in accordance with ASC 310-20, “Nonrefundable Fees and Other Costs,” ASC 320-10 or ASC 325-40 as applicable. Total interest income is recorded in the “Interest income” line item on the consolidated statement of operations.

On at least a quarterly basis for securities accounted for under ASC 320-10 and ASC 310-20 (generally Agency RMBS), prepayments of the underlying collateral must be estimated, which directly affect the speed at which the Company amortizes premiums on its securities. If actual and anticipated cash flows differ from previous estimates, the Company recognizes a “catch-up” adjustment in the current period to the amortization of premiums for the impact of the cumulative change in the effective yield through the reporting date.

Similarly, the Company also reassesses the cash flows on at least a quarterly basis for securities accounted for under ASC 325-40 (generally Non-Agency RMBS, ABS, CMBS and interest-only securities). In estimating these cash flows, there are a number of assumptions that will be subject to uncertainties and contingencies. These include the rate and timing of principal and interest receipts (including assumptions of prepayments, repurchases, defaults and liquidations), the pass-through or coupon rate and interest rate fluctuations. In addition, interest payment shortfalls due to delinquencies on the underlying mortgage loans have to be estimated. Differences between previously estimated cash flows and current actual and anticipated cash flows are recognized prospectively through an adjustment of the yield over the remaining life of the security based on the current amortized cost of the investment as adjusted for credit impairment, if any.

Interest income on the Company’s loan portfolio is accrued based on the actual coupon rate and the outstanding principal balance of such loans. The Company has elected to record interest in accordance with ASC 835-30-35-2 using the effective interest method for all loans accounted for under the fair value option (ASC 825). Any amortization will be reflected as an adjustment to interest income in the consolidated statement of operations.

For security and loan investments purchased with evidence of deterioration of credit quality for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable, the Company will apply the provisions of ASC 310-30. For purposes of income recognition, the Company aggregates loans that have common risk characteristics into pools and uses a composite interest rate and expectation of cash flows expected to be collected for the pool. ASC 310-30 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor’s initial investment in loans or debt securities (loans) acquired in a transfer if those differences are attributable, at least in part, to credit quality. ASC 310-30 limits the yield that may be accreted (accretable yield) to the excess of the investor’s estimate of undiscounted expected principal, interest and other cash flows (cash flows expected at acquisition to be collected) over the investor’s initial investment in the loan. ASC 310-30 requires that the excess of contractual cash flows over cash flows expected to be collected (nonaccretable difference) not be recognized as an adjustment of yield, loss accrual or valuation allowance. Subsequent increases in cash flows expected to be collected generally should be recognized prospectively through an adjustment of the loan’s yield over its remaining life. Decreases in cash flows expected to be collected should be recognized as impairment.

The Company’s accrual of interest, discount accretion and premium amortization for U.S. federal and other tax purposes differs from the financial accounting treatment of these items as described above.

Repurchase agreements and FHLBC Advances

The Company finances the acquisition of certain assets within its portfolio through the use of repurchase agreements. Prior to March 31, 2016, the Company also financed its Agency RMBS portfolio with advances from the Federal Home Loan Bank of Cincinnati (“FHLBC Advances”) (see the following paragraph regarding the current status of the FHLBC Advances). Repurchase agreements are, and while the Company had them, FHLBC Advances were treated as collateralized financing transactions and carried at primarily their contractual amounts, including accrued interest, as specified in the respective agreements. The carrying amount of the Company’s repurchase agreements and FHLBC Advances approximates fair value.

In July 2015, the Company's wholly-owned captive insurance subsidiary, MITT Insurance Company LLC ("MITT Insurance"), was granted membership in the Federal Home Loan Bank ("FHLB") system, specifically in the FHLB of Cincinnati ("FHLBC"). However, in January 2016, the Federal Housing Finance Agency, the FHFA, issued RIN 2590-AA39, Members of Federal Home Loan Banks ("the Final Rule"), which expressly excludes captive insurance companies, such as MITT Insurance ("Excluded Captives"), from being eligible for membership in the FHLBC. The Final Rule prevents the FHLBC from making any new advances or extending any existing advances to Excluded Captives, subject to a defined grace period. Upon the termination of membership, the FHLB must liquidate all outstanding advances to Excluded Captives, and settle all other business transactions in accordance with the Final Rule. In addition, all FHLB stock held by the terminated Excluded Captive will be repurchased or redeemed at the FHLB's discretion. Therefore, MITT Insurance must completely wind down all business relationships with the FHLBC, including the repayment of all outstanding advances, prior to or simultaneously with the termination of MITT Insurance's membership with the FHLBC. As a result of the Final Rule, MITT Insurance exited all FHLBC Advances and as of December 31, 2016, the Company had no outstanding advances with the FHLBC. See the "Other investments" section below for a discussion on the FHLBC stock held by the Company.

The Company pledges certain securities or loans as collateral under repurchase agreements with financial institutions, the terms and conditions of which are negotiated on a transaction-by-transaction basis. The amounts available to be borrowed are dependent upon the fair value of the securities or loans pledged as collateral, which fluctuates with changes in interest rates, type of security and liquidity conditions within the banking, mortgage finance and real estate industries. In response to declines in fair value of pledged assets, lenders may require the Company to post additional collateral or pay down borrowings to re-establish agreed upon collateral requirements, referred to as margin calls. As of December 31, 2016 and December 31, 2015, the Company has met all margin call requirements.

On June 12, 2014, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2014-11. This amendment requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. If all derecognition criteria are met, the initial transferee will account for the initial transfer as a purchase and the related repurchase agreement component of the transaction will be accounted for as a secured borrowing. Public business entities were required to apply the accounting changes for the first interim or annual reporting period beginning after December 15, 2014. Entities must present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.

Prior to the adoption of ASU 2014-11, in instances where the Company acquired assets through repurchase agreements with the same counterparty from whom the assets were purchased, ASC 860-10 required the initial transfer of a financial asset and repurchase financing that were entered into contemporaneously with, or in contemplation of, one another to be considered linked unless all of the criteria found in ASC 860-10 were met at the inception of the transaction. If the transaction met all of the conditions, the initial transfer was accounted for separately from the repurchase financing, and the Company recorded the assets and the related financing on a gross basis on its consolidated balance sheets with the corresponding interest income and interest expense recorded on a gross basis in the consolidated statement of operations. If the transaction was determined to be linked, the Company recorded the initial transfer and repurchase financing on a net basis and recorded a forward commitment to purchase assets as a derivative instrument with changes in market value being recorded on the consolidated statement of operations. Such forward commitments were recorded at fair value with subsequent changes in fair value recognized in income. The Company referred to these transactions as Linked Transactions. The Company recorded interest income, interest expense, and gains and losses related to linked transactions in the "Income/(loss) from linked transactions, net" line item on the consolidated statement of operations. When a transaction was no longer considered to be linked, the real estate asset and related repurchase financing was reported on a gross basis. The unlinking of a transaction caused a realized event in which the fair value of the real estate asset as of the date of unlinking became the cost basis of the real estate asset. The difference between the fair value on the unlinking date and the existing cost basis of the security was the realized gain or loss. Recognition of effective yield for such security was calculated prospectively using the new cost basis. ASU 2014-11 eliminated this guidance for repurchase financings and instead requires that entities consider the initial transfer and the related repurchase agreement separately when applying the derecognition requirements of ASC 860-10. This guidance effectively changed the accounting for linked financings to secured borrowing accounting. Refer to Note 7 for more detail.

Short positions in U.S. Treasury securities through reverse repurchase agreements

The Company may sell short U.S. Treasury securities to help mitigate the potential impact of changes in interest rates. The Company may borrow securities to cover short sales of U.S. Treasury securities under reverse repurchase agreements, which are accounted for as borrowing transactions, and the Company recognizes an obligation to return the borrowed securities at fair value on its consolidated balance sheet based on the value of the underlying borrowed securities as of the reporting date. The Company establishes haircuts to ensure the market value of the underlying assets remains sufficient to protect the Company in the event of default by the counterparty. Realized and unrealized gains and losses associated with purchases and short sales of U.S. Treasury securities are recognized in "Net realized gain/(loss)", and "Unrealized gain/(loss) on derivative and other instruments, net," respectively, on the consolidated statement of operations.

Other investments

The Company's subsidiary, MITT Insurance, is a member of, and owns capital stock in the FHLBC. The FHLBC previously provided MITT Insurance with financing for the Company's Agency RMBS portfolio, but due to the Final Rule, as of December 31, 2016, the Company has no outstanding advances with the FHLBC. The amount of FHLBC Advances is included in the “FHLBC advances" line item on the Company's consolidated balance sheets. Although the FHLBC no longer provides MITT Insurance with financing, MITT Insurance remains a member of the FHLBC. The Company is required to maintain a stock investment both for membership and for the level of advances from the FHLBC to the Company. Since the Company currently has no outstanding advances, approximately $8.0 million of its FHLBC activity based stock was redeemed as of December 31, 2016, and the Company retained only its membership based stock. At December 31, 2016 and December 31, 2015 the Company owned FHLBC stock totaling $2,000 and $8.0 million, respectively. The Company has chosen to make a fair value election pursuant to ASC 825 for its stock investment in FHLBC which is recorded in the "Other assets" line item on the Company's consolidated balance sheets. When evaluating FHLBC stock for impairment, the Company considers the ultimate recoverability of the par value rather than recognizing temporary declines in value. As of December 31, 2016, the Company had not recognized an impairment charge related to its FHLBC stock. The Company is entitled to a quarterly dividend on the weighted average shares of stock it holds during the period and records the dividend in “Interest income” on its consolidated statement of operations. For the years ended December 31, 2016 and December 31, 2015, the Company recorded dividend income on its FHLBC stock of approximately $0.1 million and $0.1 million, respectively.

Accounting for derivative financial instruments

The Company enters into derivative contracts as a means of mitigating interest rate risk rather than to enhance returns. The Company accounts for derivative financial instruments in accordance with ASC 815-10, “Derivatives and Hedging.” ASC 815-10 requires an entity to recognize all derivatives as either assets or liabilities on the balance sheet and to measure those instruments at fair value. Additionally, if or when hedge accounting is elected, the fair value adjustments will affect either other comprehensive income in stockholders' equity until the hedged item is recognized in earnings or net income depending on whether the derivative instrument is designated and qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity. As of December 31, 2016 and December 31, 2015, the Company did not have any interest rate derivatives designated as hedges. All derivatives have been recorded at fair value in accordance with ASC 820-10, with corresponding changes in value recognized in the consolidated statement of operations. The Company records derivative asset and liability positions on a gross basis. During the period in which the Company unwinds a derivative, it records a realized gain/(loss) in the “Net realized gain/(loss)” line item in the consolidated statement of operations.

To-be-announced securities

A to-be-announced security (“TBA”) is a forward contract for the purchase or sale of Agency RMBS at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date. The specific Agency RMBS delivered into or received from the contract upon the settlement date, published each month by the Securities Industry and Financial Markets Association, are not known at the time of the transaction. The Company may also choose, prior to settlement, to move the settlement of these securities out to a later date by entering into an offsetting short or long position (referred to as a pair off), net settling the paired off positions for cash, simultaneously purchasing or selling a similar TBA contract for a later settlement date. This transaction is commonly referred to as a dollar roll. The Agency RMBS purchased or sold for a forward settlement date are typically priced at a discount to Agency RMBS for settlement in the current month. This difference, or discount, is referred to as the price drop. The price drop is the economic equivalent of net interest carry income on the underlying Agency RMBS over the roll period (interest income less implied financing cost) and is commonly referred to as dollar roll income/(loss). Consequently, forward purchases of Agency RMBS and dollar roll transactions represent a form of off-balance sheet financing. Dollar roll income is recognized in the consolidated statement of operations in the line item “Unrealized gain/(loss) on derivative and other instruments, net.”

The Company presents the purchase or sale of TBAs net of the corresponding payable or receivable, respectively, until the settlement date of the transaction. Contracts for the purchase or sale of Agency RMBS are accounted for as derivatives if they do not qualify for the "regular way" security trade scope exception found in ASC 815-10. To be eligible for this scope exception, the contract must meet the following conditions: (1) there is no other way to purchase or sell that security, (2) delivery of that security and settlement will occur within the shortest period possible for that type of security, and (3) it is probable at inception and throughout the term of the individual contract that the contract will not settle net and will result in physical delivery of a security when it is issued. Unrealized gains and losses associated with TBA contracts not meeting the regular-way exception and not designated as hedging instruments are recognized in the consolidated statement of operations in the line item "Unrealized gain/(loss) on derivative and other instruments, net."

U.S. Treasury securities

The Company may purchase long or sell short U.S. Treasury securities to help mitigate the potential impact of changes in interest rates. The Company may finance its purchase of U.S. Treasury securities with overnight repurchase agreements. The Company may borrow securities to cover short sales of U.S. Treasury securities through overnight reverse repurchase agreements, which are accounted for as borrowing transactions, and the Company recognizes an obligation to return the borrowed securities at fair value on its consolidated balance sheets based on the value of the underlying borrowed securities as of the reporting date. Interest income and expense associated with purchases and short sales of U.S. Treasury securities are recognized in "Interest income" and "Interest expense", respectively, on the consolidated statement of operations. Realized and unrealized gains and losses associated with purchases and short sales of U.S. Treasury securities are recognized in "Net realized gain/(loss)" and "Unrealized gain/(loss) on derivative and other instruments, net," respectively, on the consolidated statement of operations. As of December 31, 2016, the Company had no positions in U.S. Treasury securities.

Manager compensation

The management agreement provides for payment to the Manager of a management fee. The management fee is accrued and expensed during the period for which it is calculated and earned. For a more detailed discussion on the fees payable under the management agreement, see Note 10.

Income taxes

The Company conducts its operations to qualify and be taxed as a REIT. Accordingly, the Company will generally not be subject to federal or state corporate income tax to the extent that the Company makes qualifying distributions to its stockholders, and provided that it satisfies on a continuing basis, through actual investment and operating results, the REIT requirements including certain asset, income, distribution and stock ownership tests. If the Company fails to qualify as a REIT, and does not qualify for certain statutory relief provisions, it will be subject to U.S. federal, state and local income taxes and may be precluded from qualifying as a REIT for the four taxable years following the year in which the Company fails to qualify as a REIT.

The dividends paid deduction of a REIT for qualifying dividends to its stockholders is computed using the Company's taxable income/(loss) as opposed to net income/(loss) reported on the Company's GAAP financial statements. Taxable income/(loss), generally, will differ from net income/(loss) reported on the financial statements because the determination of taxable income/(loss) is based on tax principles and not financial accounting principles.

The Company elected to treat certain domestic subsidiaries as taxable REIT subsidiaries ("TRSs") and may elect to treat other subsidiaries as TRSs. In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly and generally may engage in any real estate or non-real estate-related business.

A domestic TRS may declare dividends to the Company which will be included in the Company's taxable income/(loss) and necessitate a distribution to stockholders. Conversely, if the Company retains earnings at the domestic TRS level, no distribution is required and the Company can increase book equity of the consolidated entity. A domestic TRS is subject to U.S. federal, state and local corporate income taxes.

The Company elected to treat one of its foreign subsidiaries as a TRS and, accordingly, taxable income generated by this foreign TRS may not be subject to local income taxation, but generally will be included in the Company's income on a current basis as Subpart F income, whether or not distributed.

The Company's financial results are generally not expected to reflect provisions for current or deferred income taxes, except for any activities conducted through one or more TRSs that are subject to corporate income taxation. The Company believes that it will operate in a manner that will allow it to qualify for taxation as a REIT. As a result of the Company's expected REIT qualification, it does not generally expect to pay federal or state corporate income tax. Many of the REIT requirements, however, are highly technical and complex. If the Company were to fail to meet the REIT requirements, it would be subject to federal income taxes and applicable state and local taxes.

As a REIT, if the Company fails to distribute in any calendar year (subject to specific timing rules for certain dividends paid in January) at least the sum of (i) 85% of its ordinary income for such year, (ii) 95% of its capital gain net income for such year, and (iii) any undistributed taxable income from the prior year, the Company would be subject to a non-deductible 4% excise tax on the excess of such required distribution over the sum of (i) the amounts actually distributed and (ii) the amounts of income retained and on which the Company has paid corporate income tax.

The Company evaluates uncertain income tax positions, if any, in accordance with ASC 740, "Income Taxes." The Company classifies interest and penalties, if any, related to unrecognized tax benefits as a component of provision for income taxes. See Note 9 for further details.

Stock-based compensation

The Company applies the provisions of ASC 718, "Compensation—Stock Compensation" with regard to its equity incentive plans. ASC 718 covers a wide range of share-based compensation arrangements including stock options, restricted stock plans, performance-based awards, stock appreciation rights and employee stock purchase plans. ASC 718 requires that compensation cost relating to stock-based payment transactions be recognized in financial statements. Compensation cost is measured based on the fair value of the equity or liability instruments issued.

Compensation cost related to restricted common shares issued to the Company's directors is measured at its estimated fair value at the grant date, and is amortized and expensed over the vesting period on a straight-line basis. Compensation cost related to restricted common shares and restricted stock units issued to the Manager is initially measured at estimated fair value at the grant date, and is remeasured on subsequent dates to the extent the awards are unvested. Shares of restricted common stock held by the Manager and independent directors accrue dividends, but these dividends are not paid until vested and therefore the shares are not considered to be participating shares. Restricted stock units granted to the Manager do not entitle the participant the rights of a shareholder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The restricted stock units are not considered to be participating shares. Restricted stock units are measured at fair value reduced by the present value of the dividends expected to be paid on the underlying shares during the requisite service period, discounted at an assumed risk free rate. The Company has elected to use the straight-line method to amortize compensation expense for restricted common shares and restricted stock units.

