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, 2019

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	**27-5254382**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
245 Park Avenue, 26th Floor New York, New York	**10167**
(Address of Principal Executive Offices)	**(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:	Trading Symbols:	Name of each exchange on which registered:
Common Stock, $0.01 par value per share	MITT	New York Stock Exchange (NYSE)
8.25% Series A Cumulative Redeemable Preferred Stock	MITT PrA	New York Stock Exchange (NYSE)
8.00% Series B Cumulative Redeemable Preferred Stock	MITT PrB	New York Stock Exchange (NYSE)
8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	MITT PrC	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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large Accelerated filer	☐	Accelerated filer	☒
Non-Accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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, 2019 was $505,180,063.

As of February 14, 2020, there were 32,748,720 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2020 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, returns, results of operations, plans, yield, 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, and our views on certain macroeconomic trends. 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, changes in default rates, the availability and terms of financing, changes in the fair value of our assets, general economic conditions, conditions in the market for Agency RMBS, Non-Agency RMBS and CMBS securities, Excess MSRs and loans, conditions in the real estate market 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 for the year ended December 31, 2019 and any subsequent filings. 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 are a hybrid mortgage REIT that opportunistically invests in a diversified risk-adjusted portfolio of Agency RMBS and Credit Investments. Our Credit Investments include Residential Investments and Commercial Investments.

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 ticker symbol MITT. Our 8.25% Series A Cumulative Redeemable Preferred Stock, our 8.00% Series B Cumulative Redeemable Preferred Stock, and our 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock trade on the NYSE under the symbols MITT PrA, MITT PrB, and MITT PrC, 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 our Agency RMBS, Residential Investments and Commercial Investments, each of which is described in more detail below.

Agency RMBS

Our investment portfolio is comprised primarily of residential mortgage-backed securities ("RMBS"). Certain of the assets in our RMBS portfolio have a 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);
- Sequential pay fixed rate collateralized mortgage obligations ("CMOs");
    - CMOs are structured debt instruments representing interests in specified pools of mortgage loans subdivided into multiple classes, or tranches, of securities, with each tranche having different maturities or risk profiles.
- Inverse Interest Only securities (CMOs where the holder is entitled 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 (CMOs where the holder is entitled only to the interest payments made on the mortgages underlying certain MBS "interest-only strips");
- Certain Agency RMBS for which the underlying collateral is not identified until shortly (generally two days) before the purchase or sale settlement date ("TBAs"); and
- Excess mortgage servicing rights ("Excess MSRs") whose underlying collateral is securitized in a trust held by a U.S. government agency or GSE.

- Excess MSRs are interests in an MSR, representing a portion of the interest payment collected from a pool of mortgage loans, net of a basic servicing fee paid to the mortgage servicer. An MSR provides a mortgage servicer with the right to service a mortgage loan or a pool of mortgages in exchange for a portion of the interest payments made on the mortgage or the underlying mortgages. An MSR is made up of two components: a basic servicing fee and an Excess MSR. The basic servicing fee is the compensation received by the mortgage servicer for the performance of its servicing duties.

Residential Investments

The Residential Investments that we own include RMBS that are not issued or guaranteed by Ginnie Mae or a GSE or that are collateralized by non-U.S. mortgages, which we collectively refer to as our Non-Agency RMBS. 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, or are non-U.S. mortgages. Our Non-Agency RMBS include investment grade and non-investment grade fixed and floating-rate securities.

We categorize certain of our Residential Investments by weighted average credit score at origination:

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

The Residential Investments that we do not categorize by weighted average credit score at origination include our:

- CRTs (described below)
- Non-U.S. RMBS
  - Non-Agency RMBS which are collateralized by non-U.S. mortgages.
- Interest Only securities (Non-Agency RMBS backed by interest-only strips)
- Excess MSRs whose underlying collateral is securitized in a trust not held by a U.S. government agency or GSE;
  - Excess MSRs are grouped within "Interest Only and Excess MSR" throughout Part II, Item 7 of this Annual Report on Form 10-K and are grouped within Excess mortgage servicing rights or Excess MSRs in the "Notes to the Consolidated Financial Statements" included in Part II, Item 8 of this Annual Report on Form 10-K;
- Re/Non-Performing Loans (described below)
- Non-QM Loans (described below); and
- Land Related Financing (described below).

Credit Risk Transfer securities ("CRTs") include:

- Unguaranteed and unsecured mezzanine, junior mezzanine and first loss securities issued either by GSEs or issued by other third-party institutions to transfer their exposure to mortgage default risk to private investors. These securities reference a specific pool of newly originated 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 generally receive an uncapped floating interest rate equal to a predetermined spread over one-month LIBOR.

Re/Non-Performing Loans include:

- RPLs or NPLs in securitized form that are issued by an entity in which we own an equity interest and that we hold alongside other private funds under the management of Angelo Gordon. The securitizations typically take the form of equity and various classes of notes. These investments are included in the "RMBS" and "Investments in debt and equity of affiliates" line items on our consolidated balance sheets.
- RPLs or NPLs that we hold through interests in certain consolidated trusts. These investments are secured by residential real property, including prime, Alt-A, and subprime mortgage loans, and are included in the "Residential mortgage loans, at fair value" line item on our consolidated balance sheets.

Non-QM Loans include:

- Residential mortgage loans that do not qualify for the Consumer Finance Protection Bureau's (the "CFPB") safe harbor provision for "qualifying mortgages," or "QM," that we hold alongside other private funds under the management of Angelo Gordon. These investments are held in one of our unconsolidated subsidiaries, Mortgage Acquisition Trust I LLC ("MATT") (see the "Contractual obligations" section of this Part II, Item 7 for more detail), and are included in the "Investments in debt and equity of affiliates" line item on our consolidated balance sheets.
- Non-QM loans in securitized form that are issued by MATT. The securitizations typically take the form of various classes of notes. These investments are included in the "Investments in debt and equity of affiliates" line item on our consolidated balance sheets.

Land Related Financing includes:

- First mortgage loans we originate to third party land developers and home builders for purposes of the acquisition and horizontal development of land. These loans may be held through our unconsolidated subsidiaries or in securitized form. These loans are included either in the "Investments in debt and equity of affiliates" or in the "RMBS" line items on our consolidated balance sheets.

Commercial Investments

We also invest in Commercial Investments. Our Commercial Investments include:

- Commercial mortgage-backed securities ("CMBS");
- Interest Only securities (CMBS backed by interest-only strips);
- Commercial real estate loans secured by commercial real property, including first mortgages, mezzanine loans, 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; and
- Freddie Mac K-Series (described below).

CMBS include:

- 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.

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

- CMBS, Interest-Only securities and CMBS principal-only securities which are regularly-issued by Freddie Mac as structured pass-through securities backed by multifamily mortgage loans. These K-Series 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. Our K-Series portfolio includes unguaranteed senior, mezzanine, subordinate and interest-only bonds. These securities are included either in the "Investments in debt and equity of affiliates" or in the "CMBS" line items on our consolidated balance sheets depending on whether we hold these investments in unconsolidated subsidiaries alongside other Angelo Gordon funds or directly. Throughout Item 7 of this Annual Report on Form 10-K, we categorize our Freddie Mac K-Series interest-only bonds as part of our Interest-Only securities.

Investment classification

Throughout this report, (1) we use the terms "credit portfolio" and "credit investments" to refer to our Residential Investments, Commercial Investments, and, if applicable, ABS, inclusive of investments held within affiliated entities but exclusive of AG Arc (discussed below); (2) we refer to our Re/Non-Performing Loans (exclusive of our RPLs or NPLs in securitized form that we purchase from an affiliate (or affiliates) of the Manager), Non-QM Loans (exclusive of those in securitized form), Land Related Financing (exclusive of loans in securitized form), and commercial real estate loans, collectively, as our "loans"; (3) we use the term "credit securities" to refer to our credit portfolio, excluding Excess MSRs and loans; and (4) we use the term "real estate securities" or "securities" to refer to our Agency RMBS portfolio, exclusive of Excess MSRs, 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 (x) TBAs and (y) any investments classified as "Other assets" on our consolidated balance sheets (our "GAAP Agency RMBS portfolio"), and (ii) our credit portfolio, exclusive of (x) all investments held within affiliated entities and (y) any investments classified as "Other assets" on our consolidated balance sheets (our "GAAP credit portfolio"). See Note 2 to the "Notes to Consolidated Financial Statements" for a discussion of our 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

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"). Arc Home, through its wholly-owned subsidiary, originates conforming, Government, Jumbo, Non-QM 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.

Discontinued operations

On November 15, 2019, we sold our portfolio of single-family rental properties to a third party. We reclassified the operating results of our single-family rental properties segment to discontinued operations and excluded the income associated with the portfolio from continuing operations for all periods presented. See Note 14 to the "Notes to Consolidated Financial Statements" for additional financial information regarding our discontinued operations.

Our strategies

Our investment strategy

We invest in a diversified pool of residential and commercial mortgage assets and financial assets to 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. Our Manager makes investment decisions based on a variety of factors, including expected risk-adjusted returns, yield, 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 for 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 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, 2019, our GAAP and our non-GAAP economic debt-to-equity leverage ratios were both 4.1 to 1. As of December 31, 2018, our GAAP and our non-GAAP economic debt-to-equity leverage ratios were 4.2 to 1 and 4.4 to 1, respectively. To calculate our leverage ratios, we divide either our GAAP leverage and our non-GAAP Economic Leverage by our GAAP stockholders' equity. We define GAAP leverage as the sum of (1) our GAAP financing arrangements, (2) the amount payable on purchases that have not yet settled less the financing remaining on sales that have not yet settled, and (3) securitized debt, at fair value. We define Economic Leverage, a non-GAAP metric, as the sum of: (i) our GAAP leverage, exclusive of any non-recourse financing arrangements, (ii) financing arrangements held through affiliated entities, exclusive of any financing utilized through AG Arc, any adjustment related to unsettled trades as described in (2) in the previous sentence, and any non-recourse financing arrangements and, (iii) our net TBA position (at cost). Our calculations of GAAP leverage and Economic Leverage exclude financing arrangements 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 Part II, Item 7 of this Annual Report on Form 10-K.

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 and financing facilities (collectively "Financing arrangements"). As of December 31, 2019, we, either directly or through our equity method investments in affiliates, had master repurchase agreements, ("MRAs") or loan agreements with 44 counterparties, under which we had borrowed an aggregate $3.2 billion on a GAAP basis and $3.5 billion on a non-GAAP basis from 30 counterparties. As of December 31, 2019, the borrowings under our financing arrangements had maturities between January 2, 2020 and August 10, 2023.

We may also effectively finance the acquisition of Agency RMBS by entering into TBA dollar roll transactions in which we would sell a TBA contract for current month settlement and simultaneously purchase a similar TBA contract for a forward settlement date. Prior to the forward settlement date, we may choose to roll the position to a later date by entering into an offsetting TBA position, net settling the paired off positions for cash, and simultaneously entering into a similar TBA contract for a later settlement date. The TBA contract purchased for the forward settlement date is priced at a discount to the TBA contract sold for settlement/pair off in the current month. The difference (or discount) is referred to as the "price drop" and is the economic equivalent of net interest carry income on the underlying Agency RMBS over the roll period (interest income less implied financing cost), which is commonly referred to as "dollar roll income." We recognize TBA contracts as derivative instruments on our consolidated financial statements at their net carrying value (fair value less the purchase price to be paid or received under the TBA contract). Consequently, dollar roll transactions represent a form of off-balance sheet financing. In evaluating our overall leverage at risk, we consider both our on-balance sheet and off-balance sheet financing. Refer to Part II, Item 7 of this Annual Report on Form 10-K for a summary of our off balance sheet financings.

Subject to maintaining our qualification as a REIT and our Investment Company Act exemption, to the extent leverage is deployed, we may utilize derivative instruments in an effort to hedge the interest rate risk associated with the financing of our portfolio. We may utilize interest rate swaps, swaption agreements, and other financial instruments such as short positions in U.S. Treasury securities. In addition, we may utilize Eurodollar Futures, U.S. Treasury Futures, British Pound Futures and Euro Futures (collectively, "Futures"). 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 derivatives, 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. As of December 31, 2019, we had entered into $1.8 billion notional amount of interest rate swaps that have variable maturities between January 31, 2020 and December 23, 2029 on a GAAP basis, $1.9 billion notional amount of interest rate swaps that have variable maturities between January 31, 2020 and December 23, 2029 on a non-GAAP basis, $650.0 million notional amount of swaption agreements that have variable maturities between February 10, 2020 and September 8, 2020, $6.6 million notional amount of short positions on British Pound Futures that have a maturity of March 16, 2020, and $1.5 million notional amount on short positions on Euro Futures that have a maturity of March 16, 2020.