Recent accounting pronouncements

In May 2014, the FASB issued Accounting Standards Updates ("ASU") 2014-09, "Revenue from Contracts with Customers" (Topic 606) ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB deferred the effective date of the new revenue recognition standard by one year. The new standard is effective for the first interim period within annual reporting periods beginning after December 15, 2017 and early adoption is permitted. The Company has concluded the guidance will not have a material impact on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern," ("ASU 2014-15"). ASU 2014-15 introduces an explicit requirement for management to assess and provide certain disclosures if there is substantial doubt about an entity's ability to continue as a going concern. ASU 2014-15 is effective for the annual period ending after December 15, 2016. The Company has concluded that the adoption of ASU 2014-15 did not have a material impact on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). The amendments in this ASU affect all entities that hold financial assets or owe financial liabilities, and address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The classification and measurement guidance of investments in debt securities and loans are not affected by the amendments in this ASU. ASU 2016-01 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is not permitted for public business entities, except for a provision related to financial statements of fiscal years or interim periods that have not yet been issued, to recognize in other comprehensive income, the change in fair value of a liability resulting from a change in the instrument-specific credit risk measured using the fair value option. Entities should apply the amendments in this ASU by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. The Company is currently evaluating its method of adoption and the impact this ASU will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting (Topic 718)," ("ASU 2016-09"). ASU 2016-09 requires all income tax effects of share-based payment awards to be recognized in the income statement when the awards vest or are settled. ASU 2016-09 also allows an employer to repurchase more of an employee's shares for tax withholding purposes than is permitted under current guidance without triggering liability accounting. Finally, ASU 2016-09 allows a policy election to account for forfeitures as they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company has concluded the guidance does not have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses," ("ASU 2016-13"). ASU 2016-13 introduces a new model related to the accounting for credit losses on instruments, specifically, financial assets subject to credit losses and measured at amortized cost, and certain off-balance sheet credit exposures. ASU 2016-13 amends the current guidance, requiring an OTTI charge only when fair value is below the amortized cost of an asset. The length of time the fair value of an available-for-sale debt security has been below the amortized cost will no longer impact the determination of whether a credit loss exists. As such, it is no longer an other-than-temporary model. In addition, credit losses on available-for-sale debt securities will now be limited to the difference between the security's amortized cost basis and its fair value. The new debt security model will also require the use of an allowance to record estimated credit losses. The new guidance also expands the disclosure requirements regarding an entity's assumptions, and models. In addition, public entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination (i.e., by vintage year). ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is currently evaluating its method of adoption and the impact this ASU will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments", ("ASU 2016-15"). ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing existing diversity of how certain cash receipts and cash payments are presented. These specific issues include debt prepayment and debt extinguishment costs, settlement of zero-coupon debt, proceeds from the settlement of insurance claims, and beneficial interests in securitization transactions, among others. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently assessing the impact this guidance will have on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently assessing the impact of this guidance.

3. Real Estate Securities

The following tables detail the Company's real estate securities portfolio as of December 31, 2016 and December 31, 2015. The Company's Agency RMBS are mortgage pass-through certificates or collateralized mortgage obligations ("CMOs") representing interests in or obligations backed by pools of residential mortgage loans issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. The Company's Non-Agency RMBS, ABS and CMBS portfolios are primarily not issued or guaranteed by Fannie Mae, Freddie Mac or any agency of the U.S. Government and are therefore subject to credit risk. The principal and interest payments on Agency RMBS securities have an explicit guarantee by either an agency of the U.S. government or a U.S government-sponsored entity.

The following table details the Company's real estate securities portfolio as of December 31, 2016:

				Gross Unrealized (1)			Weighted Average	
	Current Face	Premium / (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (2)	Yield
Agency RMBS:								
30 Year Fixed Rate	$ 713,234,586	$ 28,338,222	$ 741,572,808	$ 3,672,057	$ (5,517,144)	$ 739,727,721	3.64%	2.99%
Fixed Rate CMO	62,570,005	531,431	63,101,436	595,962	-	63,697,398	3.00%	2.80%
ARM	208,592,111	(1,633,175)	206,958,936	4,385,116	-	211,344,052	2.35%	2.84%
Interest Only	416,902,327	(375,843,483)	41,058,844	3,033,926	(1,198,215)	42,894,555	2.70%	8.26%
Credit Investments:								
Non-Agency RMBS	1,255,224,713	(235,346,323)	1,019,878,390	28,705,591	(9,328,119)	1,039,255,862	4.31%	6.03%
Non-Agency RMBS Interest Only	449,759,113	(446,027,313)	3,731,800	33,512	(3,866)	3,761,446	0.25%	12.47%
ABS	22,025,000	(357,022)	21,667,978	100,247	(536,269)	21,231,956	5.43%	6.32%
CMBS	217,935,976	(56,549,776)	161,386,200	959,842	(2,830,108)	159,515,934	5.15%	6.16%
CMBS Interest Only	1,967,685,636	(1,916,198,928)	51,486,708	1,001,503	(351,485)	52,136,726	0.41%	6.48%
Total	$5,313,929,467	$(3,003,086,367)	$ 2,310,843,100	$42,487,756	$(19,765,206)	$2,333,565,650	2.18%	4.76%

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for our real estate securities portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and loans, net line item in the consolidated statement of operations. The gross unrealized stated above represents inception to date unrealized gains/(losses).

(2) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

The following table details the Company's real estate securities portfolio as of December 31, 2015:

				Gross Unrealized (1)			Weighted Average	
	Current Face	Premium / (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (2)	Yield
Agency RMBS:								
20 Year Fixed Rate	$ 782,276,607	$ 34,905,903	$ 817,182,510	$ 6,674,932	$ (3,720,150)	$ 820,137,292	3.76%	3.10%
30 Year Fixed Rate	76,098,478	672,376	76,770,854	1,254,658	-	78,025,512	3.00%	2.81%
Fixed Rate CMO	248,169,781	(2,658,877)	245,510,904	4,298,463	-	249,809,367	2.37%	2.84%
ARM	522,058,244	(468,676,886)	53,381,358	2,226,513	(2,138,390)	53,469,481	2.70%	7.56%
Interest Only								
Credit Investments:	1,395,179,483	(183,015,256)	1,212,164,227	23,555,968	(11,462,911)	1,224,257,284	4.17%	5.56%
Non-Agency RMBS	465,387,354	(459,897,579)	5,489,775	351,842	(287,883)	5,553,734	0.12%	11.05%
ABS	56,264,253	(353,693)	55,910,560	236,424	(1,385,147)	54,761,837	5.26%	5.62%
CMBS	224,844,665	(89,380,593)	135,464,072	789,264	(1,382,362)	134,870,974	5.15%	6.28%
CMBS Interest Only	1,138,848,526	(1,124,644,529)	14,203,997	37,717	(163,998)	14,077,716	0.25%	6.67%
Total	$4,909,127,391	$(2,293,049,134)	$ 2,616,078,257	$39,425,781	$(20,540,841)	$2,634,963,197	2.52%	4.55%

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its real estate securities portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and loans, net line item in the consolidated statement of operations. The gross unrealized stated above represents inception to date unrealized gains/(losses).

(2) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

The following table presents the gross unrealized losses and fair value of the Company's real estate securities by length of time that such securities have been in a continuous unrealized loss position on December 31, 2016 and December 31, 2015.

	Less than 12 months		Greater than 12 months	
As of	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2016	$756,302,518	$ (12,017,743)	$203,287,535	$ (7,747,463)
December 31, 2015	905,669,623	(13,906,215)	154,287,673	(6,634,626)

As described in Note 2, the Company evaluates securities for OTTI on at least a quarterly basis. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a real estate security is less than its amortized cost at the balance sheet date, the security is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary."

For the year ended December 31, 2016 the Company recognized an OTTI charge of $17.2 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. Of this amount, $3.3 million was recognized on certain securities in an unrealized loss position which the Company demonstrated intent to sell, and the charge represents a write-down to fair value as of the reporting date. The Company recorded $13.9 million of OTTI due to an adverse change in cash flows on certain securities, where the fair values of the securities were less than their carrying amounts. Of the $13.9 million of OTTI recorded, $8.2 million related to securities where OTTI was not recognized in a prior year. For the year ended December 31, 2015 the Company recognized an OTTI charge of $8.1 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The Company recorded $8.1 million of OTTI due to an adverse change in cash flows on certain securities, where the fair values of the securities were less than their carrying amounts. Of the $8.1 million of OTTI recorded, $3.6 million related to securities where OTTI was not recognized in a prior year. For the year ended December 31, 2014 the Company recognized an OTTI charge of $4.8 million. Of the $4.8 million of OTTI recorded, $1.0 million pertains to certain securities in an unrealized loss position which the Company demonstrated intent to sell, and the charge represents a write-down to fair value as of the reporting date. The remaining $3.8 million of OTTI was recorded due to an adverse change in cash flows on certain securities, where the fair values of the securities were less than their carrying amounts. Of the $4.8 million of OTTI recorded, $3.6 million related to securities where OTTI was not recognized in a prior year.

The decline in value of the remaining real estate securities is solely due to market conditions and not the credit quality of the assets. The investments in unrealized loss positions are not considered other than temporarily impaired because the Company currently has the ability and intent to hold the investments to maturity or for a period of time sufficient for a forecasted market price recovery up to or beyond the cost of the investments and the Company is not required to sell the investments for regulatory or other reasons.

The following table details weighted average life broken out by Agency RMBS, Agency Interest-Only ("IO") and Credit Securities as of December 31, 2016:

	Agency RMBS (1)			Agency IO			Credit Investments (2)		
Weighted Average Life (3)	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon (4)**
Less than or equal to 1 year	$ -	$ -	-	$ -	$ -	-	$ 169,483,329	$ 170,533,908	2.09%
Greater than one year and less than or equal to five years	124,913,463	123,021,262	2.73%	28,514,942	27,995,835	2.23%	430,525,739	430,108,024	0.94%
Greater than five years and less than or equal to ten years	808,271,767	806,474,038	3.44%	14,379,613	13,063,009	5.14%	425,043,315	418,094,774	2.30%
Greater than ten years	81,583,941	82,137,880	3.10%	-	-	-	250,849,541	239,414,370	5.88%
Total	$1,014,769,171	$ 1,011,633,180	3.32%	$42,894,555	$41,058,844	2.70%	$1,275,901,924	$ 1,258,151,076	1.82%

(1) For purposes of this table, Agency RMBS represent securities backed by Fixed Rate 30 Year mortgages, ARMs and Fixed Rate CMOs.
(2) For purposes of this table, Credit Investments represent Non-Agency RMBS, ABS, CMBS and Interest Only credit securities.
(3) Actual maturities of mortgage-backed securities are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(4) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

The following table details weighted average life broken out by Agency RMBS, Agency IO and Credit Securities as of December 31, 2015:

	Agency RMBS (1)			Agency IO			Credit Investments (2)		
Weighted Average Life (3)	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon (4)**
Less than or equal to 1 year	$ -	$ -	-	$ -	$ -	-	$ 61,279,492	$ 62,031,034	4.92%
Greater than one year and less than or equal to five years	8,855,191	8,698,829	2.53%	35,583,940	36,517,583	2.19%	465,361,086	465,420,736	1.20%
Greater than five years and less than or equal to ten years	1,130,350,078	1,122,059,484	3.39%	17,885,541	16,863,775	5.33%	602,483,200	599,969,280	2.21%
Greater than ten years	8,766,902	8,705,955	4.11%	-	-	-	304,397,767	295,811,581	5.71%
Total	$1,147,972,171	$ 1,139,464,268	3.39%	$53,469,481	$53,381,358	2.70%	$1,433,521,545	$ 1,423,232,631	2.18%

(1) For purposes of this table, Agency RMBS represent securities backed by Fixed Rate 20 Year and Fixed Rate 30 Year mortgages, ARMs and Fixed Rate CMOs.
(2) For purposes of this table, Credit Investments represent Non-Agency RMBS, ABS, CMBS and Interest Only credit securities.
(3) Actual maturities of mortgage-backed securities are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(4) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

For the year ended December 31, 2016, the Company sold 26 securities for total proceeds of $364.4 million, recording realized gains of $11.0 million and realized losses of $4.1 million. For the year ended December 31, 2015, the Company sold 70 securities for total proceeds of $762.0 million, recording realized gains of $12.7 million and realized losses of $4.9 million. For the year ended December 31, 2014, the Company sold 50 securities for total proceeds of $872.7 million, recording realized gains of $14.4 million and realized losses of $4.3 million.

See Notes 4 and 7 for amounts realized on sales of loans and the settlement of certain derivatives and other instruments, respectively.

A Special Purpose Entity ("SPE") is an entity designed to fulfill a specific limited need of the company that organized it. SPEs are often used to facilitate transactions that involve securitizing financial assets or resecuritizing previously securitized financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity or refinancing the underlying securitized financial assets on improved terms. Securitization involves transferring assets to a SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business through the SPE's issuance of debt or equity instruments. Investors in an SPE usually have recourse only to the assets in the SPE and depending on the overall structure of the transaction, may benefit from various forms of credit enhancement, such as over-collateralization in the form of excess assets in the SPE, priority with respect to receipt of cash flows relative to holders of other debt or equity instruments issued by the SPE, or a line of credit or other form of liquidity agreement that is designed with the objective of ensuring that investors receive principal and/or interest cash flow on the investment in accordance with the terms of their investment agreement. See Note 2 for more detail.

The Company previously entered into a resecuritization transaction that resulted in the Company consolidating the VIE created with the SPE which was used to facilitate the transaction. The Company concluded that the entity created to facilitate this transaction was a VIE. The Company also determined the VIE created to facilitate the resecuritization transaction should be consolidated by the Company and treated as a secured borrowing, based on consideration of its involvement in the VIE, including the design and purpose of the SPE, and whether its involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the VIE. As of December 31, 2016 and December 31, 2015, the resecuritized asset had an aggregate principal balance of $31.5 million and $40.0 million, respectively. As of December 31, 2016 and December 31, 2015, the resecuritized asset had an aggregate fair value of $27.4 million and $37.1 million, respectively. As of December 31, 2016 and December 31, 2015, the principal balance of the consolidated tranche was $21.6 million and $30.4 million, respectively. As of December 31, 2016 and December 31, 2015, the fair market value of the consolidated tranche was $21.5 million and $30.0 million, respectively, which is included in the Company's consolidated balance sheets as "Non-Agency RMBS." As of December 31, 2016 and December 31, 2015, the aggregate security has a weighted average coupon of 3.15% and 5.32%, respectively, and a weighted average yield of 6.73% and 6.14%, respectively. As of December 31, 2016 , and December 31, 2015, the Company has recorded secured financing of $21.5 million and $30.0 million, respectively, on the consolidated balance sheets in the "Securitized debt, at fair value" line item. The Company recorded the proceeds from the issuance of the secured financing in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows at the time of securitization. As of December 31, 2016 and December 31, 2015, the consolidated tranche had a weighted average life of 3.27 years and 4.04 years, respectively, and a weighted average yield of 3.87% and 3.67%, respectively. The holders of the consolidated tranche have no recourse to the general credit of the Company. The Company has no obligation to provide any other explicit or implicit support to any VIE.

4. Loans

Residential mortgage loans

On February 28, 2014, the Company acquired a residential mortgage loan portfolio with an aggregate unpaid principal balance and acquisition fair value of $59.0 million and $34.9 million, respectively. On February 18, 2014, the Company entered into a Master Repurchase Agreement and Securities Contract ("Repurchase facility") to finance acquisitions of residential mortgage loans. See Note 6 for further detail on the Company's loan repurchase facility.

On July 31, 2014, the Company acquired a residential mortgage loan portfolio with an aggregate unpaid principal balance and acquisition fair value of $13.7 million and $5.7 million, respectively.

On September 30, 2014, the Company acquired a residential mortgage loan portfolio with an aggregate unpaid principal balance and acquisition fair value of $50.5 million and $44.0 million, respectively.

The table below details certain information regarding the Company's residential mortgage loan portfolio as of December 31, 2016:

				Gross Unrealized (1)			Weighted Average		
	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years) (2)
Residential mortgage loans	$53,827,336	$(16,491,472)	$37,335,864	$1,262,223	$(402,511)	$38,195,576	5.60%	8.74%	6.71

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its loan portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and loans, net line item. The gross unrealized stated above represents inception to date unrealized gains (losses).
(2) Actual maturities of residential mortgage loans are generally shorter than stated contractual maturities. Maturities are affected by the lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

The table below details certain information regarding the Company's residential mortgage loan portfolio as of December 31, 2015:

	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gross Unrealized (1) Gains	Gross Unrealized (1) Losses	Fair Value	Weighted Average Coupon	Weighted Average Yield	Weighted Average Life (Years) (2)
Residential mortgage loans	$78,834,774	$(24,413,319)	$54,421,455	$2,658,772	$ -	$57,080,227	5.46%	8.70%	5.58

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its loan portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and loans, net line item. The gross unrealized stated above represents inception to date unrealized gains (losses).
(2) Actual maturities of residential mortgage loans are generally shorter than stated contractual maturities. Maturities are affected by the lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

The table below summarizes certain aggregated pool level information pertaining to the Company's residential mortgage loans:

	December 31, 2016		December 31, 2015	
	Fair Value	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance
Re-Performing	$ 26,665,750	$ 35,645,382	$ 43,152,987	$ 56,424,387
Non-Performing	11,529,826	18,181,954	13,927,240	22,410,387
	$ 38,195,576	$ 53,827,336	$ 57,080,227	$ 78,834,774

As described in Note 2, the Company evaluates loans for OTTI on at least a quarterly basis. The determination of whether a loan is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a loan is less than its amortized cost at the balance sheet date, the loan is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary."

For the year ended December 31, 2016, the Company recognized $2.2 million of OTTI on certain loan pools, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The Company recorded the $2.2 million of OTTI due to an adverse change in cash flows, where the fair values of the loan pools were less than their carrying amounts. Of the $2.2 million, $1.1 million related to one loan pool with an unpaid principal balance of $16.1 million, and an average fair market value of $16.7 million for the year ended December 31, 2016, where OTTI was not recognized in a prior year. The Company recognized $0.8 million and $1.4 million of interest income on certain non-performing and re-performing loan pools, respectively, where OTTI was taken during the year ended December 31, 2016.

For the year ended December 31, 2015, the Company recognized $0.6 million of OTTI on certain loan pools, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The Company recorded the $0.6 million of OTTI due to an adverse change in cash flows, where the fair values of the loan pools were less than their carrying amounts. The $0.6 million related to non-performing and re-performing loan pools with unpaid principal balances of $18.7 and $23.7 million, respectively, and average fair market values of $12.5 and $31.4 million, respectively, where OTTI was not previously recognized. The Company recognized $0.4 million and $0.5 million of interest income on certain non-performing and re-performing loan pools, respectively, during the time within the year ended December 31, 2015 that OTTI was taken. No OTTI was recorded on loans for the year ended December 31, 2014.

The Company's mortgage loan portfolio consisted of mortgage loans on residential real estate located throughout the U.S. The following is a summary of certain concentrations of credit risk within the Company's mortgage loan portfolio:

Concentration of Credit Risk	December 31, 2016	December 31, 2015
Percentage of fair value of mortgage loans with unpaid principal balance to current property value in excess of 100%	98%	95%
Percentage of fair value of mortgage loans secured by properties in the following states:		
Representing 5% or more of fair value:		
New York	25%	20%
California	9%	9%
Florida	5%	6%
Maryland	6%	5%

The Company records interest income on a level-yield basis. The accretable discount is determined by the excess of the Company's estimate of undiscounted principal, interest, and other cash flows expected to be collected over its initial investment in the mortgage loan. The following is a summary of the changes in the accretable portion of discounts for the years ended December 31, 2016, December 31, 2015 and December 31, 2014:

	Years Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Beginning Balance	$ 24,216,638	$ 38,008,263	$ -
Additions	-	-	38,295,030
Accretion	(4,083,991)	(5,801,933)	(3,739,798)
Reclassifications from/(to) non-accretable difference	4,778,714	4,403,604	4,274,831
Disposals	(6,629,844)	(12,393,296)	(821,800)
Ending Balance	$ 18,281,517	$ 24,216,638	$ 38,008,263

As of December 31, 2016, the Company's residential mortgage loan portfolio is comprised of 277 conventional loans with original loan balances between $9,000 and $1.1 million.

For the year ended December 31, 2016, the Company sold 62 loans for total proceeds of $35.6 million, with an additional $3.6 million on 22 unsettled loan sales as of year-end, recording realized gains of $3.5 million. For the year ended December 31, 2015, the Company sold 135 loans for total proceeds of $23.3 million, recording realized gains of $1.9 million. The Company did not sell any loans for the year ended December 31, 2014.

Commercial loans

The following table presents detail on the Company's commercial loan portfolio on December 31, 2016:

				Gross Unrealized (1)			Weighted Average					
Loan (2) (4) (9)	Current Face	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (7)	Yield	Life (Years) (8)	Stated Maturity Date	Extended Maturity Date (10)	Location
Loan B (3)	$ 32,800,000	$ (1,294)	$ 32,798,706	$ 1,294	$ -	$32,800,000	5.40%	5.65%	0.52	July 1, 2016	July 1, 2019	TX
Loan D (5) (11)	12,000,000	(211,692)	11,788,308	296,278	(84,586)	12,000,000	10.62%	14.33%	0.62	February 11, 2017	August 11, 2017	NY
Loan E (6)	16,000,000	(1,291,648)	14,708,352	560,448	-	15,268,800	9.05%	12.76%	4.33	April 9, 2017	April 9, 2021	Various
	$ 60,800,000	$(1,504,634)	$ 59,295,366	$ 858,020	$ (84,586)	$60,068,800	7.39%	9.19%	1.54			

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its loan portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and loans, net line item. The gross unrealized columns above represent inception to date unrealized gains (losses).
(2) Loan A paid off in Q2 2016, with the Company receiving $30.0 million of principal proceeds.
(3) Loan B is comprised of a first mortgage and mezzanine loan of $31.8 million and $1.0 million, respectively.
(4) Loan C paid off in Q3 2016, with the Company receiving $10.0 million of principal proceeds.
(5) Loan D is a first mortgage loan. See below for further information. As of the stated maturity date, Loan D has been extended for an additional 6 months.
(6) Loan E is a mezzanine loan.
(7) Each commercial loan investment has a variable coupon rate.
(8) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.
(9) The Company has the contractual right to receive a balloon payment.
(10) Represents the maturity date of the last possible extension option.
(11) Loan D paid off in Q1 2017.

In February 2016, the Company originated a $12.0 million commercial loan and, at closing, transferred a 15.0%, or $1.8 million, participation interest in the loan (the "Participation Interest") to an unaffiliated third party. The Participation Interest did not meet the sales criteria established under ASC 860, therefore, the entire commercial loan has been recorded as an asset in the "Commercial loans, at fair value" line item on the Company's consolidated balance sheets, referred to in the above table as "Loan D". The weighted average coupon and yield on the commercial loan was 10.62% and 14.33%, respectively, at December 31, 2016. A $1.8 million liability was recorded in the "Loan participation payable, at fair value" line item on the Company's consolidated balance sheets representing the transfer of the Participation Interest. The Company recorded the origination of the commercial loan in the "Cash Flows from Investing Activities" section and the proceeds from the transfer in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows. The weighted average coupon and yield on the Participation Interest was 10.62% and 21.70%, respectively, at December 31, 2016.

The following table presents detail on the Company's commercial loan portfolio on December 31, 2015:

				Gross Unrealized (1)			Weighted Average					
	Current Face	**Premium (Discount)**	**Amortized Cost**	**Gains**	**Losses**	**Fair Value**	**Coupon (5)**	**Yield**	**Life (Years) (6)**	**Stated Maturity Date (7)**	**Extended Maturity Date (8)**	**Location**
Loan A (2)	$ 30,000,000	$ (70,981)	$ 29,929,019	$ 70,981	$ -	$30,000,000	6.52%	8.50%	0.44	June 5, 2017	June 5, 2019	FL
Loan B (3)	32,800,000	(38,441)	32,761,559	38,441	-	32,800,000	5.02%	5.72%	0.52	July 1, 2016	July 1, 2019	TX
Loan C (4)	10,000,000	(29,607)	9,970,393	29,607	-	10,000,000	13.50%	16.13%	1.19	February 1, 2017	February 1, 2018	NY
	$ 72,800,000	$ (139,029)	$ 72,660,971	$ 139,029	$ -	$72,800,000	6.80%	8.30%	0.58			

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for our loan portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and loans, net line item. The gross unrealized stated above represents inception to date unrealized gains (losses).
(2) Loan A is comprised of a first mortgage and mezzanine loan of $20.0 million and $10.0 million, respectively.
(3) Loan B is comprised of a first mortgage and mezzanine loan of $31.8 million and $1.0 million, respectively.
(4) Loan C is a mezzanine loan.
(5) Each commercial loan investment has a variable coupon rate.
(6) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.
(7) The Company has the contractual right to receive a balloon payment.
(8) Represents the maturity date of the last possible extension option.

During the years ended December 31, 2016, December 31, 2015, and December 31, 2014, the Company recorded $0.4 million, $0.4 million, and $0.2 million of discount accretion, respectively.

5. Fair value measurements

As described in Note 2, the fair value of financial instruments that are recorded at fair value will be determined by the Manager, subject to oversight of the Company's board of directors, and in accordance with ASC 820, "Fair Value Measurements and Disclosures." When possible, the Company determines fair value using independent data sources. ASC 820 establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable.

Values for the Company's securities, securitized debt, and derivatives are based upon prices obtained from third party pricing services, which are indicative of market activity. The evaluation methodology of the Company's third-party pricing services incorporates commonly used market pricing methods, including a spread measurement to various indices such as the one-year constant maturity treasury and LIBOR, which are observable inputs. The evaluation also considers the underlying characteristics of each investment, which are also observable inputs, including: coupon; maturity date; loan age; reset date; collateral type; periodic and life cap; geography; and prepayment speeds. The Company collects and considers current market intelligence on all major markets, including benchmark security evaluations and bid-lists from various sources, when available. As part of the Company's risk management process, the Company reviews and analyzes all prices obtained by comparing prices to recently completed transactions involving the same or similar investments on or near the reporting date. If, in the opinion of the Manager, one or more prices reported to the Company are not reliable or unavailable, the Manager reviews the fair value based on characteristics of the investment it receives from the issuer and available market information.

In valuing its derivatives, the Company considers the creditworthiness of both the Company and its counterparties, along with collateral provisions contained in each derivative agreement, from the perspective of both the Company and its counterparties. All of the Company's derivatives are either subject to bilateral collateral arrangements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd Frank Act"). For swaps cleared under the Dodd Frank Act, a Central Counterparty Clearing House ("CCP") now stands between the Company and the over-the-counter derivative counterparties. In order to access clearing, the Company has entered into clearing agreements with Futures Commissions Merchants ("FCMs"). The Company records its derivative asset and liability positions on a gross basis.

The fair value of the Company's mortgage loans and loan participation considers data such as loan origination information, additional updated borrower information, loan servicing data, as available, forward interest rates, general economic conditions, home price index forecasts and valuations of the underlying properties. The variables considered most significant to the determination of the fair value of the Company's mortgage loans include market-implied discount rates, projections of default rates, delinquency rates, reperformance rates, loss severity (considering mortgage insurance) and prepayment rates. The Company uses loan level data and macro-economic inputs to generate loss adjusted cash flows and other information in determining the fair value of its mortgage loans. Because of the inherent uncertainty of such valuation, the fair values established for mortgage loans held by the Company may differ from the fair values that would have been established if a ready market existed for these mortgage loans. Accordingly, mortgage loans are classified as Level 3 in the fair value hierarchy.

The Manager may also engage specialized third party valuation service providers to assess and corroborate the valuation of a selection of investments in the Company's loan portfolio on a periodic basis. These specialized third party valuation service providers conduct independent valuation analyses based on a review of source documents, available market data, and comparable investments. The analyses provided by valuation service providers are reviewed and considered by the Manager.

TBA instruments are similar in form to the Company's Agency RMBS portfolio, and the Company therefore estimates fair value based on similar methods.

U.S. Treasury securities are valued using quoted prices for identical instruments in active markets. The fair value of the Company's obligation to return securities borrowed under reverse repurchase agreements is based upon the value of the underlying borrowed U.S. Treasury securities as of the reporting date.

The Company entered into a resecuritization transaction that resulted in the Company consolidating a VIE created with the SPE which was used to facilitate the transaction. The Company categorizes the fair value measurement of the consolidated tranche as Level 3.

In December 2015, the Company, alongside private funds under the management of Angelo, Gordon, through AG Arc, formed Arc Home. The Company invests in Arc Home through AG Arc. In June 2016, Arc Home closed on the acquisition of a Fannie Mae, Freddie Mac, FHA, VA and Ginnie Mae seller/servicer of mortgages. Through this subsidiary, Arc Home is currently originating conforming, Government, Jumbo and other non-conforming residential mortgage loans and retaining the associated mortgage servicing rights, as well as purchasing additional mortgage servicing rights from third-party sellers. As a result of this acquisition, the Company transferred its investment in AG Arc from Level 1 into Level 3 during the year ended December 31, 2016.

In February 2016, the Company originated a $12.0 million commercial loan and transferred a 15% participation interest in the loan to an unaffiliated third party. The Company categorizes the fair value measurement of the commercial loan and consolidated participation interest as Level 3.

As a condition to membership in the FHLBC, members are required to purchase and hold a certain amount of FHLBC stock, which is considered a non-marketable, long-term investment. Because this stock can only be transacted at its par value, and only to the FHLBC, the Manager believes cost approximates fair value. The Company categorizes the fair value measurement of these assets as Level 3. As part of the Final Rule mentioned previously, the Company will have to sell back all of its FHLBC stock at the discretion of the FHLBC.

The following table presents the Company's financial instruments measured at fair value as of December 31, 2016:

	Fair Value at December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Agency RMBS:				
30 Year Fixed Rate	$ -	$ 739,727,721	$ -	$ 739,727,721
Fixed Rate CMO	-	63,697,398	-	63,697,398
ARM	-	211,344,052	-	211,344,052
Interest Only	-	42,894,555	-	42,894,555
Credit Investments:				
Non-Agency RMBS	-	321,495,328	717,760,534	1,039,255,862
Non-Agency RMBS Interest Only	-	-	3,761,446	3,761,446
ABS	-	-	21,231,956	21,231,956
CMBS	-	28,726,319	130,789,615	159,515,934
CMBS Interest Only	-	-	52,136,726	52,136,726
Residential mortgage loans	-	-	38,195,576	38,195,576
Commercial loans	-	-	60,068,800	60,068,800
Excess mortgage servicing rights	-	-	412,648	412,648
Derivative assets	-	3,703,366	-	3,703,366
FHLBC stock	-	-	2,000	2,000
AG Arc	-	-	12,894,819	12,894,819
Total Assets Carried at Fair Value	$ -	$1,411,588,739	$1,037,254,120	$2,448,842,859
Liabilities:				
Securitized debt	$ -	$ -	$ (21,491,710)	$ (21,491,710)
Loan participation payable	-	-	(1,800,000)	(1,800,000)
Securities borrowed under reverse repurchase agreements	(22,365,000)	-	-	(22,365,000)
Derivative liabilities	(636,211)	(2,271,044)	-	(2,907,255)
Total Liabilities Carried at Fair Value	$ (23,001,211)	$ (2,271,044)	$ (23,291,710)	$ (48,563,965)

The following table presents the Company's financial instruments measured at fair value as of December 31, 2015:

	Fair Value at December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Agency RMBS:				
30 Year Fixed Rate	$ -	$ 820,137,292	$ -	$ 820,137,292
Fixed Rate CMO	-	78,025,512	-	78,025,512
ARM	-	249,809,367	-	249,809,367
Interest Only	-	53,469,481	-	53,469,481
Credit Investments:				
Non-Agency RMBS	-	772,579,324	451,677,960	1,224,257,284
Non-Agency RMBS Interest Only	-	-	5,553,734	5,553,734
ABS	-	-	54,761,837	54,761,837
CMBS	-	43,846,556	91,024,418	134,870,974
CMBS Interest Only	-	-	14,077,716	14,077,716
Residential mortgage loans	-	-	57,080,227	57,080,227
Commercial loans	-	-	72,800,000	72,800,000
U.S. Treasury securities	223,434,922	-	-	223,434,922
Excess mortgage servicing rights	-	-	425,311	425,311
Derivative assets	-	1,755,467	-	1,755,467
FHLBC stock	-	-	8,015,900	8,015,900
AG Arc	(316,580)	-	-	(316,580)
Total Assets Carried at Fair Value	$ 223,118,342	$ 2,019,622,999	$ 755,417,103	$ 2,998,158,444
Liabilities:				
Securitized debt	$ -	$ (30,046,861)	$ -	$ (30,046,861)
Derivative liabilities	-	(6,863,770)	-	(6,863,770)
Total Liabilities Carried at Fair Value	$ -	$ (36,910,631)	$ -	$ (36,910,631)

The Company did not have any transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy during the years ended December 31, 2016 and December 31, 2015.