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 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 and real estate markets and certain sectors of non-U.S. mortgage and real estate markets. Our management team evaluates investment opportunities in residential and commercial mortgage loans and securities and real estate. 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 and real estate markets, we believe our investment 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 in the 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 include a diversified portfolio of residential and commercial mortgage assets, financial assets and 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. These 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.

Allocation policy

Angelo Gordon has an investment allocation policy that governs the allocations of investment opportunities among itself and its clients, and this investment allocation policy also applies to our Manager and us. Pursuant to this policy, Angelo Gordon and our Manager allocate investment opportunities among its clients in a manner which is fair and equitable over time and does not favor one client or group of clients.

Investment opportunities in our target assets are generally allocated among us and the Angelo Gordon funds and accounts that are eligible to purchase target assets, on a pro rata basis based upon relative amounts of investment capital (including undrawn capital commitments) available for new investments by us or such Angelo Gordon funds or accounts, respectively. In addition to capital availability, Angelo Gordon considers the following additional factors, among others, when assigning investment opportunities among us and its other clients:

- existing ownership and target position size,
- investment objective or strategies,
- tax considerations,
- risk or investment concentration parameters,
- supply or demand for an investment at a given price level,
- cash availability and liquidity requirements,
- regulatory restrictions,
- minimum investment size,
- relative size or "buying power,"

- regulatory considerations, including the impact on our status under the Investment Company Act and our REIT status, and
- such other factors as may be relevant to a particular transaction.

In addition, 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 and/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 independent directors periodically review Angelo Gordon’s compliance with the investment allocation policy. To the extent permitted by law, Angelo Gordon is permitted to bunch or aggregate orders or to elect not to bunch or aggregate orders for a particular client account with orders for other accounts, notwithstanding that the effect of such bunching, aggregation or lack thereof may operate to the disadvantage of some clients.

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.

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, 2019, we elected to satisfy the REIT distribution requirements in part with dividends to be paid in 2020. In conjunction with this, we accrued an excise tax of $0.8 million in 2019, which is included in the "Other liabilities" line item on the consolidated balance sheets in Part II, Item 8 of this Annual Report on Form 10-K.

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, hedge funds, 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 500 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, 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 and can also be found on our website at www.agmit.com. 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.

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 Company, Business, and Operations

The residential mortgage loans that we acquire, the mortgages underlying the RMBS that we acquire, the commercial real estate loans we originate and 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 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 loan, which could have a material adverse effect on our cash flow from operations. In the event of the bankruptcy of a loan borrower, the 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 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 loan can be an expensive and lengthy process which could have a substantial negative effect on our anticipated return on the foreclosed 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 rising sea levels, 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 real estate loans are secured by multifamily or commercial properties 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.

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 interest margin, net income, and book value. It is also possible that short-term interest rates may exceed longer-term interest rates (a yield curve inversion), in which event our borrowing costs may exceed our interest income and we could incur operating losses. Additionally, to the extent cash flows from investments that return scheduled and unscheduled principal are reinvested, the spread between the yields on the new investments and available borrowing rates may decline, which would likely decrease our net income.

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

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.

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. Such models may incorrectly predict future values.

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.

Many of the models we use include LIBOR as an input. The expected transition away from LIBOR may require changes to models and may change the underlying economic relationships being modeled. We may incorrectly value LIBOR-based instruments because our models do not currently properly account for LIBOR cessation.

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.

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 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.

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 our Manager's 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 value of these investments are materially higher than the values that we ultimately realize upon their disposal.

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.

Environmentally hazardous conditions may adversely affect our financial condition, cash flows and operating results.

Under various federal, state and local environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Even if more than one person may have been responsible for the contamination, each person covered by applicable environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, natural resources or property damage or other costs, including investigation and clean-up costs, resulting from the environmental contamination. The presence of hazardous or toxic substances on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination, or otherwise adversely affect our ability to sell or lease the property or borrow using the property as collateral. Environmental laws also may impose restrictions on the manner in which properties may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, private parties. In connection with the acquisition and ownership of our properties, we may be exposed to such costs. The cost of defending against environmental claims, of compliance with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect our business, financial condition, results of operations and, consequently, amounts available for distribution to shareholders.

Compliance with new or more stringent environmental laws or regulations or stricter interpretation of existing laws may require material expenditures by us. We may be subject to environmental laws or regulations relating to our properties, such as those concerning lead-based paint, mold, asbestos, proximity to power lines or other issues. We cannot assure you that future laws, ordinances or regulations will not impose any material environmental liability, or that the current environmental condition of our properties will not be affected by the operations of residents, existing conditions of the land, operations in the vicinity of the properties or the activities of unrelated third parties. In addition, we may be required to comply with various local, state and federal fire, health, life-safety and similar regulations. Failure to comply with applicable laws and regulations could result in fines and/or damages, suspension of personnel, civil liability and/or other sanctions.

Financial institutions, in their capacity as trustee, may withhold funds to cover legal costs that would otherwise be due to owners of certain residential mortgage-backed securities.

A trustee could withhold funds that are supposed to be paid to the bondholders of securities in securitizations due to a variety of reasons, including legal costs related to potential claims that could be brought by investors in securitizations to recover losses suffered during the financial criss. If we hold securities in securitizations where funds are withheld by the trustees in such securitizations, we could incur losses that may materially and adversely affect our financial condition and results of operations.

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing proprietary and confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our investor relationships. As our reliance on technology has increased, so have the risks posed to its information systems, including those provided by the Manager and third-party service providers. Angelo Gordon’s processes, procedures and internal controls that are designed to mitigate cybersecurity risks and cyber intrusions do not guarantee that a cyber incident will not occur or that our financial results, operations or confidential information will not be negatively impacted by such an incident.

We are highly dependent on information systems when sharing information with third party service providers 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.

When we acquire residential mortgage loans, we come into possession of non-public personal information that an identity thief could utilize in engaging in fraudulent activity or theft. We may share this information with third party service providers, including those interested in acquiring such loans from us or with other third parties, as required or permitted by law. We may be liable for losses suffered by individuals whose personal information is stolen as a result of a breach of the security of the systems on which we or third-party service providers of ours store this information, or as a result of other mismanagement of such information, and any such liability could be material. Even if we are not liable for such losses, any breach of these systems could expose us to material costs in notifying affected individuals or other parties and providing credit monitoring services, as well as to regulatory fines or penalties. In addition, any breach of these systems could disrupt our normal business operations and expose us to reputational damage and lost business, revenues, and profits. Any insurance we maintain against the risk of this type of loss may not be sufficient to cover actual losses, or may not apply to the circumstances relating to any particular breach.

We are highly dependent on information systems of our Manager 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, unauthorized access or interruption of these networks or 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 our ability to make distributions to our stockholders.

System breaches in particular are evolving. Computer malware, viruses, computer hacking, phishing attacks, ransomware, and other electronic security breaches have become more frequent and more sophisticated. These breaches could result in disruptions of our communications and information systems, unauthorized release of confidential or proprietary information and damage or corruption of data. These events could lead to regulatory fines, higher operating costs from remedial actions, loss of business and potential liability.

Our Manager and its affiliates are and will continue to be from time to time the target of attempted cyber and other security threats. We rely on our Manager to continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact. There is no guarantee that these efforts will be successful. Even with all reasonable security efforts, not every breach can be prevented or even detected.

The failure of servicers to effectively service the mortgage loans underlying the RMBS and the Excess MSRs in our portfolio and the MSRs in Arc Home's portfolio or any mortgage loans or Excess MSRs we own and MSRs Arc Home owns may materially and adversely affect us.

Most residential mortgage loans, securitizations of residential mortgage loans, MSRs and Excess MSRs require a third-party servicer to manage collections on each of the underlying mortgage loans. We do not service the mortgage loans underlying the RMBS in our portfolio or any mortgage loans or Excess MSRs we own or any MSRs Arc Home owns, and we rely exclusively on these third-party servicers to provide for the primary and special servicing of these securities, mortgage loans, MSRs and Excess MSRs. In that capacity, these servicers 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 real estate owned ("REO") properties. 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 REO properties. 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. The failure of servicers to effectively service the mortgage loans underlying the RMBS in our portfolio, any mortgage loans or any Excess MSRs we own or any MSRs Are Home owns could negatively impact the value of our investments and our performance.

Servicer quality is of prime importance in the performance of residential mortgage loans, RMBS, Excess MSRs and MSRs. The servicer has a fiduciary obligation to act in the best interest of the securitization trust, but significant latitude exists with respect to its servicing activities. The servicer also has a contractual obligation to obey all laws and regulations (including federal, state, and local laws and regulations) and to act in accordance with applicable servicing standards; however, as we do not control these servicers, we cannot be sure that they are acting in accordance with their contractual obligations, which could expose us to regulatory scrutiny if the ownership of the loans is tied to the servicing of those loans. Our risk management operations may not be successful in limiting future delinquencies, defaults or losses. If a third-party servicer fails to perform its duties under the securitization documents or its duties to us, this may result in a material increase in delinquencies or losses on the MBS, mortgage loans, or Excess MSRs we own or the MSRs Arc Home owns or in a fine or adverse finding from a regulatory authority. As a result, the value of such MBS, mortgage loans, Excess MSRs or MSRs may be impacted, and we may incur losses on our investment. If a third-party servicer fails to perform its contractual duties to us, this may result in fines or adverse action from a regulatory authority if the ownership of loans is tied to the servicing of those loans.

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, which could cause us to incur losses that may materially and adversely affect us. In addition, when servicing is transferred, servicing fees may increase, which may have an adverse effect on the RMBS or Excess MSRs held by us or the MSRs held by Arc Home.

Arc Home is highly dependent upon programs administered by Fannie Mae, Freddie Mac and Ginnie Mae, including the ability to sell mortgage loans. Changes in the servicing or origination guidelines required by the Agencies, or changes in these entities or their current roles, could have a material adverse effect on Arc Home's business, financial position, results of operations or cash flows.

Arc Home sold a majority of its mortgage loans to Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac remain in conservatorship and a path forward to emerge from conservatorship is unclear. Their roles could be reduced, modified or eliminated and the nature of their guarantees could be limited or eliminated relative to historical measurements.

The elimination or modification of the traditional roles of Fannie Mae or Freddie Mac could significantly and adversely affect Arc Home's business, financial condition and results of operations. Furthermore, any discontinuation of, or significant reduction in, the operation of these agencies, any significant adverse change in the level of activity of these agencies in the primary or secondary mortgage markets could materially and adversely affect Arc Home’s business, financial condition and results of operations.

An economic slowdown or a deterioration of the housing market could increase both interest expense on servicing advances and operating expenses and could cause a reduction in income from, and the value of, Arc Home’s servicing portfolio.

During any period in which a borrower is not making payments, under most of its servicing agreements Arc Home is required to advance its own funds to meet contractual principal and interest remittance requirements for investors, pay property taxes and insurance premiums and process foreclosures. Arc Home also advances funds to maintain, repair and market real estate properties on behalf of investors. Most of its advances have the highest standing and are "top of the waterfall" so that Arc Home is entitled to repayment from respective loan or REO liquidations proceeds before most other claims on these proceeds, and in the majority of cases, advances in excess of respective loan or REO liquidation proceeds may be recovered from pool level proceeds. Consequently, the primary impact of an increase in advances is through increased interest expense as Arc Home finances a large portion of servicing advance obligations.

Higher delinquencies also increase Arc Home’s cost to service loans, as loans in default require more intensive effort to bring them current or manage the foreclosure process. An increase in delinquencies may delay the timing of revenue recognition because Arc Home recognizes servicing fees as earned, which is generally upon collection of payments from borrowers or proceeds from REO liquidations. An increase in delinquencies also generally leads to lower balances in custodial and escrow accounts (float balances) and lower net earnings on custodial and escrow accounts (float earnings). Additionally, an increase in delinquencies in our GSE servicing portfolio will result in lower revenue because Arc Home collects servicing fees from GSEs only on performing loans.

Foreclosures are involuntary prepayments resulting in a reduction in Unpaid Principal Balance ("UPB"). This may result in higher amortization expense as well as charges to recognize impairment and declines in the value of Arc Home’s MSRs.

Adverse economic conditions could also negatively impact our lending businesses. For example, during the economic crisis that began in 2007, total U.S. residential mortgage originations volume decreased substantially. Moreover, declining home prices and increasing loan-to-value ratios may preclude many potential borrowers from refinancing their existing loans. Further, an increase in prevailing interest rates could decrease originations volume.

Any of the foregoing could adversely affect Arc Home’s business, financial condition and results of operations.