The following tables present additional information about the Company's assets or liabilities which are measured at fair value for which the Company has utilized Level 3 inputs to determine fair value:

Year Ended
December 31, 2016

	Non-Agency RMBS	Non-Agency RMBS IO	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	FHLBC Stock	AG Arc	Securitized debt	Loan Participation payable
Beginning balance	$ 451,677,960	$ 5,553,734	$ 54,761,837	$ 91,024,418	$ 14,077,716	$ 57,080,227	$ 72,800,000	$ 425,311	$ 8,015,900	$ -	$ -	$ -
Transfers (1):												
Transfers into level 3	390,846,770	-	-	-	-	-	-	-	-	(316,580)	(30,046,861)	-
Transfers out of level 3	-	-	-	-	-	-	-	-	-	-	-	-
Purchases/Transfers (2)	153,402,929	283,169	23,698,803	52,491,481	37,757,876	-	25,088,437	-	-	-	-	(1,564,266)
Capital contributions	-	-	-	-	-	-	-	-	-	13,570,173	-	-
Reclassification of security type (3)	-	-	-	-	3,103,111	-	-	-	-	-	-	-
Proceeds from sales/redemptions	(103,457,555)	-	(8,130,670)	(2,100,960)	-	(15,997,159)	-	-	(8,013,900)	-	-	-
Proceeds from settlement	(184,959,975)	-	(49,960,590)	(9,836,954)	-	(3,224,378)	(40,000,000)	(150,057)	-	-	8,823,951	-
Total net gains/(losses) (4)												
Included in net income	10,250,405	(2,075,457)	862,576	(788,370)	(2,801,977)	336,886	2,180,363	137,394	-	(358,774)	(268,800)	(235,734)
Included in other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	$ 717,760,534	$ 3,761,446	$ 21,231,956	$ 130,789,615	$ 52,136,726	$ 38,195,576	$ 60,068,800	$ 412,648	$ 2,000	$ 12,894,819	$ (21,491,710)	$ (1,800,000)
Change in unrealized appreciation/ (depreciation) for level 3 assets/liabilities still held as of December 31, 2016 (5)	$ 9,137,439	$ (451,820)	$ 1,057,410	$ (356,917)	$ (2,801,977)	$ (1,246,739)	$ 2,180,363	$ 137,394	$ -	$ (358,774)	$ (268,800)	$ (235,734)

(1) Transfers are assumed to occur at the beginning of the period.
(2) Transfers represent proceeds from transfer of loan participation.
(3) Represents a reclassification from investments in debt and equity of affiliates.
(4) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$8,641,212
Unrealized gain/(loss) on derivative and other instruments, net	(504,534)
Net realized gain/(loss)	(539,392)
Equity in earnings/(loss) from affiliates	(358,774)
Total	$7,238,512

(5) Unrealized gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$7,655,153
Unrealized gain/(loss) on derivative and other instruments, net	(504,534)
Equity in earnings/(loss) from affiliates	(358,774)
Total	$6,791,845

AG Mortgage Investment Trust Inc. and Subsidiaries
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Year Ended
December 31, 2015

	Non-Agency RMBS	Non-Agency RMBS IO	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	Linked Transactions	FHLBC Stock
Beginning balance	$ 455,236,279	$ -	$ 66,693,243	$ 39,343,274	$ 6,125,949	$ 85,089,859	$ 72,800,000	$ 628,367	$ 5,082,731	$ -
Transfers (1):										
Transfers into level 3	20,308,267	-	-	-	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-	-	-	-
Purchases	215,895,977	5,534,431	8,926,755	68,226,218	9,096,499	-	-	-	-	8,015,900
Reclassification of security type (2)	24,129,591	-	-	-	-	-	-	-	(5,082,731)	-
Proceeds from sales	(59,975,910)	-	(18,955,475)	(13,870,892)	-	(23,267,693)	-	-	-	-
Proceeds from settlement	(211,879,760)	-	(1,715,676)	(2,262,727)	-	(6,029,735)	-	(189,401)	-	-
Total net gains/(losses) (3)										
Included in net income	7,963,516	19,303	(187,010)	(411,455)	(1,144,732)	1,287,796	-	(13,655)	-	-
Included in other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-
Ending Balance	$ 451,677,960	$ 5,553,734	$ 54,761,837	$ 91,024,418	$ 14,077,716	$ 57,080,227	$ 72,800,000	$ 425,311	$ -	$8,015,900
Change in unrealized appreciation/(depreciation) for level 3 assets still held as of December 31, 2015 (4)	$ 7,561,408	$ 19,303	$ (312,250)	$ (545,113)	$ (1,144,732)	$ (7,094)	$ -	$ 35,729	$ -	$ -

(1) Transfers are assumed to occur at the beginning of the period.
(2) Primarily represents an accounting reclassification between a linked transaction and a real estate security.
(3) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$6,487,130
Net realized gain/(loss)	1,026,633
Total	$7,513,763

(4) Unrealized gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$5,607,251

As indicated in the table above, during the year ended December 31, 2016, the Company transferred 27 Non-Agency RMBS securities and its securitized debt instrument into the Level 3 category from the Level 2 category and its investment in AG Arc into the Level 3 category from the Level 1 category under the fair value hierarchy of ASC 820. As indicated in the table above, for the year ended December 31, 2015, the Company transferred a Non-Agency RMBS into the Level 3 category from the Level 2 category of the fair value hierarchy under ASC 820. Transfers into the Level 3 category of the fair value hierarchy occur due to instruments exhibiting indications of reduced levels of market transparency. Transfers out of the Level 3 category of the fair value hierarchy occur due to instruments exhibiting indications of increased levels of market transparency. Indications of increases or decreases in levels of market transparency include a change in observable transactions or executable quotes involving these instruments or similar instruments. Changes in these indications could impact price transparency, and thereby cause a change in level designations in future periods.

The following tables present a summary of quantitative information about the significant unobservable inputs used in the fair value measurement of assets and liabilities for which the Company has utilized Level 3 inputs to determine fair value as of December 31, 2016 and December 31, 2015:

Asset Class	Fair Value at December 31, 2016	Valuation Technique	Unobservable Input	Range (Weighted Average)
Non-Agency RMBS	$ 694,948,644	Discounted Cash Flow	Yield	0.38% - 18.56% (4.88%)
			Projected Collateral Prepayments	0.00% - 35.00% (9.84%)
			Projected Collateral Losses	0.00% - 38.00% (5.22%)
			Projected Reperforming Rates	18.53% - 46.77% (33.39%)
			Projected Collateral Severities	0.00% - 100.00% (38.57%)
			Projected Timeline to Liquidation (Months)	16.13 - 23.09 (20.72)
	$ 22,811,890	Consensus Pricing	Offered Quotes	21.50 - 100.07 (78.89)
Non-Agency RMBS Interest Only	$ 3,761,446	Discounted Cash Flow	Yield	17.50% - 17.50% (17.50%)
			Projected Collateral Prepayments	18.00% - 18.00% (18.00%)
			Projected Collateral Losses	0.50% - 0.50% (0.50%)
			Projected Collateral Severities	10.00% - 10.00% (10.00%)
ABS	$ 21,231,956	Discounted Cash Flow	Yield	4.13% - 6.41% (4.94%)
			Projected Collateral Prepayments	1.50% - 40.00% (22.31%)
			Projected Collateral Losses	0.00% - 2.00% (0.88%)
			Projected Collateral Severities	0.00% - 50.00% (9.81%)
CMBS	$ 121,056,008	Discounted Cash Flow	Yield	3.28% - 8.96% (6.03%)
			Projected Collateral Prepayments	0.00% - 0.00% (0.00%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
	$ 9,733,607	Consensus Pricing	Offered Quotes	5.03 - 99.81 (68.64)
CMBS Interest Only	$ 52,136,726	Discounted Cash Flow	Yield	2.51% - 9.31% (5.77%)
			Projected Collateral Prepayments	100.00% - 100.00% (100.00%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
Residential Mortgage Loans	$ 38,195,576	Discounted Cash Flow	Yield	6.50% - 8.00% (7.42%)
			Projected Collateral Prepayments	3.18% - 5.82% (4.51%)
			Projected Collateral Losses	5.16% - 5.32% (5.18%)
			Projected Reperforming Rates	9.59% - 34.53% (22.91%)
			Projected Collateral Severities	25.19% - 84.80% (45.34%)
			Projected Timeline to Liquidation (Months)	12.32 - 29.85 (14.33)
Commercial Loans	$ 44,800,000	Discounted Cash Flow	Yield	5.65% - 21.70% (7.98%)
			Credit Spread	4.75 bps - 10 bps (6.16 bps)
			Recovery Percentage*	100.00% - 100.00% (100.00%)
	$ 15,268,800	Consensus Pricing	Offered Quotes	95.43 - 95.43 (95.43)
Excess Mortgage Servicing Rights	$ 412,648	Consensus Pricing	Offered Quotes	0.09 - 0.62 (0.55)
FHLBC stock	$ 2,000	**	Yield	4.00% - 4.00% (4.00%)
AG Arc	$ 12,894,819	Comparable Multiple	Book Value Multiple	1.0x

Liability Class	Fair Value at December 31, 2016	Valuation Technique	Unobservable Input	Range (Weighted Average)
Securitized debt	$ (21,491,710)	Discounted Cash Flow	Yield	3.36% - 3.36% (3.36%)
			Projected Collateral Prepayments	14.00% - 14.00% (14.00%)
			Projected Collateral Losses	7.00% - 7.00% (7.00%)
			Projected Collateral Severities	40.00% - 40.00% (40.00%)
Loan participation payable	$ (1,800,000)	Discounted Cash Flow	Yield	21.70% - 21.70% (21.70%)
			Credit Spread	10 bps - 10 bps (10 bps)
			Recovery Percentage*	100.00% - 100.00% (100.00%)

* Represents the proportion of the principal expected to be collected relative to the loan balances as of December 31, 2016.
** Fair value of the FHLBC stock approximates outstanding face amount as the Company's wholly-owned subsidiary is restricted from trading the stock and can only put the stock back to the FHLBC, at the FHLBC's discretion, at par.

Asset Class	Fair Value at December 31, 2015	Valuation Technique	Unobservable Input	Range (Weighted Average)
			Yield	1.39% - 8.65% (5.03%)
Non-Agency RMBS	$ 446,399,612	Discounted Cash Flow	Projected Collateral Prepayments	0.00% - 20.00% (6.36%)
			Projected Collateral Losses	0.00% - 38.00% (10.27%)
			Projected Collateral Severities	0.00% - 88.08% (31.22%)
	$ 5,278,348	Consensus Pricing	Offered Quotes	20.00 - 20.00 (20.00)
			Projected Collateral Prepayments	25.00% - 25.00% (25.00%)
Non-Agency RMBS Interest Only	$ 3,147,788	Discounted Cash Flow	Projected Collateral Losses	1.00% - 1.00% (1.00%)
			Projected Collateral Severities	10.00% - 10.00% (10.00%)
	$ 2,405,946	Consensus Pricing	Offered Quotes	0.90 - 0.90 (0.90)
			Yield	2.86% - 6.50% (4.77%)
ABS	$ 54,761,837	Discounted Cash Flow	Projected Collateral Prepayments	20.00% - 100.00% (79.96%)
			Projected Collateral Losses	0.00% - 8.30% (6.06%)
			Projected Collateral Severities	0.00% - 50.00% (10.98%)
			Yield	4.05% - 8.98% (5.70%)
CMBS	$ 87,424,412	Discounted Cash Flow	Projected Collateral Prepayments	0.00% - 20.00% (0.37%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
	$ 3,600,006	Consensus Pricing	Offered Quotes	3.66 - 4.34 (3.96)
			Yield	2.61% - 6.85% (5.20%)
CMBS Interest Only	$ 14,077,716	Discounted Cash Flow	Projected Collateral Prepayments	100.00% - 100.00% (100.00%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
			Yield	6.09% - 11.71% (7.22%)
Residential Mortgage Loans	$ 57,080,227	Discounted Cash Flow	Projected Collateral Prepayments	3.42% - 7.41% (6.54%)
			Projected Collateral Losses	6.32% - 12.26% (10.17%)
			Projected Collateral Severities	28.10% - 37.47% (34.05%)
			Yield	5.72% - 16.13% (8.30%)
Commercial Loans	$ 72,800,000	Discounted Cash Flow	Credit Spread	4.75 bps - 13.25 bps (6.54 bps)
			Recovery Percentage*	100.00% - 100.00% (100.00%)
Excess Mortgage Servicing Rights	$ 425,311	Discounted Cash Flow	Yield	5.49% - 11.51% (6.33%)
FHLBC stock	$ 8,015,900	**	Yield	4.00% - 4.00% (4.00%)

* Represents the proportion of the principal expected to be collected relative to the loan balances as of December 31, 2015.
** Fair value of the FHLBC stock approximates outstanding face amount as the Company's wholly-owned subsidiary is restricted from trading the stock and can only put the stock back to the FHLBC, at the FHLBC's discretion, at par.

As further described above, values for the Company’s securities portfolio are based upon prices obtained from third party pricing services. Broker quotations may also be used. The significant unobservable inputs used in the fair value measurement of the Company’s securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Also as described above, valuation of the Company’s loan portfolio is determined by the Manager using third-party pricing services where available, specialized third party valuation service providers, or model-based pricing. The evaluation considers the underlying characteristics of each loan, which are observable inputs, including: coupon, maturity date, loan age, reset date, collateral type, periodic and life cap, geography, and prepayment speeds. These valuations also require significant judgments, which include assumptions regarding capitalization rates, re-performance rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management. Changes in the market environment and other events that may occur over the life of our investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently estimated. If applicable, analyses provided by valuation service providers are reviewed and considered by the Manager.

6. Repurchase agreements and FHLBC Advances

The Company pledges certain real estate securities and loans as collateral under repurchase agreements with financial institutions, the terms and conditions of which are negotiated on a transaction-by-transaction basis. Repurchase agreements involve the sale and a simultaneous agreement to repurchase the transferred assets or similar assets at a future date. FHLBC Advances involve loan advances made to the Company by the FHLBC in exchange for real estate securities as collateral. The amount borrowed generally is equal to the fair value of the assets pledged less an agreed-upon discount, referred to as a "haircut." The Company calculates haircuts disclosed in the tables below by dividing allocated capital on each borrowing by the current fair market value of each investment. Repurchase agreements and FHLBC Advances entered into by the Company are accounted for as financings and require the repurchase of the transferred assets at the end of each agreement's term, typically 30 to 90 days. The carrying amount of the Company's repurchase agreements and FHLBC Advances approximates fair value due to their short-term maturities or floating rate coupons. If the Company maintains the beneficial interest in the specific assets pledged during the term of the borrowing, it receives the related principal and interest payments. If the Company does not maintain the beneficial interest in the specific assets pledged during the term of the borrowing, it will have the related principal and interest payments remitted to it by the lender. Interest rates on these borrowings are fixed based on prevailing rates corresponding to the terms of the borrowings, and interest is paid at the termination of the borrowing at which time the Company may enter into a new borrowing arrangement at prevailing market rates with the same counterparty or repay that counterparty and negotiate financing with a different counterparty. If the fair value of pledged assets declines due to changes in market conditions or the publishing of monthly security paydown factors, lenders typically would require the Company to post additional securities as collateral, pay down borrowings or establish cash margin accounts with the counterparties in order to re-establish the agreed-upon collateral requirements, referred to as margin calls. The fair value of financial instruments pledged as collateral on the Company's repurchase agreements and FHLBC Advances disclosed in the tables below represent the Company's fair value of such instruments which may differ from the fair value assigned to the collateral by its counterparties. The Company maintains a level of liquidity in the form of cash and unpledged Agency RMBS and Agency Interest-Only securities in order to meet these obligations. Under the terms of the Company's master repurchase agreements, the counterparties may, in certain cases, sell or re-hypothecate the pledged collateral.

In January 2016, the FHFA issued the Final Rule, which prevents MITT Insurance from renewing, extending or receiving any additional FHLBC Advances. As of December 31, 2016, the Company had no outstanding advances with the FHLBC. See Note 2 for more detail. Any FHLBC Advances reflected in the tables below are as of December 31, 2015.

The following table presents certain financial information regarding the Company's repurchase agreements secured by real estate securities as of December 31, 2016:

	Repurchase Agreements			Financial Instruments Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
Overnight	$ 70,899,000	0.66%	3.5%	$ 73,485,225	$ 73,170,802	$ 191,554
30 days or less	961,185,000	1.79%	14.7%	1,164,241,469	1,152,472,020	3,851,520
31-60 days	465,776,000	1.23%	8.6%	514,624,485	512,633,509	1,607,435
61-90 days	129,119,000	1.69%	13.2%	151,989,415	151,567,289	399,702
Greater than 90 days	226,190,104	2.00%	5.9%	274,494,611	266,626,823	966,031
Total / Weighted Average	$1,853,169,104	1.63%	11.5%	$2,178,835,205	$ 2,156,470,443	$ 7,016,242

The following table presents certain financial information regarding the Company's repurchase agreements secured by real estate securities as of December 31, 2015:

	Repurchase Agreements			Financial Instruments Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
30 days or less	$1,052,983,000	1.43%	15.4%	$1,268,366,695	$ 1,256,686,536	$ 4,308,583
31-60 days	245,124,000	1.23%	11.8%	281,093,633	280,893,609	887,640
61-90 days	76,739,000	1.98%	21.1%	98,349,611	97,456,598	222,769
Greater than 90 days	364,352,658	1.57%	9.4%	431,942,111	425,617,273	1,315,462
Total / Weighted Average	$1,739,198,658	1.46%	13.9%	$2,079,752,050	$ 2,060,654,016	$ 6,734,454

The Company had no FHLBC Advances as of December 31, 2016.

The following table presents certain financial information regarding the Company's FHLBC Advances secured by Agency RMBS as of December 31, 2015:

	FHLBC Advances			Collateral Pledged		
FHLBC Advances Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
30 days or less	$ 186,449,500	0.36%	0.2%	$ 187,002,677	$ 186,972,618	$ 550,689
31-60 days	39,750,000	0.44%	2.7%	40,857,352	40,726,086	115,211
61-90 days	170,694,500	0.49%	0.3%	176,322,379	174,577,627	471,330
Greater than 90 days	-	-	-	-	-	-
Total / Weighted Average	$ 396,894,000	0.42%	0.5%	$ 404,182,408	$ 402,276,331	$ 1,137,230

The following table presents certain financial information regarding the Company's repurchase agreements secured by interests in residential mortgage loans as of December 31, 2016:

	Repurchase Agreements				Financial Instruments Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
30 days or less	$ -	-	-	-	$ -	$ -	$ -
31-60 days	-	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-	-
Greater than 90 days	25,544,702	3.27%	3.79%	30.3%	34,088,921	32,849,686	45,068
Total / Weighted Average	$ 25,544,702	3.27%	3.79%	30.3%	$ 34,088,921	$ 32,849,686	$ 45,068

The following table presents certain financial information regarding the Company's repurchase agreements secured by interests in residential mortgage loans as of December 31, 2015:

	Repurchase Agreements				Financial Instruments Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
30 days or less	$ -	-	-	-	$ -	$ -	$ -
31-60 days	-	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-	-
Greater than 90 days	50,606,302	2.93%	3.18%	N/A	50,686,922	48,426,156	53,074
Total / Weighted Average	$ 50,606,302	2.93%	3.18%	N/A	$ 50,686,922	$ 48,426,156	$ 53,074

(1) As of December 31, 2015, the Company had a total of $74.0 million of collateral pledged, comprised of $50.7 million of financial instruments and $23.3 million of cash from loan sales, which at December 31, 2015 was held by the Company's broker. The haircut based on total collateral pledged is 31.1% as of December 31, 2015.

The following table presents certain financial information regarding the Company's repurchase agreements secured by interests in commercial loans as of December 31, 2016:

	Repurchase Agreements				Financial Instruments Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
30 days or less	$ -	-	-	-	$ -	$ -	$ -
31-60 days	-	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-	-
Greater than 90 days	21,796,000	2.91%	3.13%	33.5%	32,800,000	32,798,706	125,314
Total / Weighted Average	$ 21,796,000	2.91%	3.13%	33.5%	$ 32,800,000	$ 32,798,706	$ 125,314

The following table presents certain financial information regarding the Company's repurchase agreements secured by commercial loans as of December 31, 2015:

	Repurchase Agreements				Financial Instruments Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
30 days or less	$ -	-	-	-	$ -	$ -	$ -
31-60 days	-	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-	-
Greater than 90 days	42,796,000	2.67%	3.62%	31.8%	62,800,000	62,690,578	941,247
Total / Weighted Average	$ 42,796,000	2.67%	3.62%	31.8%	$ 62,800,000	$ 62,690,578	$ 941,247

The Company had no repurchase agreements secured by interests in U.S. Treasury securities as of December 31, 2016:

The following table presents certain financial information regarding the Company's repurchase agreements secured by interests in U.S. Treasury securities as of December 31, 2015:

	Repurchase Agreements			Collateral Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
Overnight	$ 202,362,500	0.42%	0.57%	$ 203,520,859	$ 205,763,477	$ 693,430
30 days or less	-	-	-	-	-	-
31-60 days	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-
Greater than 90 days	-	-	-	-	-	-
Total / Weighted Average	$ 202,362,500	0.42%	0.57%	$ 203,520,859	$ 205,763,477	$ 693,430

Although repurchase agreements and FHLBC Advances are committed borrowings until maturity, the lender retains the right to mark the underlying collateral to fair value. A reduction in the value of pledged assets resulting from changes in market conditions or factor changes would require the Company to provide additional collateral to fund margin calls. See Note 7 for details on collateral posted /received against certain derivatives. The following table presents information with respect to the Company's posting of collateral under (i) repurchase agreements on December 31, 2016 and (ii) repurchase agreements and FHLBC Advances on December 31, 2015, broken out by investment type:

	December 31, 2016	December 31, 2015
Fair Value of investments pledged as collateral under repurchase agreements and FHLBC advances:		
Agency RMBS (1)	$ 965,154,048	$ 1,128,962,588
Non-Agency RMBS	990,985,143	1,157,357,871
ABS	21,231,956	54,761,837
CMBS	201,464,058	142,852,162
Residential Mortgage Loans	31,031,107	50,686,922
Commercial Mortgage Loans	32,800,000	62,800,000
U.S. Treasury Securities	-	203,520,859
Cash pledged (i.e., restricted cash) as collateral under repurchase agreements	17,149,022	16,662,156
Fair Value of unsettled trades pledged as collateral under repurchase agreements:	3,057,814	-
Total collateral pledged under Repurchase agreements and FHLBC advances	$ 2,262,873,148	$ 2,817,604,395

(1) Collateral for FHLBC advances consist solely of Agency RMBS

The following table presents information with respect to the Company's total borrowings under (i) repurchase agreements on December 31, 2016 and (ii) repurchase agreements and FHLBC Advances on December 31, 2015, broken out by investment type:

	December 31, 2016	December 31, 2015
Repurchase agreements secured by:		
Agency RMBS	$ 907,041,000	$ 676,679,000
Non-Agency RMBS	776,459,104	914,276,658
ABS	15,283,000	43,544,000
CMBS	154,386,000	104,699,000
Residential Mortgage Loans	25,544,702	50,606,302
Commercial Mortgage Loans	21,796,000	42,796,000
U.S. Treasury Securities	-	202,362,500
FHLBC advances secured by:		
Agency RMBS	-	396,894,000
Gross Liability for Repurchase agreements and FHLBC advances	$ 1,900,509,806	$ 2,431,857,460

The following table presents both gross information and net information about repurchase agreements and FHLBC Advances eligible for offset in the consolidated balance sheets as of December 31, 2016:

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets	Financial Instruments Posted	Cash Collateral Posted	Net Amount
Repurchase Agreements	$ 1,900,509,806	$ -	$ 1,900,509,806	$ 1,900,509,806	$ -	$ -

The Company had no FHLBC Advances as of December 31, 2016.

The following table presents both gross information and net information about repurchase agreements eligible for offset in the consolidated balance sheets as of December 31, 2015:

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
Description	**Gross Amounts of Recognized Liabilities**	**Gross Amounts Offset in the Consolidated Balance Sheets**	**Net Amounts of Liabilities Presented in the Consolidated Balance Sheets**	**Financial Instruments Posted**	**Cash Collateral Posted**	**Net Amount**
Repurchase Agreements	$ 2,034,963,460	$ -	$ 2,034,963,460	$ 2,034,963,460	$ -	$ -
FHLBC advances	396,894,000	-	396,894,000	396,894,000	-	-
Total	$ 2,431,857,460	$ -	$ 2,431,857,460	$ 2,431,857,460	$ -	$ -

The Company seeks to obtain financing from several different counterparties in order to reduce the financing risk related to any single counterparty. The Company has entered into master repurchase agreements ("MRAs") or loan agreements with such financing counterparties. As of December 31, 2016 and December 31, 2015 the Company had 37 and 37 financing counterparties under which it had outstanding debt with 23 and 21 counterparties, respectively.

The following table presents information at December 31, 2016 with respect to each counterparty that provides the Company with financing for which the Company had greater than 5% of its stockholders' equity at risk, excluding stockholders' equity at risk under financing through affiliated entities.

Counterparty	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Wells Fargo Bank, N.A.	$ 50,917,158	357	8%
JP Morgan Securities, LLC	34,885,263	160	5%

The following table presents information at December 31, 2015 with respect to each counterparty that provides the Company with financing for which the Company had greater than 5% of its stockholders' equity at risk, excluding stockholders' equity at risk under financing through affiliated entities.

Counterparty	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Wells Fargo Bank, N.A.	$ 59,863,639	543	9%
RBC (Barbados) Trading Bank Corporation	50,746,844	44	8%
JP Morgan Securities, LLC	46,211,970	187	7%
Credit Suisse Securities, LLC	41,857,734	44	6%
Citigroup Global Markets Inc.	35,168,032	23	5%

On April 13, 2015, the Company, AG MIT, LLC ("AG MIT") and AG MIT CMO, LLC ("AG MIT CMO"), each a subsidiary of the Company, entered into Amendment Number 2 to the Master Repurchase and Securities Contract (the "Second Renewal") with Wells Fargo Bank, National Association ("Wells Fargo") to finance both AG MIT's and AG MIT CMO's acquisition of certain consumer asset-backed securities and commercial mortgage-backed securities as well as Non-Agency RMBS. The Second Renewal amends the repurchase agreement entered into by the Company, AG MIT and AG MIT CMO with Wells Fargo in 2014. Each transaction under the Second Renewal will have its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The Second Renewal includes a 270 day evergreen structure providing for the automatic renewal of the agreement each day for a new term of 270 days unless Wells Fargo notifies AG MIT and AG MIT CMO that it has decided not to renew, at which point the agreement will terminate 270 days after the date of nonrenewal. The Second Renewal also increased the aggregate maximum borrowing capacity to $200 million and extended the maturity date to April 13, 2017. At the request of AG MIT and AG MIT CMO, Wells Fargo may grant a 90 day extension of the maturity date. The Second Renewal contains representations, warranties, covenants, events of default and indemnities that are substantially identical to those in the previous repurchase agreements and are customary for agreements of this type. As of December 31, 2016, the Company had $93.4 million of debt outstanding under this facility. As of December 31, 2015, the Company had $102.3 million of debt outstanding under this facility.

On February 23, 2017, AG MIT WFB1 2014 LLC ("AG MIT WFB1"), a subsidiary of the Company, entered into Amendment Number Five of the Master Repurchase Agreement and Securities Contract (as amended, the "WFB1 Repurchase Agreement") with Wells Fargo to finance the ownership and acquisition of certain beneficial interests in trusts owning participation interests in one or more pools of residential mortgage loans. Each transaction under the WFB1 Repurchase Agreement has its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The WFB1 Repurchase Agreement provides for a funding period ending February 23, 2018 and a facility termination date of February 22, 2019. The WFB1 Repurchase Agreement lowered the maximum aggregate borrowing capacity available under the WFB1 Repurchase Agreement from $100.0 million to $50.0 million. The WFB1 Repurchase Agreement contains representations, warranties, covenants, events of default and indemnities that are customary for agreements of this type. The WFB1 Repurchase Agreement also contains financial covenants that are the same as those in the Second Renewal. As of December 31, 2016, the Company had $25.5 million of debt outstanding under the WFB1 Repurchase Agreement. As of December 31, 2015, the Company had $50.6 million of debt outstanding under the WFB1 Repurchase Agreement.

On September 17, 2014, AG MIT CREL, LLC ("AG MIT CREL"), a subsidiary of the Company, entered into a Master Repurchase Agreement and Securities Contract (the "CREL Repurchase Agreement") with Wells Fargo to finance AG MIT CREL's acquisition of certain beneficial interests in one or more commercial mortgage loans. Each transaction under the CREL Repurchase Agreement will have its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The CREL Repurchase Agreement provides for a funding period ending September 17, 2016 and an initial facility termination date of September 17, 2016 (the "Initial Termination Date"), subject to the satisfaction of certain terms of the extensions described below. AG MIT CREL has three (3) one-year options to extend the term of the CREL Repurchase Agreement: (i) the first for an additional one year period (the "First Extension Period") ending September 17, 2017 (the "First Extended Termination Date"), (ii) the second for an additional one year period (the "Second Extension Period") ending September 17, 2018 (the "Second Extended Termination Date") and (iii) the third for an additional one year period ending September 17, 2019 (the "Third Extended Termination Date"). For each of the Initial Termination Date, the First Extended Termination Date, the Second Extended Termination Date and the Third Extended Termination Date, if such day is not a Business Day, such date shall be the next succeeding Business Day. Each option shall be exercisable in each case no more than ninety (90) days and no fewer than thirty (30) days prior to the initial facility termination date, the First Extended Termination Date or the Second Extended Termination Date, as the case may be. In September 2016, the Company exercised its option to extend the term of the CREL Repurchase Agreement to the First Extended Termination Date.

On August 4, 2015, the Company, AG MIT CREL and AG MIT entered into an Omnibus Amendment No. 1 to Master Repurchase and Securities Contract, Guarantee Agreement and Fee and Pricing Letter (the "Omnibus Amendment") with Wells Fargo. The Omnibus Amendment amended certain terms in the CREL Repurchase Agreement, the Guarantee, dated as of September 17, 2014, delivered by the Company and AG MIT to Wells Fargo and the Fee and Pricing Letter, dated as of September 17, 2014, between AG MIT CREL and Wells Fargo. The Omnibus Amendment lowered the maximum aggregate borrowing capacity available under the CREL Repurchase Agreement from $150 million to approximately $42.8 million. The Omnibus Amendment also provided that the CREL Repurchase Agreement become full recourse to the Company and AG MIT, LLC. By amending the recourse of the CREL Repurchase Agreement to the Company and AG MIT, the Company was able to remove certain financial covenants on AG MIT CREL that limited the amount that AG MIT CREL could borrow under the CREL Repurchase Agreement. The Omnibus Amendment also eliminated the fee for the portion of the repurchase facility that was unused. The CREL Repurchase Agreement contains representations, warranties, covenants, events of default and indemnities that are customary for agreements of this type. It also contains financial covenants that are the same as the financial covenants in the Second Renewal. As of December 31, 2016, the Company had $21.8 million of debt outstanding under this facility. As of December 31, 2015, the Company had $42.8 million of debt outstanding under this facility.

The Company's MRAs generally include customary representations, warranties, and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each MRA, typical supplemental terms include requirements of minimum equity, leverage ratios, performance triggers or other financial ratios.

7. Derivatives

The Company's derivatives included or may include interest rate swaps ("swaps"), swaptions, TBAs, MBS options, Eurodollar Futures and U.S. Treasury Futures (collectively, "Futures"), IO Indexes and linked transactions. Derivatives have not been designated as hedging instruments. The Company may also utilize other instruments to manage interest rate risk, including long and short positions in U.S. Treasury securities.

The following table presents the fair value of the Company's derivative and other instruments and their balance sheet location as of December 31, 2016 and December 31, 2015.

Derivatives and Other Instruments	Designation	Balance Sheet Location	December 31, 2016	December 31, 2015
Interest rate swaps	Non-Hedge	Derivative liabilities, at fair value	$ (1,847,219)	$ (6,722,170)
Interest rate swaps	Non-Hedge	Derivative assets, at fair value	3,703,366	1,755,467
TBAs	Non-Hedge	Derivative liabilities, at fair value	(423,825)	(141,600)
Short positions on U.S. Treasury Futures	Non-Hedge	Derivative liabilities, at fair value	(636,211)	
Long positions on U.S. Treasuries	Non-Hedge	U.S. Treasury securities, at fair value	-	223,434,922
Short positions on U.S. Treasuries	Non-Hedge	Obligation to return securities borrowed under reverse repurchase agreements, at fair value (1)	(22,365,000)	-

(1) The Company's obligation to return securities borrowed under reverse repurchase agreements as of December 31, 2016 relates to securities borrowed to cover short sales of U.S. Treasury securities. The change in fair value of the borrowed securities is recorded in the "Unrealized gain/(loss) on derivatives and other instruments, net" line item in the Company's consolidated statement of operations.

The following table summarizes information related to derivatives and other instruments:

Non-hedge derivatives and other instruments held long/(short):	December 31, 2016	December 31, 2015
Notional amount of Pay Fix/Receive Float Interest Rate Swap Agreements	$ 644,000,000	$ 969,000,000
Net notional amount of TBAs	(25,000,000)	75,000,000
Notional amount of short positions on U.S. Treasury Futures (1)	(141,500,000)	-
Notional amount of long positions on U.S. Treasuries	-	226,000,000
Notional amount of short positions on U.S. Treasuries	(24,000,000)	-

(1) Each U.S. Treasury Future contract embodies $100,000 of notional value.

The following table summarizes gains/(losses) related to derivatives and other instruments:

Non-hedge derivatives and other instruments gain/(loss):	Statement of Operations Location	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Interest rate swaps, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	$ 5,009,458	$ (8,018,902)	$ (52,615,387)
Interest rate swaps, at fair value	Net realized gain/(loss)	(10,938,839)	(11,728,954)	(3,458,409)
Swaptions, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	-	-	(82,102)
Swaptions, at fair value	Net realized gain/(loss)	-	-	(546,750)
Long positions on Eurodollar Futures	Net realized gain/(loss)	(1,045,697)	-	-
Short positions on Eurodollar Futures	Net realized gain/(loss)	2,104,465	-	-
Long positions on U.S. Treasury Futures	Net realized gain/(loss)	(582,876)	-	-
Short positions on U.S. Treasury Futures	Unrealized gain/(loss) on derivative and other instruments, net	(639,030)	-	-
Short positions on U.S. Treasury Futures	Net realized gain/(loss)	2,140,886	-	-
TBAs (1)	Unrealized gain/(loss) on derivative and other instruments, net	(282,225)	(1,622,070)	1,480,471
TBAs	Net realized gain/(loss)	2,771,406	1,909,844	5,500,859
IO Index, at fair value	Net realized gain/(loss)	-	-	(1,770,548)
MBS Options, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	-	-	38,774
MBS Options, at fair value	Net realized gain/(loss)	-	-	19,531
Linked transactions	Income/(loss) from linked transactions, net	-	-	12,503,516
Long positions on U.S. Treasuries	Unrealized gain/(loss) on derivative and other instruments, net	2,588,711	(2,588,711)	-
Long positions on U.S. Treasuries	Net realized gain/(loss)	3,241,250	(5,284,258)	-
Short positions on U.S. Treasuries	Unrealized gain/(loss) on derivative and other instruments, net	1,724,922	-	(12,935)
Short positions on U.S. Treasuries	Net realized gain/(loss)	280,625	(3,013,867)	(1,407,255)

(1) For the year ended December 31, 2016, gains and losses from purchases and sales of TBAs consisted of $0.3 million, of net TBA dollar roll net interest income, and net gains of $2.2 million, due to price changes. For the year ended December 31, 2015, gains and losses from purchases and sales of TBAs consisted of $2.2 million, of net TBA dollar roll net interest income, and net losses of $1.9 million, due to price changes. For the year ended December 31, 2014, gains and losses from purchases and sales of TBAs consisted of $3.5 million, of net TBA dollar roll net interest income, and net gains of $3.5 million, due to price changes.