Risks Related to our Agency Investments

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 fixed-rate 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 fixed-rate 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 fixed-rate 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.

Changes in prepayment rates may adversely affect the return on our investments.

Our investment portfolio includes securities backed by pools of mortgage loans which receive payments related to the underlying mortgage loans. When borrowers prepay their mortgage loans at rates faster or slower than anticipated, it exposes us to prepayment or extension risk. Generally, prepayments increase during periods of falling mortgage interest rates and decrease during periods of rising mortgage interest rates. However, this may not always be the case as other factors can affect the rate of prepayments, including loan age and size, loan-to-value ratios, housing price trends, general economic conditions and other factors.

If our assets prepay at a faster rate than anticipated, we may be unable to reinvest the repayments at acceptable yields. If the proceeds are reinvested at lower yields than our existing assets, our net interest margin would be negatively impacted. We also amortize or accrete any premiums and discounts we pay or receive at purchase relative to the stated principal of our assets into interest income over their projected lives using the effective interest method. If the actual and estimated future prepayment experience differs from our prior estimates, we are required to record an adjustment to interest income for the impact of the cumulative difference in the effective yield, which could negatively affect our interest income.

If our assets prepay at a slower rate than anticipated, our assets could extend beyond their expected maturities and we may have to finance our investments at potentially higher costs without the ability to reinvest principal into higher yielding securities. Additionally, if prepayment rates decrease due to a rising interest rate environment, the average life or duration of our fixed-rate assets would extend, but our interest rate swap maturities would remain fixed and, therefore, cover a smaller percentage of our funding exposure. This situation may also cause the market value of our assets to decline, while most of our hedging instruments would not receive any incremental offsetting gains.

To the extent that actual prepayment speeds differ from our expectations, our operating results could be adversely affected, and we could be forced to sell assets to maintain adequate liquidity, which could cause us to incur realized losses. In addition, should significant prepayments occur, there is no certainty that we will be able to identify acceptable new investments, which could reduce our invested capital or result in us investing in less favorable securities.

Prepayment rates are difficult to predict, and market conditions may disrupt the historical correlation between interest rate changes and prepayment trends.

Our success depends, in part, on our ability predict prepayment behavior under a variety of economic conditions and particularly the relationship between changing interest rates and the rate of prepayments. As part of our overall portfolio risk management, we analyze interest rate changes and prepayment trends separately and collectively to assess their effects on our investment portfolio. To a large extent our analysis is based on models that are dependent on a number of assumptions and inputs. Many of the assumptions we use are based upon historical trends with respect to the relationship between interest rates and prepayments under normal market conditions. There is risk that our assumptions are incorrect. Dislocations in the residential mortgage market and other developments may disrupt the relationship between the way that prepayment trends have historically responded to interest rate changes. Prepayment rates are also impacted by other factors beyond interest rates, such as when borrowers sell their property and use the proceeds to prepay their mortgage or when borrowers default on their mortgages and the mortgages are prepaid from the proceeds of a foreclosure sale of the property.

The impact of each of these factors on prepayment rates is difficult to predict and may negatively impact our ability to assess the market value of our investment portfolio, implement hedging strategies and/or implement techniques to reduce our prepayment rate volatility, which could adversely affect our financial condition and results of operations.

Our acquisition of Excess MSRs exposes us to significant risks.

We purchase Excess MSRs from third-party sellers and Arc Home. The Excess MSRs we acquire are recorded at fair value on our consolidated balance sheets. The determination of the fair value of Excess MSRs requires our Manager to make numerous estimates and assumptions. Such estimates and assumptions include, without limitation, estimates of future cash flows associated with Excess 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 Excess MSRs may be materially different than the fair values of such Excess MSRs as may be reflected in our consolidated 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 Excess MSRs we acquire.

Prepayment speeds significantly affect Excess MSRs. We base the price we pay for Excess MSRs and the rate of amortization of those assets on, among other things, our projection of the cash flows from the related pool of mortgage loans. Our expectation of prepayment speeds is a significant assumption underlying those cash flow projections. If prepayment speed expectations increase significantly, the fair value of the Excess MSRs could decline, and we may be required to record a non-cash charge, which would have a negative impact on our financial results. Furthermore, a significant increase in prepayment speeds could materially reduce the ultimate cash flows we receives from Excess MSRs, and we could ultimately receive substantially less than what we paid for such assets. Moreover, delinquency rates have a significant impact on the valuation of any Excess MSRs. If delinquencies are significantly greater than what we expect, the estimated fair value of the Excess MSRs could be diminished.

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 could adversely affect our financial condition and results of operations.

Risks Related to our Residential Investments

Residential mortgage loans, including RPLs, NPLs and Non-QMs, are subject to increased risks as compared to other structured products.

We acquire and manage residential mortgage loans. Residential mortgage loans, including RPLs, NPLs and Non-QMs, are subject to increased risk of loss. Unlike Agency RMBS, residential mortgage loans generally are not guaranteed by the U.S. Government or any GSE, though in some cases they may benefit from private mortgage insurance. Additionally, by directly acquiring residential mortgage loans, we do not receive the structural credit enhancements that benefit senior tranches of RMBS. A residential mortgage loan is directly exposed to losses resulting from default. Therefore, the value of the underlying property, the creditworthiness and financial position of the borrower, and the priority and enforceability of the lien will significantly impact the value of such mortgage loan. In the event of a foreclosure, we may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may not be sufficient to recover our cost basis in the loan, and any costs or delays involved in the foreclosure or liquidation process may increase losses.

Residential mortgage loans are also subject to property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property insurance policies and to reduction in a borrower's mortgage debt by a bankruptcy court. In addition, claims may be assessed against us on account of our position as a mortgage holder or property owner, including assignee liability, environmental hazards, and other liabilities. We could also be responsible for property taxes. In some cases, these liabilities may lead to losses in excess of the purchase price of the related mortgage or property.

We may acquire and sell from time to time Non-QMs, which may subject us to legal, regulatory and other risks, which could adversely impact our business and financial results.