The following table presents both gross information and net information about derivative and other instruments eligible for offset in the consolidated balance sheets as of December 31, 2016:

Description	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets (Liabilities) Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets: Financial Instruments (Posted)/Received	Gross Amounts Not Offset in the Consolidated Balance Sheets: Cash Collateral (Posted)/Received	Net Amount
Receivable Under Reverse Repurchase Agreements	$ 22,680,000	$ -	$ 22,680,000	$ 22,365,000	$ -	$ 315,000
Derivative Assets (1)						
Interest Rate Swaps	$ 4,559,134	$ -	$ 4,559,134	$ -	$ 879,575	$ 3,679,559
Total Derivative Assets	$ 4,559,134	$ -	$ 4,559,134	$ -	$ 879,575	$ 3,679,559
Derivative Liabilities (2)						
Interest Rate Swaps	$ (1,705,865)	$ -	$ (1,705,865)	$ -	$ (1,705,865)	$ -
U.S. Treasury Futures - Short	(636,211)	-	(636,211)	-	(636,211)	-
TBAs	(423,824)	-	(423,824)	(423,824)	-	-
Total Derivative Liabilities	$ (2,765,900)	$ -	$ (2,765,900)	$ (423,824)	$ (2,342,076)	$ -

(1) Included in Derivative Assets on the consolidated balance sheet is $4,559,134 less accrued interest of $(855,768) for a total of $3,703,366.
(2) Included in Derivative Liabilities on the consolidated balance sheet is $(2,765,900) plus accrued interest of $(141,355) for a total of $(2,907,255).

The following table presents both gross information and net information about derivative instruments eligible for offset in the consolidated balance sheets as of December 31, 2015:

Description	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets (Liabilities) Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets: Financial Instruments (Posted)/Received	Gross Amounts Not Offset in the Consolidated Balance Sheets: Cash Collateral (Posted)/Received	Net Amount
Derivative Assets (2)						
Interest Rate Swaps	$ 3,195,522	$ -	$ 3,195,522	$ -	$ 1,820,022	$ 1,375,500
Total Derivative Assets	$ 3,195,522	$ -	$ 3,195,522	$ -	$ 1,820,022	$ 1,375,500
Derivative Liabilities (3)						
Interest Rate Swaps	$ (5,351,711)	$ -	$ (5,351,711)	$ -	$ (5,351,711)	$ -
TBAs	(141,600)	-	(141,600)	(141,600)	-	-
Total Derivative Liabilities	$ (5,493,311)	$ -	$ (5,493,311)	$ (141,600)	$ (5,351,711)	$ -

(1) Included in Derivative Assets on the consolidated balance sheet is $3,195,522 less accrued interest of $1,440,055 for a total of $1,755,467.
(2) Included in Derivative Liabilities on the consolidated balance sheet is $(5,493,311) plus accrued interest of $(1,370,459) for a total of $(6,863,770).

The Company must post cash or securities as collateral on its derivative instruments when their fair value declines. This typically occurs when prevailing market rates change adversely, with the severity of the change also dependent on the term of the derivatives involved. The posting of collateral is generally bilateral, meaning that if the fair value of the Company's derivatives increases, its counterparty will post collateral to it. As of December 31, 2016, the Company pledged real estate securities with a fair value of $7.1 million and cash of $9.4 million as collateral against certain derivatives The Company's counterparties posted cash of $0.9 million to it as collateral for certain derivatives. As of December 31, 2015, the Company pledged real estate securities with a fair value of $4.9 million and cash of $15.3 million as collateral against certain derivatives. The Company's counterparties posted cash of $1.8 million to it as collateral for certain derivatives.

Interest rate swaps

To help mitigate exposure to increases in short-term interest rates, the Company uses currently-paying and may use forward-starting, one- or three-month LIBOR-indexed, pay-fixed, receive-variable, interest rate swap agreements. This arrangement hedges our exposure to higher short-term interest rates because the variable-rate payments received on the swap agreements largely offset additional interest accruing on the related borrowings due to the higher interest rate, leaving the fixed-rate payments to be paid on the swap agreements as the Company's effective borrowing rate, subject to certain adjustments including changes in spreads between variable rates on the swap agreements and actual borrowing rates.

As of December 31, 2016, the Company's interest rate swap positions consist of pay-fixed interest rate swaps. The following table presents information about the Company's interest rate swaps as of December 31, 2016:

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate	Weighted Average Years to Maturity
2017	$ 36,000,000	0.88%	0.89%	0.84
2019	170,000,000	1.36%	0.91%	2.88
2020	115,000,000	1.59%	0.90%	3.20
2021	60,000,000	1.86%	0.96%	4.94
2022	53,000,000	1.69%	0.94%	5.69
2023	85,000,000	2.30%	0.94%	6.43
2025	30,000,000	2.48%	0.94%	8.43
2026	95,000,000	2.17%	0.92%	9.90
Total/Wtd Avg	$ 644,000,000	1.74%	0.92%	5.01

As of December 31, 2015, the Company's interest rate swap positions consist of pay-fixed interest rate swaps. The following table presents information about the Company's interest rate swaps as of December 31, 2015:

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate	Weighted Average Years to Maturity
2017	$ 36,000,000	0.88%	0.33%	1.84
2018	165,000,000	1.06%	0.50%	2.20
2019	210,000,000	1.29%	0.43%	3.73
2020	295,000,000	1.67%	0.40%	4.27
2022	73,000,000	1.75%	0.42%	6.53
2023	160,000,000	2.31%	0.43%	7.42
2025	30,000,000	2.48%	0.45%	9.43
Total/Wtd Avg	$ 969,000,000	1.59%	0.43%	4.56

TBAs

As discussed in Note 2, the Company has entered into TBAs. The Company's maximum exposure to loss related to its TBAs is the net payable amount on its TBA transactions until the settlement date. As of December 31, 2016, the Company's maximum exposure to loss on TBAs was $51.4 million. As of December 31, 2015, the Company's maximum exposure to loss on TBAs was $77.5 million.

The following table presents information about the Company's TBAs for the years ended December 31, 2016, December 31, 2015, and December 31, 2014:

For the Year Ended December 31, 2016

	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Net Notional Amount	Net Fair Value as of Year End	Net Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$ 75,000,000	$ 429,000,000	$ (454,000,000)	$ 50,000,000	$ 51,250,000	$ (51,427,734)	$ -	$ (177,734)
TBAs - Short	$ -	$ 705,000,000	$ (780,000,000)	$ (75,000,000)	$ (74,589,840)	$ 74,343,750	$ -	$ (246,090)

For the Year Ended December 31, 2015

	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Net Notional Amount	Net Fair Value as of Year End	Net Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$ 225,000,000	$ 1,092,000,000	$(1,242,000,000)	$ 75,000,000	$ 77,361,330	$ (77,502,930)	$ -	$ (141,600)
TBAs - Short	$ -	$ 254,000,000	$ (254,000,000)	$ -	$ -	$ -	$ -	$ -

For the Year Ended December 31, 2014

	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Net Notional Amount	Net Fair Value as of Year End	Net Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$ -	$ 1,081,000,000	$ (856,000,000)	$ 225,000,000	$ 236,720,705	$ (235,240,234)	$ 1,480,471	$ -
TBAs - Short	$ -	$ 751,000,000	$ (751,000,000)	$ -	$ -	$ -	$ -	$ -

Linked transactions

In June 2014, the FASB issued final guidance for repurchase financings, ASU 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures," which requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. If all derecognition criteria are met, the initial transferee will account for the initial transfer as a purchase and the related repurchase agreement component of the transaction will be accounted for as a secured borrowing. ASU 2014-11 also requires repurchase-to-maturity transactions to be accounted for as secured borrowings as if the transferor retains effective control, even though the transferred financial assets are not returned to the transferor at settlement. The accounting changes were effective for public business entities for the first interim or annual period beginning after December 15, 2014. Entities are required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.

The Company has adopted the guidance under ASU 2014-11 as of January 1, 2015. This change had no effect on net income or stockholders' equity, but did impact the amounts reported on the consolidated balance sheets and the consolidated statement of operations. The Company has disaggregated amounts previously netted together in the "Linked transactions, net, at fair value" line item on the consolidated balance sheets and has presented these amounts gross. As of January 1, 2015, the Company made a cumulative-effect adjustment to transfer real estate securities with values of $124.9 million and $14.9 million to the "Non-Agency" and "CMBS" line items, respectively, and to transfer secured borrowings of $113.4 million to the "Repurchase agreements" line item on the consolidated balance sheets. As part of the cumulative-effect adjustment the Company also transferred interest receivable and payable of $0.4 million and $0.1 million to the "Interest receivable" and "Interest payable" line items, respectively. There was no effect on prior periods as the FASB did not require full retrospective application. As a result, disclosures for periods prior to January 1, 2015 will not be comparable to disclosures subsequent to that date.

Under previous GAAP, when the initial transfer of a financial asset and repurchase financing are entered into contemporaneously with, or in contemplation of, one another, the transaction was considered linked unless all of the criteria found in ASC 860-10 were met at the inception of the transaction. If the transaction was determined to be linked, the Company recorded the initial transfer and repurchase financing on a net basis and recorded a forward commitment to purchase assets as a derivative instrument. Gains and losses were recorded together with net interest income in the "Income/(loss) from linked transactions, net" line item on the consolidated statement of operations. When, or if a transaction was no longer considered linked, the security and related repurchase agreement was recorded on a gross basis. The fair value of linked transactions reflected the value of the underlying security's fair market value netted with the respective linked repurchase agreement borrowings and net accrued interest. Disclosures required under previous GAAP have been presented for periods under which the superseded guidance applied.

The following table presents certain information related to the securities accounted for as a part of linked transactions for the year ended December 31, 2014:

		For the Year Ended December 31, 2014					
Instrument	Fair Value	Net Interest Income	Unrealized Loss	Net Realized Gain	Amount Included in Statement of Operations	Weighted Average Coupon	Weighted Average Life
Non-Agency RMBS	$124,873,523	$ 8,689,418	$(5,819,864)	$7,717,452	$ 10,587,006	3.87%	5.60
CMBS	14,904,740	861,288	235,185	820,037	1,916,510	2.12%	0.76
Total	$139,778,263	$ 9,550,706	$(5,584,679)	$8,537,489	$ 12,503,516	3.69%	5.12

The following table presents certain information related to the repurchase agreements accounted for as a part of linked transactions as of December 31, 2014:

Instrument	Repurchase Agreement	Weighted Average Interest Rate	Weighted Average Years to Maturity
Non-Agency RMBS	$102,713,873	1.74%	0.05
CMBS	10,650,000	1.68%	0.08
	$113,363,873	1.74%	0.06

8. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing net income/(loss) available to common stockholders for the period by the weighted-average shares of the Company's common stock outstanding for that period that participate in the Company's common dividends. Diluted EPS takes into account the effect of dilutive instruments, such as stock options, warrants and unvested restricted stock and unvested restricted stock units but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding.

As of December 31, 2016, December 31, 2015, and December 31, 2014 the Company's outstanding warrants and unvested restricted common stock units were as follows:

	December 31, 2016	December 31, 2015	December 31, 2014
Outstanding warrants	1,007,500	1,007,500	1,007,500
Unvested restricted stock units previously granted to the Manager	20,003	40,006	60,000

Each warrant entitles the holder to purchase half a share of the Company's common stock at a fixed price upon exercise of the warrant. For the years ended December 31, 2016, December 31, 2015 and December 31, 2014, the Company excluded the effects of such from the computation of diluted earnings per share because their effect would be anti-dilutive.

Shares of restricted stock held by the Manager and independent directors accrue dividends, but are not paid until vested and are therefore not considered to be participating shares. Restricted stock units granted to the manager do not entitle the participant the rights of a shareholder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The restricted stock units are not considered to be participating shares. The dilutive effects of these shares and restricted stock units are only included in diluted weighted average common shares outstanding.

The following table presents a reconciliation of the earnings and shares used in calculating basic and diluted EPS for the years ended December 31, 2016, 2015 and 2014:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Numerator:			
Net income/(loss) available to common stockholders for basic and diluted earnings per share	$ 50,213,355	$ 349,121	$ 95,926,152
Denominator:			
Basic weighted average common shares outstanding	27,952,185	28,398,718	28,379,782
Dilutive effect of restricted stock units	926	11,190	44,386
Dilutive weighted average common shares outstanding	27,953,111	28,409,908	28,424,168
Basic Earnings/(Loss) Per Share of Common Stock:	$ 1.80	$ 0.01	$ 3.38
Diluted Earnings/(Loss) Per Share of Common Stock:	$ 1.80	$ 0.01	$ 3.37

The following tables detail our common stock dividends during the years ended December 31, 2016, 2015 and 2014:

2016

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/10/2016	3/21/2016	4/29/2016	$ 0.475
6/9/2016	6/20/2016	7/29/2016	0.475
9/12/2016	9/23/2016	10/31/2016	0.475
12/6/2016	12/19/2016	1/31/2017	0.475

2015

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/12/2015	3/23/2015	4/30/2015	$ 0.60
6/11/2015	6/22/2015	7/31/2015	0.60
9/10/2015	9/21/2015	10/30/2015	0.60
12/10/2015	12/21/2015	1/29/2016	0.475

2014

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/5/2014	3/18/2014	4/28/2014	$ 0.60
6/9/2014	6/19/2014	7/28/2014	0.60
9/11/2014	9/22/2014	10/27/2014	0.60
12/4/2014	12/18/2014	1/27/2015	0.60

The following tables detail our preferred stock dividends during the years ended December 31, 2016, 2015 and 2014:

2016

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/12/2016	2/29/2016	3/17/2016	$ 0.51563
8.25% Series A	5/13/2016	5/31/2016	6/17/2016	0.51563
8.25% Series A	8/15/2016	8/31/2016	9/19/2016	0.51563
8.25% Series A	11/16/2016	11/30/2016	12/19/2016	0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/12/2016	2/29/2016	3/17/2016	$ 0.50
8.00% Series B	5/13/2016	5/31/2016	6/17/2016	0.50
8.00% Series B	8/15/2016	8/31/2016	9/19/2016	0.50
8.00% Series B	11/16/2016	11/30/2016	12/19/2016	0.50

2015

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/12/2015	2/27/2015	3/17/2015	$ 0.51563
8.25% Series A	5/14/2015	5/29/2015	6/17/2015	0.51563
8.25% Series A	8/14/2015	8/31/2015	9/17/2015	0.51563
8.25% Series A	11/13/2015	11/30/2015	12/17/2015	0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/12/2015	2/27/2015	3/17/2015	$ 0.50
8.00% Series B	5/14/2015	5/29/2015	6/17/2015	0.50
8.00% Series B	8/14/2015	8/31/2015	9/17/2015	0.50
8.00% Series B	11/13/2015	11/30/2015	12/17/2015	0.50

2014

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/14/2014	2/28/2014	3/17/2014	$ 0.51563
8.25% Series A	5/15/2014	5/30/2014	6/17/2014	0.51563
8.25% Series A	8/14/2014	8/29/2014	9/17/2014	0.51563
8.25% Series A	11/12/2014	11/28/2014	12/17/2014	0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/14/2014	2/28/2014	3/17/2014	$ 0.50
8.00% Series B	5/15/2014	5/30/2014	6/17/2014	0.50
8.00% Series B	8/14/2014	8/29/2014	9/17/2014	0.50
8.00% Series B	11/12/2014	11/28/2014	12/17/2014	0.50

9. Income taxes

As a REIT, the Company is not subject to federal income tax to the extent that it makes qualifying distributions to its stockholders, and provided it satisfies on a continuing basis, through actual investment and operating results, the REIT requirements including certain asset, income, distribution and stock ownership tests. Most states follow U.S. federal income tax treatment of REITs.

For the years ended December 31, 2016, and 2015, the Company elected to satisfy the REIT distribution requirements in part with a dividend paid in 2017, and 2016, respectively. In conjunction with this, the Company accrued an excise tax of $1.7 million, and $1.7 million, respectively, which is included in the “Taxes payable” line item on the consolidated balance sheets.

The Company files tax returns in several U.S. jurisdictions. There are no ongoing U.S. federal, state or local tax examinations.

The Company elected to treat certain domestic subsidiaries as TRSs and may elect to treat other subsidiaries as TRSs. In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly, and generally may engage in any real estate or non-real estate-related business.

The Company elected to treat one of its foreign subsidiaries as a TRS and, accordingly, taxable income generated by this TRS may not be subject to local income taxation, but generally will be included in the Company's income on a current basis as Subpart F income, whether or not distributed.

Cash distributions declared by the Company that do not exceed its current or accumulated earnings and profits will be considered ordinary income to stockholders for income tax purposes unless all or a portion of a distribution is designated by the Company as a capital gain dividend. Distributions in excess of the Company's current and accumulated earnings and profits will be characterized as return of capital or capital gains. For the years ended December 31, 2016, December 31, 2015 and December 31, 2014 all income distributed was in the form of common and preferred dividends and was characterized as ordinary income.

Based on the Company's analysis of any potential uncertain income tax positions, the Company concluded it did not have any uncertain tax positions that meet the recognition or measurement criteria of ASC 740 as of December 31, 2016, 2015 or 2014. The Company's federal income tax returns for the last three tax years are open to examination by the Internal Revenue Service. In the event that the Company incurs income tax related interest and penalties, its policy is to classify them as a component of provision for income taxes.

10. Related party transactions

The Company has entered into a management agreement with the Manager, which provided for an initial term and will be deemed renewed automatically each year for an additional one-year period, subject to certain termination rights. As of December 31, 2016 and December 31, 2015, no event of termination had occurred. The Company is externally managed and advised by the Manager. Pursuant to the terms of the management agreement, which became effective July 6, 2011 (upon the consummation of the Company's initial public offering (the "IPO")), the Manager provides the Company with its management team, including its officers, along with appropriate support personnel. Each of the Company's officers is an employee of Angelo, Gordon. The Company does not have any employees. The Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility of its day-to-day duties and obligations arising under the Company's management agreement.