The ownership of Non-QMs will subject us to legal, regulatory and other risks, including those arising under federal consumer protection laws and regulations designed to regulate residential mortgage loan underwriting and originators’ lending processes, standards, and disclosures to borrowers. These laws and regulations include the "ability-to-repay" rules ("ATR Rules") under the Truth-in-Lending Act and "qualified mortgage" regulations. The ATR Rules specify the characteristics of a "qualified mortgage" and two levels of presumption of compliance with the ATR Rules: a safe harbor and a rebuttable presumption for higher priced loans. The "safe harbor" under the ATR Rules applies to a covered transaction that meets the definition of "qualified mortgage" and is not a "higher-priced covered transaction." For any covered transaction that meets the definition of a "qualified mortgage" and is not a "higher-priced covered transaction," the creditor or assignee will be deemed to have complied with the ability-to-repay requirement and, accordingly, will be conclusively presumed to have made a good faith and reasonable determination of the consumer’s ability to repay. Creditors or assignees will have the benefit of a rebuttable presumption of compliance with the applicable ATR Rules if they have complied with the qualified mortgage characteristics of the ATR Rules other than the residential mortgage loan being higher-priced in excess of certain thresholds. Non-QMs, such as residential mortgage loans with a debt-to-income ratio exceeding 43%, are among the loan products that we may acquire that do not constitute qualified mortgages and, accordingly, do not have the benefit of either a safe harbor from liability under the ATR Rules or a rebuttable presumption of compliance with the ATR Rules. Application of certain standards set forth in the ATR Rules is highly subjective and subject to interpretive uncertainties. As a result, a court may determine that a residential mortgage loan did not meet the standard or test even if the originator reasonably believed such standard or test had been satisfied. Failure of residential mortgage loan originators or servicers to comply with these laws and regulations could subject us, as an assignee or purchaser of these loans (or as an investor in securities backed by these loans), to monetary penalties assessed by the CFPB through its administrative enforcement authority and by mortgagors through a private right of action against lenders or as a defense to foreclosure, including by recoupment or setoff of finance charges and fees collected, and could result in rescission of the affected residential mortgage loans, which could adversely impact our business and financial results. Such risks may be higher in connection with the acquisition of Non-QMs. Borrowers under Non-QMs may be more likely to challenge the analysis conducted under the ATR Rules by lenders. Even if a borrower does not succeed in the challenge, additional costs may be incurred in connection with challenging and defending such claims, which may be more costly in judicial foreclosure jurisdictions than in non-judicial foreclosure jurisdictions, and there may be more of a likelihood such claims are made since the borrower is already exposed to the judicial system to process the foreclosure.

We may engage in securitization transactions relating to residential mortgage loans which may expose us to potentially material risks.

Engaging in securitization transactions and other similar transactions generally requires us to accumulate loans or other assets prior to securitization. If demand for investing in securitization transactions weakens, we may be unable to complete the securitization of loans accumulated for that purpose, and we may have to hold them on our consolidated balance sheet. We make assumptions about the cash flows that will be generated from those loans and the market value of those loans. If these assumptions are wrong, or if market values change or other conditions change, it could result in a transaction that is less favorable to us than initially assumed, which would typically have a negative impact on our financial results.

Furthermore, if we are unable to complete the securitization of these loans, it could have a negative impact on our business and financial results. Our inability to securitize these loans would require us to secure financing in the form of repurchase agreements. Repurchase agreements may be shorter term in nature as compared to the financing term achieved by way of securitization and will subject us to the risk of margin calls and the risk that we may not be able to refinance these repurchase agreements. These risks may have an adverse impact on our business and our liquidity.

Prior to acquiring loans or other assets for securitizations, we may undertake underwriting and due diligence efforts with respect to various aspects of the loan or asset. When underwriting or conducting due diligence, we rely on resources and data available to us, which may be limited, and we rely on investigations by third parties. We may also only conduct due diligence on a sample of a pool of loans or assets we are acquiring and assume that the sample is representative of the entire pool. Our underwriting and due diligence efforts may not reveal matters which could lead to losses. If our underwriting process is not robust enough or if we do not conduct adequate due diligence, or the scope of our underwriting or due diligence is limited, we may incur losses. Losses could occur due to the fact that a counterparty that sold us a loan or other asset refuses or is unable (e.g., due to its financial condition) to repurchase that loan or asset or pay damages to us if we determine subsequent to purchase that one or more of the representations or warranties made to us in connection with the sale was inaccurate.

When engaging in securitization transactions, we may prepare marketing and disclosure documentation, including term sheets and prospectuses, that include disclosures regarding the securitization transactions and the assets being securitized. If our marketing and disclosure documentation are alleged or found to contain inaccuracies or omissions, we may be liable under federal and state securities laws (or under other laws) for damages to third parties that invest in these securitization transactions, including in circumstances where we relied on a third party in preparing accurate disclosures, or we may incur other expenses and costs in connection with disputing these allegations or settling claims. Additionally, we may retain various third-party service providers when we engage in securitization transactions, including underwriters or initial purchasers, trustees, administrative and paying agents, and custodians, among others. We may contractually agree to indemnify these service providers against various claims and losses they may suffer in connection with the provision of services to us and/or the securitization trust. To the extent any of these service providers are liable for damages to third parties that have invested in these securitization transactions, we may incur costs and expenses as a result of these indemnities.

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.

Our investments that are denominated in foreign currencies subject us to foreign currency risk, which may adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders.

Our investments that are denominated in foreign currencies subject us to foreign currency risk arising from fluctuations in exchange rates between such foreign currencies and the U.S. dollar. While we currently attempt to hedge the vast majority of our foreign currency exposure, subject to qualifying and maintaining our qualification as a REIT, we may not always choose to hedge such exposure, or we may not be able to hedge such exposure. To the extent that we are exposed to foreign currency risk, changes in exchange rates of such foreign currencies to the U.S. dollar may adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders.

Our ability to sell REO assets 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 REO assets could materially and adversely affect our liquidity, earnings and cash available for distribution to our stockholders.

Risks Related to our Commercial Investments

Commercial real estate-related investments that are secured, directly or indirectly, by real property are subject to delinquency, foreclosure and loss, which could result in losses to us.

Commercial real estate debt instruments (e.g., mortgages, mezzanine loans and preferred equity) that are secured by commercial property are subject to risks of delinquency and foreclosure and risks of 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 typically is dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower’s ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things:

- tenant mix and tenant bankruptcies;
- success of tenant businesses;
- property management decisions, including with respect to capital improvements, particularly in older building structures;
- property location and condition;
- competition from other properties offering the same or similar services;
- changes in laws that increase operating expenses or limit rents that may be charged;
- any liabilities relating to environmental matters at the property;
- changes in global, national, regional, or local economic conditions and/or specific industry segments;

- global trade disruption, significant introductions of trade barriers and bilateral trade frictions;
- declines in global, national, regional or local real estate values;
- declines in global, national, regional or local rental or occupancy rates;
- changes in interest rates, foreign exchange rates, and in the state of the credit and securitization markets and the debt and equity capital markets, including diminished availability or lack of debt financing for commercial real estate;
- changes in real estate tax rates, tax credits and other operating expenses;
- changes in governmental rules, regulations and fiscal policies, including income tax regulations and environmental legislation;
- acts of God, terrorism, social unrest and civil disturbances, which may decrease the availability of or increase the cost of insurance or result in uninsured losses; and
- adverse changes in zoning laws.

In addition, we are exposed to the risk of judicial proceedings with our borrowers and entities we invest in, including bankruptcy or other litigation, as a strategy to avoid foreclosure or enforcement of other rights by us as a lender or investor. In the event that any of the properties or entities underlying or collateralizing our loans or investments experiences any of the foregoing events or occurrences, the value of, and return on, such investments could be reduced, which would adversely affect our results of operations and financial condition.

There are increased risks involved with our construction lending activities.

Our construction lending activities, which include our investment in loans that fund the construction or development of real estate-related assets, may expose us to increased lending risks. Construction lending generally is considered to involve a higher degree of risk of non-payment and loss than other types of lending due to a variety of factors, including the difficulties in estimating construction costs and anticipating construction delays and, generally, the dependency on timely, successful completion and the lease-up and commencement of operations post-completion. In addition, since such loans generally entail greater risk than mortgage loans collateralized by an income-producing property, we may need to increase our allowance for loan losses in the future to account for the likely increase in probable incurred credit losses associated with such loans. Further, as the lender under a construction loan, we may be obligated to fund all or a significant portion of the loan at one or more future dates. We may not have the funds available at such future date(s) to meet our funding obligations under the loan. In that event, we would likely be in breach of the loan unless we are able to raise the funds from alternative sources, which we may not be able to achieve on favorable terms or at all.

If a borrower fails to complete the construction of a project or experiences cost overruns, there could be adverse consequences associated with the loan, including a decline in the value of the property securing the loan, a borrower claim against us for failure to perform under the loan documents if we choose to stop funding, increased costs to the borrower that the borrower is unable to pay, a bankruptcy filing by the borrower, and abandonment by the borrower of the collateral for the loan. Additionally, if another lender in the lending syndicate fails to fund, there could be adverse consequences associated with the loan and we may be required to loan additional amounts, especially if the borrower is unable to raise funds to complete the project from other sources.

If we do not have an adequate completion guarantee, risks of cost overruns and non-completion of renovation of the properties underlying rehabilitation loans may result in significant losses. The renovation, refurbishment or expansion of a mortgaged property by a borrower involves risks of cost overruns and non-completion. Estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. Other risks may include rehabilitation costs exceeding original estimates, possibly making a project uneconomical, environmental risks and rehabilitation and subsequent leasing of the property not being completed on schedule. If such renovation is not completed in a timely manner, or if it costs more than expected, the borrower may experience a prolonged impairment of net operating income and may not be able to make payments on our investment, which could result in significant losses.

Construction loans involve an increased risk of loss.

We have in the past and may in the future acquire and/or originate construction loans. If we fail to fund our entire commitment on a construction loan or if a borrower otherwise fails to complete the construction of a project, there could be adverse consequences associated with the loan, including: a loss of the value of the property securing the loan, especially if the borrower is unable to raise funds to complete it from other sources; a borrower claim against us for failure to perform under the loan documents; increased costs to the borrower that the borrower is unable to pay; a bankruptcy filing by the borrower; and abandonment by the borrower of the collateral for the loan.

If we do not have an adequate completion guarantee backed by a person or entity with sufficient creditworthiness, risks of cost overruns and non-completion of renovation of the properties underlying rehabilitation loans may result in significant losses. The renovation, refurbishment or expansion of a mortgaged property by a borrower involves risks of cost overruns and non-completion. Estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. Other risks may include rehabilitation costs exceeding original estimates, possibly making a project uneconomical, environmental risks and rehabilitation and subsequent leasing of the property not being completed on schedule. If such renovation is not completed in a timely manner, or if it costs more than expected, the borrower may experience a prolonged impairment of net operating income and may not be able to make payments on our investment, which could result in significant losses.

Risks associated with our management and our 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 and its affiliates, 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 or Angelo Gordon, although our Board of Directors does have direct authority over our officers who are supplied by our Manager. Accordingly, we are completely reliant upon, and our success depends exclusively on, our Manager's personnel, services, resources, facilities, relationships and contacts. No assurance can be given that our Manager will act in our best interests with respect to the allocation of personnel, services and resources to our business. In addition, the management agreement does not require our Manager to dedicate specific personnel to us or to require personnel servicing our business to allocate a specific amount of time to us. The failure of any of our Manager's key personnel to service our business with the requisite time and dedication, or the departure of such personnel from our Manager, or the failure of our Manager to attract and retain key personnel, would materially and adversely affect our ability to execute our business plan. Further, when there are turbulent conditions in the real estate industry, distress in the credit markets or other times when we will need focused support and assistance from our Manager, the attention of our Manager's personnel and executive officers and the resources of Angelo Gordon will also be required by the other funds and accounts managed by our Manager and its affiliates, placing our Manager's resources in high demand. In such situations, we may not receive the level of support and assistance that we may receive if we were internally managed or if our Manager and its affiliates did not act as a manager for other entities. If the management agreement is terminated and a suitable replacement for our Manager is not secured in a timely manner or at all, we would likely be unable to execute our business plan, which would materially and adversely affect us.

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 and its affiliates 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 investment 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 of our Manager and its affiliates may also invest in other entities managed by other Angelo Gordon entities 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 differ across Angelo Gordon clients or affiliates. These instances may result in conflicts of interest which may adversely affect our operations.

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

Our Manager may make, or may be required to make, investment decisions on our behalf where our trading counterparty is an entity affiliated with or an account managed by our Manager or its affiliates. Although we have adopted an Affiliated Transactions Policy, which specifically addresses the requirements of these types of trades, there is no assurance that this policy will ensure the most favorable outcome for us or will 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. As the investment programs of the various entities and accounts managed by our Manager and its affiliates change over time, additional issues and considerations may affect our Affiliated Transactions Policy and our Manager's expectations with respect to such transactions, which could adversely affect our operations.

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

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 as further discussed in Part II, 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.

The ownership by our executive officers and directors of equity interests or limited partnership interests in entities managed by affiliates of our Manager may create, or may create the appearance of, conflicts of interest.