Management fee

The Manager is entitled to a management fee equal to 1.50% per annum, calculated and paid quarterly, of the Company's Stockholders' Equity. For purposes of calculating the management fee, "Stockholders' Equity" means the sum of the net proceeds from any issuances of equity securities (including preferred securities) since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance, and excluding any future equity issuance to the Manager), plus the Company's retained earnings at the end of such quarter (without taking into account any non-cash equity compensation expense or other non-cash items described below incurred in current or prior periods), less any amount that the Company pays for repurchases of its common stock, excluding any unrealized gains, losses or other non-cash items that have impacted stockholders' equity as reported in the Company's financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income, and excluding one-time events pursuant to changes in GAAP, and certain other non-cash charges after discussions between the Manager and the Company's independent directors and after approval by a majority of the Company's independent directors. Stockholders' Equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown on the Company's financial statements.

For the years ended December 31, 2016, December 31, 2015 and December 31, 2014, the Company incurred management fees of $9.8 million, $10.0 million and $10.1 million, respectively.

Termination fee

The termination fee, payable upon the occurrence of (i) for the Company's termination of the management agreement without cause or (ii) the Manager's termination of the management agreement upon a breach of any material term of the management agreement, will be equal to three times the average annual management fee during the 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter. As of December 31, 2016, December 31, 2015, and December 31, 2014, no event of termination of the management agreement had occurred.

Expense reimbursement

The Company is required to reimburse the Manager or its affiliates for operating expenses which are incurred by the Manager, or its affiliates on behalf of the Company, including expenses relating to legal, accounting, due diligence and other services. The Company's reimbursement obligation is not subject to any dollar limitation; however, the reimbursement is subject to an annual budget process which combines guidelines from the Management Agreement with oversight by the Company's board of directors.

The Company reimburses the Manager or its affiliates for the Company's allocable share of the compensation, including, without limitation, annual base salary, bonus, any related withholding taxes and employee benefits paid to (i) the Company's chief financial officer based on the percentage of time spent on Company affairs, (ii) the Company's general counsel based on the percentage of time spent on the Company's affairs, and (iii) other corporate finance, tax, accounting, internal audit, legal, risk management, operations, compliance and other non-investment personnel of the Manager and its affiliates who spend all or a portion of their time managing the Company's affairs based upon the percentage of time devoted by such personnel to the Company's affairs. In their capacities as officers or personnel of the Manager or its affiliates, they devote such portion of their time to the Company's affairs as is necessary to enable the Company to operate its business.

For the year ended December 31, 2016, December 31, 2015 and December 31, 2014, the Company expensed in to Other operating expenses $6.0 million, $7.1 million, and $6.9 million, respectively, of reimbursable expenses payable to the Manager or its affiliates.

Restricted stock grants

On July 6, 2011 (the date of consummation of the IPO), the Company entered into (i) a restricted stock award agreement with the Manager under the Manager Equity Incentive Plan, pursuant to which the Manager received 40,250 shares of the Company's common stock, which vest ratably on a quarterly basis over a three-year period that began on October 1, 2011 and (ii) restricted stock award agreements with the Company's four initial independent directors under the Equity Incentive Plan, pursuant to which each of the four initial independent directors received 1,500 shares of the Company's common stock that vest in equal installments over three years on each annual anniversary of the grant date. Following the election of the Arthur Ainsberg as an independent director at the 2013 Annual Meeting of Stockholders, 500 shares of the Company's common stock that vested on July 6, 2014 were granted to Mr. Ainsberg under the Equity Incentive Plan. As of July 6, 2014, an aggregate of 46,750 shares awarded to the Manager and the independent directors were fully vested.

Pursuant to the Manager Equity Incentive Plan and the Equity Incentive Plan, 277,500 shares of common stock were available to be awarded. As of December 31, 2016, 133,590 shares of common stock were available to award under the plan. Awards under the equity incentive plans are forfeitable until they become vested. An award will become vested only if the vesting conditions set forth in the award agreement (as determined by the board of directors or the compensation committee, as applicable) are satisfied. The vesting conditions may include performance of services for a specified period, achievement of performance goal, or a combination of both. The board of directors or the compensation committee, as applicable, also has authority to provide for accelerated vesting upon the occurrence of certain events.

On July 1, 2014, the Company granted 60,000 restricted stock units to the Manager that represent the right to receive an equivalent number of shares of the Company's common stock to be issued if and when such units vest. Annual vesting of approximately 20,000 units occurred or will occur on each of July 1, 2015, July 1, 2016, and July 1, 2017. The units do not entitle the participant the rights of a holder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The vesting of such units is subject to the continuation of the management agreement. If the management agreement terminates, all unvested units then held by the Manager or the Manager's transferee shall be immediately cancelled and forfeited without consideration. On each of July 1, 2015, and July 1, 2016, approximately 20,000 restricted stock units vested and as of December 31, 2016, approximately 20,000 restricted stock units remain unvested.

Director compensation

For the year ended December 31, 2016, the Company paid a $90,000 annual base director's fee to each independent director. Base director's fees are paid two-thirds in cash and one-third in restricted common stock. The number of shares of restricted common stock to be issued each quarter to each independent director is determined based on the average of the high and low prices of the Company's common stock on the New York Stock Exchange on the last trading day of each fiscal quarter. To the extent that any fractional shares would otherwise be issuable and payable to each independent director, a cash payment is made to each independent director in lieu of any fractional shares. All directors' fees are paid pro rata (and restricted stock grants determined) on a quarterly basis in arrears, and shares issued are fully vested and non-forfeitable. These shares may not be sold or transferred by such director during the time of his service as an independent member of the Company's board.

The following table presents information with respect to the Company's restricted stock and restricted stock units for the year ended December 31, 2016:

	Shares of Restricted Stock and Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at beginning of year	69,348	19.72
Granted (1)	8,636	13.88
Cancelled/forfeited	-	-
Unrestricted	(20,003)	14.48
Outstanding at end of year	57,981	20.66
Unvested at end of year	20,003	18.86

(1) The grant date fair value of restricted stock awards was established as the average of the high and low prices of the Company's common stock at the grant date.

The following table presents information with respect to the Company's restricted stock and restricted stock units for the year ended December 31, 2015:

	Shares of Restricted Stock and Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at beginning of year	82,426	19.37
Granted (1)	6,916	17.34
Cancelled/forfeited	-	-
Unrestricted	(19,994)	17.45
Outstanding at end of year	69,348	19.72
Unvested at end of year	40,006	18.86

(1) The grant date fair value of restricted stock awards was established as the average of the high and low prices of the Company's common stock at the grant date.

The following table presents information with respect to the Company's restricted stock for the year ended December 31, 2014:

	Shares of Restricted Stock	Weighted Average Grant Date Fair Value
Outstanding at beginning of year	30,376	20.25
Granted (1)	67,796	18.68
Cancelled/forfeited	-	-
Unrestricted	(15,746)	18.10
Outstanding at end of year	82,426	19.37
Unvested at end of year	60,000	18.86

(1) The grant date fair value of restricted stock awards is based on the closing market price of the Company's common stock at the grant date.

During the years ended December 31, 2016, December 31, 2015, and December 31, 2014, 28,639, 26,910 and 20,360 shares of total restricted stock and restricted stock units vested, respectively.

On December 31, 2016, the Company had unrecognized compensation expense of $0.2 million related to restricted stock units. The total fair value of restricted shares and units vested for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 was approximately $0.4 million, $0.5 million and $0.4 million, respectively, based on the closing price of the stock on the vesting date. The unrecognized compensation expense on December 31, 2016 is expected to be recognized over a weighted average period of 6 months.

The Company capitalized equity based compensation expense of $0.4 million, $0.3 million and $0.4 million during years ended December 31, 2016, December 31, 2015 and December 31, 2014, respectively, associated with the amortization of restricted stock and restricted stock units.

Investments in debt and equity of affiliates

The Company invests in credit sensitive residential and commercial real estate assets through affiliated entities which also hold an ownership interest in the assets. The Company is one investor, amongst other investors managed by the Manager, in such entities and has applied the equity method of accounting for such investments. These assets include investments in unguaranteed portions of CMBS issued by a GSE and secured by mortgages on multifamily properties. These assets also include an investment in a portfolio of non-performing single-family mortgage loans acquired through a competitive auction conducted by the Department of Housing and Urban Development ("HUD"). Our maximum exposure to loss with respect to these investments is generally equal to the amount that we invested. See Note 2 for more detail.

Arc Home

On December 9, 2015, the Company, alongside private funds under the management of Angelo, Gordon, through AG Arc, entered into the Amended and Restated Limited Liability Company Agreement (the "LLC Agreement") of Arc Home, a Delaware limited liability company. Arc Home, through its subsidiary, originates conforming, Government, Jumbo and other non-conforming residential mortgage loans and retains the associated mortgage servicing rights, as well as purchases additional mortgage servicing rights from third-party sellers and is led by an external management team.

Its investment is reflected on the "Investments in debt and equity of affiliates" line item on its consolidated balance sheets and had a fair value of $12.9 million and $(0.3) million on December 31, 2016 and December 31, 2015, respectively.

On March 8, 2016, an affiliate of the Manager (the "Affiliate") became a member of AG Arc. The Affiliate acquired an ownership interest in AG Arc, which resulted in the ownership interest of the Company in AG Arc being reduced on a pro-rata basis. As a result of the Affiliate becoming a member of AG Arc, the Company's overall commitment to Arc Home was reduced to $13.4 million.

Arc Home may sell loans that it originates to the Company, to third parties or to affiliates of the Manager and may also enter into agreements with the Company, third parties or affiliates of the Manager to sell rights to receive the excess servicing spread related to its MSRs. In September and October of 2016, Arc Home entered into agreements with an affiliate of the Manager to sell rights to receive the excess servicing spread related to certain of its MSRs at fair value for approximately $10.7 million. For the year ended December 31, 2016, the fees received by Arc Home from affiliates of the Manager totaled less than $120,000.

Transactions with affiliates

In May 2015, the Company completed an arm's-length securitization with other investors managed by an affiliate of the Manager (the "Related Parties") by combining the assets of a prior private securitization, in which the Company held a 10.0% ownership interest, with the assets of another private securitization held entirely by the Related Parties. The Company's investment in this securitization is reflected on the "Non-Agency" line item on the consolidated balance sheets and had a fair value of $3.1 million as of the date of the securitization. The Company completed another similar arm's-length securitization in July 2015 with the Related Parties by combining the assets of a private securitization, in which the Company held a 7.5% ownership interest, with the assets of another private securitization held entirely by the Related Parties. The Company's investment in this securitization is reflected on the "Non-Agency" line item on the consolidated balance sheets and had a fair value of a fair value of $5.1 million as of the date of the securitization. The remaining interests in each securitization were owned by certain of the Related Parties. Each securitization was backed by collateral consisting of seasoned NPLs and RPLs. The Company obtained third party pricing for each transaction.

In July 2015, the Company completed an arm's-length purchase at fair value. Certain entities managed by an affiliate of the Company's Manager ("Related Entities") had previously formed a joint venture ("Joint Venture") with an unaffiliated third party. The Joint Venture owns certain multi-family properties for which the mortgages partly collateralize a securitization wherein the Company purchased certain bond tranches. To ensure an arm's-length transaction, the Manager delegated its decision making rights with respect to the securitization to a third party servicer. In addition, the members of the Joint Venture agreed to cease sharing material non-public information with the Company's investment team regarding the collateral. The investment by the Company in these bond tranches was reflected on the "Investments in debt and equity of affiliates" line item on the consolidated balance sheets with a fair value of $7.1 million as of the date of the purchase.

In connection with the Company's investments in residential mortgage loans and residential mortgage loans in securitized form that it purchases from an affiliate (or affiliates) of the Manager ("Securitized Whole Loans"), the Company engages asset managers to provide advisory, consultation, asset management and other services to formulate and implement strategic plans to manage, collect and dispose of loans in a manner that is reasonably expected to maximize the amount of proceeds from each loan. Beginning in November 2015, the Company engaged Red Creek Asset Management LLC ("Asset Manager"), a related party of the Manager and direct subsidiary of Angelo, Gordon, as the asset manager for certain of its residential loans and Securitized Whole Loans. The Asset Manager acknowledges that the Company will at all times have and retain ownership and control of all loans and that the Asset Manager will not acquire (i) title to any loan, (ii) any security interest in any loan, or (iii) any other rights or interests of any kind or any nature whatsoever in or to any loan. The Company pays separate arm's-length asset management fees as assessed and confirmed by a third party valuation firm for (i) non-performing loans and (ii) reperforming loans. There were no changes to Red Creek's fee rates in 2016. For the year ended December 31, 2016, the fees paid by the Company to the Asset Manager, inclusive of fees paid through affiliated entities, totaled \$0.3 million. For the year ended December 31, 2015, the fees paid by the Company to the Asset Manager totaled less than \$120,000. No fees were paid to the Asset Manager for the year ended December 31, 2014.

In June 2016, in accordance with the Company's Affiliated Transactions Policy, the Company executed two trades whereby the Company acquired real estate securities from two separate affiliates of the Manager (the "Selling Affiliates"). As of the date of the trades, the securities acquired from the Selling Affiliates had a total fair value of \$6.9 million. In each case, the Selling Affiliates sold the real estate securities through a BWIC (Bids Wanted in Competition). Prior to the submission of the BWIC by the Selling Affiliates, the Company submitted its bid for the real estate securities to the Selling Affiliates. The Company's pre-submission of its bid allowed the company to confirm third-party market pricing and best execution.

11. Equity

On July 13, 2012, the Company filed a shelf registration statement on Form S-3 with the SEC, offering up to \$1.0 billion of our securities, including capital stock. The registration statement was declared effective on July 20, 2012. On May 6, 2015, the Company filed a new shelf registration statement, registering up to \$750.0 million of its securities, including capital stock. On December 31, 2016, the entire \$750.0 million of the Company's securities, including capital stock was available for issuance under the registration statement.

On September 6, 2012, the Company entered into an equity distribution agreement with each of Mitsubishi UFJ Securities (USA), Inc., JMP Securities LLC and Brinson Patrick Securities Corporation (the "Sales Agents"), which the Company refers to as the Equity Distribution Agreements, pursuant to which the Company may sell up to 3,000,000 shares of common stock from time to time through the Sales Agents, as defined in Rule 415 under the Securities Act of 1933. As of December 31, 2016, the Company had sold 1,254,854 shares of common stock through the Sales Agents for net proceeds of approximately \$31.3 million with the last sale settling on June 13, 2013. This equity distribution agreement is no longer available for our use after the expiration of our previous shelf registration statement in 2015.

Concurrently with the IPO, the Company offered a private placement of 3,205,000 units at \$20.00 per share to a limited number of investors qualifying as "accredited investors" under Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act"). Each unit consisted of one share of common stock ("private placement share") and a warrant ("private placement warrant") to purchase 0.5 of a share of common stock. Each private placement warrant had an exercise price of \$20.50 per share (as adjusted for reorganizations, reclassifications, consolidations, mergers, sales, transfers or other dispositions) and is set to expire on July 6, 2018. No warrants were exercised for the years ended December 31, 2016, December 31, 2015 and December 31, 2014.

The Company's Series A and Series B Preferred Stock have no stated maturity and are not subject to any sinking fund or mandatory redemption. Under certain circumstances upon a change of control, the Company's Series A and Series B Preferred Stock are convertible to shares of the Company's common stock. Holders of the Company's Series A and Series B Preferred Stock have no voting rights, except under limited conditions, and holders are entitled to receive cumulative cash dividends at a rate of 8.25% and 8.00% per annum on the Series A and Series B Preferred Stock, respectively, of the \$25.00 per share liquidation preference before holders of the common stock are entitled to receive any dividends. Shares of the Company's Series A and Series B Preferred Stock are redeemable at \$25.00 per share plus accumulated and unpaid dividends (whether or not declared) exclusively at the Company's option commencing on August 3, 2017 or September 27, 2017 for the Series A and Series B Preferred Stock, respectively, or earlier under certain circumstances intended to preserve the Company's qualification as a REIT for federal income tax purposes. Dividends are payable quarterly in arrears on the 17th day of each March, June, September and December. As of December 31, 2016, the Company had declared all required quarterly dividends on the Company's Series A and Series B Preferred Stock.

On November 3, 2015, the Company's board of directors authorized a stock repurchase program ("Repurchase Program") to repurchase up to $25.0 million of its outstanding common stock. Such authorization does not have an expiration date. As part of the Repurchase Program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. Open market repurchases will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. Subject to applicable securities laws, the timing, manner, price and amount of any repurchases of common stock under the Repurchase Program may be determined by the Company in its discretion, using available cash resources. Shares of common stock repurchased by the Company under the Repurchase Program, if any, will be cancelled and, until reissued by the Company, will be deemed to be authorized but unissued shares of its common stock. The Repurchase Program may be suspended or discontinued by the Company at any time and without prior notice and the authorization does not obligate the Company to acquire any particular amount of common stock. The Company is incorporated in the State of Maryland and under the laws of that state, shares of its own stock that are acquired by the Company constitute authorized but unissued shares. The cost of the acquisition by the Company of shares of its own stock in excess of the aggregate par value of the shares first reduces additional paid-in capital, to the extent available, with any residual cost applied against retained earnings. For the year ended December 31, 2016, the Company repurchased 614,695 shares of common stock at a total cost of approximately $8.7 million and at an average cost per share of $14.20, including brokerage, commissions and clearing fees. As of December 31, 2016, approximately $14.6 million of common stock remained authorized for future share repurchases under the Repurchase Program. For the year ended December 31, 2015, the Company repurchased 126,715 shares of common stock at a total cost of approximately $1.7 million and at an average cost per share of $13.19, including brokerage, commissions and clearing fees.

The following table presents a summary of the Company's common stock repurchases under the Repurchase Program for the year ended December 31, 2016.

Month Purchased (1)	Total Number of Shares Repurchased	Weighted Average Price per Share Paid (2)	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number (or approximate dollar value) of Shares that May Yet be Purchased Under the Program (3)
March 2016	119,606	$ 12.86	246,321	$ 21,790,786
May 2016	276,522	13.75	522,843	17,988,891
June 2016	36,725	14.38	559,568	17,460,743
August 2016	165,842	15.74	725,410	14,850,605
September 2016	16,000	15.76	741,410	14,598,493
Total	614,695	$ 14.20	741,410	$ 14,598,493

(1) Based on trade date. The Program was announced on November 4, 2015. The Program does not have an expiration date.
(2) Includes brokerage commissions and clearing fees.
(3) The maximum dollar amount authorized was $25.0 million.

The following table presents a summary of the Company's common stock repurchases under the Repurchase Program for the year ended December 31, 2015:

Month Purchased (1)	Total Number of Shares Repurchased	Weighted Average Price per Share Paid (2)	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number (or approximate dollar value) of Shares that May Yet be Purchased Under the Program (3)
December 2015	126,715	$ 13.19	126,715	$ 23,328,521
Total	126,715	$ 13.19	126,715	$ 23,328,521

(1) Based on trade date. The Program was announced on November 4, 2015. The Program does not have an expiration date.
(2) Includes brokerage commissions and clearing fees
(3) The maximum dollar amount authorized was $25.0 million.

12. Commitments and contingencies

From time to time, the Company may become involved in various claims and legal actions arising in the ordinary course of business. Management is not aware of any significant commitments and contingencies on December 31, 2016 and December 31, 2015.

On December 9, 2015, the Company, alongside private funds under the management of Angelo, Gordon, through AG Arc, entered into the LLC Agreement of Arc Home. The capital commitment to Arc Home is $30.0 million, of which the Company’s share is $13.4 million. The Company has funded all of this commitment as of December 31, 2016.

In the normal course of business, the Company enters into agreements where payment may become due if certain events occur. Management believes that the probability of making such payments is remote.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements

13. Quarterly results (Unaudited)

Summarized quarterly results of operations were as follows:

	Three Months Ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Statement of Operations Data:				
Net Interest Income				
Interest income	$ 30,697,158	$ 30,200,296	$ 30,573,134	$ 31,535,524
Interest expense	8,560,299	8,396,997	8,525,365	8,302,370
	22,136,859	21,803,299	22,047,769	23,233,154
Other Income				
Net realized gain/(loss)	(12,986,658)	(5,317,085)	9,578,488	(1,665,863)
Realized loss on periodic interest settlements of derivative instruments, net	(2,377,775)	(1,607,539)	(1,034,251)	(990,073)
Unrealized gain/(loss) on real estate securities and loans, net	8,840,770	10,958,117	13,461,216	(30,587,677)
Unrealized gain/(loss) on derivative and other instruments, net	(11,956,002)	202,572	6,961,061	13,405,453
Other income	25,391	1,995	341,345	5,171
	(18,454,274)	4,238,060	29,307,859	(19,832,989)
Expenses				
Management fee to affiliate	2,450,143	2,420,782	2,451,387	2,487,115
Other operating expenses	3,046,812	2,664,252	2,870,662	1,708,787
Servicing fees	130,370	106,974	121,806	44,979
Equity based compensation to affiliate	54,971	87,183	75,774	80,664
Excise tax	375,000	375,000	238,167	525,000
	6,057,296	5,654,191	5,757,796	4,846,545
Income/(loss) before equity in earnings/(loss) from affiliates	(2,374,711)	20,387,168	45,597,832	(1,446,380)
Equity in earnings/(loss) from affiliates	(69,716)	689,973	534,133	364,472
Net Income/(Loss)	(2,444,427)	21,077,141	46,131,965	(1,081,908)
Dividends on preferred stock	3,367,354	3,367,354	3,367,354	3,367,354
Net Income/(Loss) Available to Common Stockholders	$ (5,811,781)	$ 17,709,787	$ 42,764,611	$ (4,449,262)
Earnings/(Loss) Per Share of Common Stock				
Basic	$ (0.21)	$ 0.63	$ 1.54	$ (0.16)
Diluted	$ (0.21)	$ 0.63	$ 1.54	$ (0.16)

	Three Months Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Statement of Operations Data:				
Net Interest Income				
Interest income	$ 36,380,265	$ 37,278,271	$ 33,506,151	$ 34,108,727
Interest expense	7,514,178	7,574,429	8,506,994	7,634,768
	28,866,087	29,703,842	24,999,157	26,473,959
Other Income				
Net realized gain/(loss)	(9,649,926)	(2,153,328)	(4,710,086)	(634,729)
Realized loss on periodic interest settlements of derivative instruments, net	(3,461,227)	(3,228,729)	(3,340,497)	(3,174,431)
Unrealized gain/(loss) on real estate securities and loans, net	11,259,718	(22,256,001)	7,238,103	(28,733,677)
Unrealized gain/(loss) on derivative and other instruments, net	(8,920,798)	5,798,988	(19,523,287)	10,464,596
Other income	33,318	14,885	13,425	4,622
	(10,738,915)	(21,824,185)	(20,322,342)	(22,073,619)
Expenses				
Management fee to affiliate	2,507,090	2,502,091	2,481,816	2,480,290
Other operating expenses	3,077,998	3,285,942	3,390,191	2,602,513
Servicing fees	208,317	159,884	188,424	114,621
Equity based compensation to affiliate	76,680	36,738	51,069	-
Excise tax	375,000	375,000	375,000	375,000
	6,245,085	6,359,655	6,486,500	5,572,424
Income/(loss) before equity in earnings/(loss) from affiliates	11,882,087	1,520,002	(1,809,685)	(1,172,084)
Equity in earnings/(loss) from affiliates	881,355	320,442	1,512,037	684,383
Net Income/(Loss)	12,763,442	1,840,444	(297,648)	(487,701)
Dividends on preferred stock	3,367,354	3,367,354	3,367,354	3,367,354
Net Income/(Loss) Available to Common Stockholders	$ 9,396,088	$ (1,526,910)	$ (3,665,002)	$ (3,855,055)
Earnings/(Loss) Per Share of Common Stock				
Basic	$ 0.33	$ (0.05)	$ (0.13)	$ (0.14)
Diluted	$ 0.33	$ (0.05)	$ (0.13)	$ (0.14)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of December 31, 2016, an evaluation was performed, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer, with the participation of management, concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016 in ensuring that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and (2) accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f)). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Unites States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016 based on *Internal Control—Integrated Framework (2013)* published by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management concluded that the Company's internal control over financial reporting is effective as of December 31, 2016.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement to be filed not later than April 30, 2017 with the SEC pursuant to Regulation 14A under the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement to be filed not later than April 30, 2017 with the SEC pursuant to Regulation 14A under the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement to be filed not later than April 30, 2017 with the SEC pursuant to Regulation 14A under the Exchange Act.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement to be filed not later than April 30, 2017 with the SEC pursuant to Regulation 14A under the Exchange Act.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement to be filed not later than April 30, 2017 with the SEC pursuant to Regulation 14A under the Exchange Act.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

1. Financial Statements.

2. Schedules to Financial Statements – None.
All financial statement schedules have been omitted because they are either inapplicable or the information required is provided in our Financial Statements and Notes thereto, included in Part II, Item 8, of this report.

3. Exhibits:

Exhibit No.	Description
*3.1	Articles of Amendment and Restatement of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of Amendment No. 2 to our Registration Statement on Form S-11, filed with the Securities and Exchange Commission on April 18, 2011 ("Pre-Effective Amendment No. 2").
*3.2	Amended and Restated Bylaws of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.2 of Pre-Effective Amendment No. 2.
*3.3	Articles Supplementary of 8.25% Series A Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 of Form 8-K, filed with the Securities and Exchange Commission on August 2, 2012
*3.4	Articles Supplementary of 8.00% Series B Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 of Form 8-K, filed with the Securities and Exchange Commission on September 24, 2012.
*4.1	Specimen Stock Certificate of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 4.1 of Pre-Effective Amendment No. 2.
*4.2	Specimen 8.25% Series A Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 4.1 of Form 8-K, filed with the Securities and Exchange Commission on August 2, 2012.
*4.3	Specimen 8.00% Series B Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 4.1 of Form 8-K, filed with the Securities and Exchange Commission on September 24, 2012.
*10.1	Form of Registration Rights Agreement by and between the Company and the purchasers of units and shares in the private placement, dated June 29, 2011, incorporated by reference to Exhibit 10.1 of Amendment No. 7 to our Registration Statement on Form S-11, filed with the Securities and Exchange Commission on June 29, 2011 ("Pre-Effective Amendment No. 7").
*10.2	Form of Management Agreement, dated June 29, 2011 by and between the Company and AG REIT Management, LLC, incorporated by reference to Exhibit 10.3 of Amendment No. 3 to our Registration Statement on Form S-11, filed with the Securities and Exchange Commission on April 25, 2011.**
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Exhibit No.	Description
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*10.12	Master Repurchase and Securities Contract dated as of September 17, 2014 between AG MIT CREL LLC and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.1 of Form 8-K, filed with the Securities and Exchange Commission on September 18, 2014.
*10.13	Guarantee Agreement dated as of September 17, 2014 by AG MIT, LLC and AG Mortgage Investment Trust, Inc. in favor of Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.2 of Form 8-K, filed with the Securities and Exchange Commission on September 18, 2014.
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*10.15	Omnibus Amendment No.1 to Master Repurchase and Securities Contract, Guarantee Agreement and Fee and Pricing Letter dated as of August 4, 2015 between AG MIT CREL, LLC and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 10.14 of Form 10-Q , filed with the Securities and Exchange Commission on August 6, 2015.
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21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of David N. Roberts pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Brian C. Sigman pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of David N. Roberts pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document

Exhibit No.	Description
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*	Fully or partly previously filed.

**	Management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		AG MORTGAGE INVESTMENT TRUST, INC.
March 1, 2017	By:	/s/ DAVID N. ROBERTS **David N. Roberts** **Chief Executive Officer (Principal Executive Officer)**
March 1, 2017	By:	/s/ BRIAN C. SIGMAN **Brian C. Sigman** **Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report was signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

March 1, 2017	By:	/s/ DAVID N. ROBERTS **David Roberts** **Director, Chief Executive Officer and Chief Investment Officer**
March 1, 2017	By:	/s/ JONATHAN LIEBERMAN **Jonathan Lieberman** **Director and President**
March 1, 2017	By:	/s/ FRANK STADELMAIER **Frank Stadelmaier** **Director**
March 1, 2017	By:	/s/ ARTHUR AINSBERG **Arthur Ainsberg** **Director**
March 1, 2017	By:	/s/ ANDREW L. BERGER **Andrew L. Berger** **Director**
March 1, 2017	By:	/s/ JOSEPH LAMANNA **Joseph LaManna** **Director**
March 1, 2017	By:	/s/ PETER LINNEMAN **Peter Linneman** **Director**

AG MORTGAGE INVESTMENT TRUST, INC.

FORM 10-K
December 31, 2016

INDEX OF EXHIBITS

Exhibit No.	Description
*3.1	Articles of Amendment and Restatement of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of Amendment No. 2 to our Registration Statement on Form S-11, filed with the Securities and Exchange Commission on April 18, 2011 (“Pre-Effective Amendment No. 2”).
*3.2	Amended and Restated Bylaws of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.2 of Pre-Effective Amendment No. 2.
*3.3	Articles Supplementary of 8.25% Series A Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 of Form 8-K, filed with the Securities and Exchange Commission on August 2, 2012
*3.4	Articles Supplementary of 8.00% Series B Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 of Form 8-K, filed with the Securities and Exchange Commission on September 24, 2012.
*4.1	Specimen Stock Certificate of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 4.1 of Pre-Effective Amendment No. 2.
*4.2	Specimen 8.25% Series A Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 4.1 of Form 8-K, filed with the Securities and Exchange Commission on August 2, 2012.
*4.3	Specimen 8.00% Series B Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 4.1 of Form 8-K, filed with the Securities and Exchange Commission on September 24, 2012.
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* Fully or partly previously filed.

** Management contract or compensatory plan or arrangement.

Exhibit 12.1

AG Mortgage Investment Trust, Inc.
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

The following table sets forth the calculation of our ratio of earnings to combined fixed charges and preferred stock dividends for each of the periods indicated:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Net Income/(Loss)	$ 63,682,771	$ 13,818,537	$ 109,395,568	$ (31,578,636)	$ 134,935,917
Fixed Charges (1)	40,259,274	45,065,367	51,464,389	59,408,921	28,797,622
Preferred stock dividends	13,469,416	13,469,416	13,469,416	13,469,416	4,137,010
Total fixed charges and preferred stock dividends	53,728,690	58,534,783	64,933,805	72,878,337	32,934,632
Earnings available to cover fixed charges and preferred stock dividends	$ 117,411,461	$ 72,353,320	$ 174,329,373	$ 41,299,701	$ 167,870,549
Ratio of earnings to combined fixed charges and preferred stock dividends	2.2	1.2	2.7	0.6	5.1

(1) Fixed charges consist of interest expense on all indebtedness reported for GAAP, plus $2.6 million, $5.9 million, and $3.8 million relating to the underlying interest charge on repurchase agreements accounted for as a component of linked transactions for the years ended December 31, 2014, December 31, 2013, and December 31, 2012, respectively. Due to ASU 2014-11 being effective as of January 1, 2015, the Company is required to separately account for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, and as a result, no interest expense relating to the underlying interest charges on repurchase agreements accounted for as a component of linked transactions was recognized for the years ended December 31, 2016 or December 31, 2015. Additionally, fixed charges consist of $6.0 million, $13.2 million, $22.3 million, $27.9 million and $10.0 million relating to the net periodic interest settlements of interest rate swaps for the years ended December 31, 2016, December 31, 2015, December 31, 2014, December 31, 2013, and December 31, 2012, respectively. Fixed charges also consist of $0.5 and $0.6 million of interest expense relating to investments held through affiliated entities, exclusive of our investment in AG Arc, at December 31, 2016 and December 31, 2015, respectively. We had an immaterial amount of interest expense relating to investments held through affiliated entities at December 31, 2014. We had no such interest expense for any of the years ended December 31, 2013, or December 31, 2012.

Exhibit 21.1

AG Mortgage Investment Trust, Inc. Significant Subsidiaries

	Subsidiary	State of Incorporation
1.	AG MIT CMO, LLC	Delaware
2.	AG MIT, LLC	Delaware
3.	AG MIT Treasury, LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-203908) and Form S-8 (No. 333-175354) of AG Mortgage Investment Trust, Inc. of our report dated March 1, 2017 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

New York, New York
March 1, 2017

Exhibit 31.1

I, David N. Roberts, certify that:

1. I have reviewed this annual report on Form 10-K of AG Mortgage Investment Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2017
/s/ David N. Roberts
David N. Roberts
Chief Executive Officer

Exhibit 31.2

I, Brian C. Sigman, certify that:

1. I have reviewed this annual report on Form 10-K of AG Mortgage Investment Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2017
/s/ Brian C. Sigman

Brian C. Sigman
Chief Financial Officer and
Principal Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of AG Mortgage Investment Trust, Inc. (the "Company") for the annual period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David N. Roberts, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

/s/ David N. Roberts
David N. Roberts
Chief Executive Officer
March 1, 2017

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of AG Mortgage Investment Trust, Inc. (the “Company”) for the annual period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian C. Sigman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

/s/ Brian C. Sigman
Brian C. Sigman
Chief Financial Officer and
Principal Accounting Officer
March 1, 2017

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Stockholder Information

DIRECTORS

David Roberts
Chairman of the Board of Directors,
Chief Executive Officer and
Chief Investment Officer

Jonathan Lieberman
President and
Director

Frank Stadelmaier
Director

Arthur Ainsberg
Independent Director

Andrew L. Berger
Independent Director

Joseph LaManna
Lead Independent Director

Peter Linneman
Independent Director

OTHER EXECUTIVE OFFICERS

Brian C. Sigman
Chief Financial Officer and Treasurer

Andrew Parks
Chief Risk Officer

Raul E. Moreno
General Counsel and Secretary

CORPORATE INFORMATION

Stock Exchange

The Company's common shares are listed under the symbol MITT on the New York Stock Exchange.

Independent Accountants

PricewaterhouseCoopers LLP
New York, New York

Annual Meeting

May 3, 2017 -10:00 a.m. Eastern Time
245 Park Avenue, 25th Floor
New York, NY 10167

Formal advance notice of the annual meeting will be mailed to stockholders.

Stockholder Communications

Any stockholder wishing to receive a copy of the Company’s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, may obtain such report, without charge, upon written request to AG Mortgage Investment Trust, Inc., 245 Park Ave. 26th Fl., New York, NY 10167, Attn: Investor Relations.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, New York 11219
(718) 921-8208

Executive Offices

AG Mortgage Investment Trust, Inc.
245 Park Avenue, 26th Floor
New York, New York 10167
(212) 692-2000
www.agmit.com