Some of our officers may hold executive or management positions with other entities managed by affiliates of our Manager and some of our officers and directors may own equity interests or limited partnership interests in such entities. Such ownership may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for such entities than they do for us.

Certain members of our management team may have or may be granted a stake in our Manager or its affiliates. The owners of the Manager or its affiliates may be entitled to receive profit from the management fee we pay to our Manager either in the form of distributions by our Manager or increased value of their ownership interests (whether direct or indirect) in the Manager. This may cause our management to have interests that conflict with our interests and those of our stockholders.

Our governance and operational structure could result in conflicts of interest.

Our Manager is managed by Angelo Gordon, whose interests may not always be aligned with ours or our Manager's. The employees of Angelo Gordon that devote time to managing our business may have conflicting interests between us and Angelo Gordon when managing our business. Angelo Gordon may decide to sell or transfer an equity interest in the Manager, which could increase the potential conflicts.

There are conflicts of interest inherent in our relationship with our Manager insofar as our Manager and its affiliates invest in real estate and other securities and loans, consumer loans and interests in Excess MSRs and whose investment objectives overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. Certain employees of our Manager and its affiliates who are our officers also may serve as officers and/or directors of these other entities. We may compete with entities affiliated with our Manager for certain target assets. From time to time, affiliates of our Manager focus on investments in assets with a similar profile as our target assets that we may seek to acquire. These affiliates may have meaningful purchasing capacity. To the extent such other investment vehicles acquire or divest of the same target assets as us, the scope of opportunities otherwise available to us may be adversely affected and/or reduced.

We have broad investment guidelines, and we have co-invested and may co-invest with Angelo Gordon funds in a variety of investments. We also may invest in securities that are senior or junior to securities owned by funds managed by our Manager or its affiliates. There can be no assurance that any procedural protections will be sufficient to assure that these transactions will be made on terms that will be at least as favorable to us as those that would have been obtained in an arm's length transaction.

Our Manager will not be liable to us for any acts or omissions performed in accordance with the Management Agreement, including with respect to the performance of our investments.

Pursuant to our Management Agreement, our Manager will not assume any responsibility other than to render the services called for thereunder in good faith and will not be responsible for any action of our Board of Directors in following or declining to follow its advice or recommendations. Our Manager maintains a contractual as opposed to a fiduciary relationship with us. Our Manager, its members, managers, officers and employees will not be liable to us or any of our subsidiaries, to our Board of Directors, or our or any subsidiary's stockholders or partners for any acts or omissions by our Manager, its members, managers, officers or employees, except by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement. We shall, to the full extent lawful, reimburse, indemnify and hold our Manager, its members, managers, officers and employees and each other person, if any, controlling our Manager harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorneys' fees) in respect of or arising from any acts or omissions of an indemnified party made in good faith in the performance of our Manager's duties under our Management Agreement and not constituting such indemnified party's bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement.

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, 2019, 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 our management agreement, which could materially adversely affect our business.

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

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

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

In connection with our investments in residential mortgage loans and Re/Non-Performing Loans, we engage asset managers to provide advisory, consultation, asset management and other services to help our third-party servicers formulate and implement strategic plans to manage, collect and dispose of loans in a manner that is reasonably expected to maximize the amount of proceeds from each loan. We engaged the Asset Manager, a related party of the Manager and direct subsidiary of Angelo Gordon, as the asset manager for certain of our residential mortgage loans and Re/Non-Performing Loans. We pay separate arm's-length asset management fees as assessed and confirmed by a third-party valuation firm for (i) non-performing loans and (ii) re-performing 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 Financing Activities

We depend, and may in the future depend, on multiple sources of 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 leverage 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 may have a materially adverse effect on our ability to access or maintain short-term financing for our target assets.

We provide no assurance that we will be successful in establishing sufficient sources of warehouse, repurchase facilities or other debt financing 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 our target assets, which could have a material adverse effect on our financial results, financial condition, and business.

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

We use leverage to finance our assets through borrowings from financing arrangements, including 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. Subject to market conditions and availability, we may further increase our debt in the future. In addition, we may leverage individual assets at substantially higher levels than others. 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 increase the cost of our financing, which 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.

The use of non-recourse long-term financing structures expose us to risks, which could result in losses to us.

We use securitization financing for certain of our residential whole loan investments. In such structures, our financing sources typically have only a claim against the assets included in a securitization rather than a general claim against us as an entity. Prior to any such financing, we generally seek to finance our investments with relatively short-term repurchase agreements until a sufficient portfolio of assets is accumulated. As a result, we are subject to the risk that we would not be able to acquire, during the period that any short-term repurchase agreements are available, sufficient eligible assets or securities to maximize the efficiency of a securitization.

We also bear the risk that we would not be able to obtain new short-term repurchase agreements or would not be able to renew any short-term repurchase agreements after they expire should we need more time to seek and acquire sufficient eligible assets or securities for a securitization. In addition, conditions in the capital markets may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets or securities. While we would generally intend to retain a portion of the interests issued under such securitizations and, therefore, still have exposure to any investments included in such securitizations, our inability to enter into such securitizations may increase our overall exposure to risks associated with direct ownership of such investments, including the risk of default. If we are unable to obtain and renew short-term repurchase agreements or to consummate securitizations to finance the selected investments on a long-term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price. These financing arrangements require us to make certain representations and warranties regarding the assets that collateralize the borrowings. Although we perform due diligence on the assets that we acquire, certain representations and warranties that we make in respect of such assets may ultimately be determined to be inaccurate. Such representations and warranties may include, but are not limited to, issues such as the validity of the lien; the absence of delinquent taxes or other liens; the loans' compliance with all local, state and federal laws and the delivery of all documents required to perfect title to the lien. In the event of a breach of a representation or warranty, we may be required to repurchase affected loans, make indemnification payments to certain indemnified parties or address any claims associated with such breach. Further, we may have limited or no recourse against the seller from whom we purchased the loans.

Such recourse may be limited due to a variety of factors, including the absence of a representation or warranty from the seller corresponding to the representation provided by us or the contractual expiration thereof. A breach of a representation or warranty could adversely affect our results of operations and liquidity.

Certain of our financing arrangements are rated by one or more rating agencies and we may sponsor financing facilities in the future that are rated by credit agencies. The related agency or rating agencies may suspend rating notes at any time. Rating agency delays may result in our inability to obtain timely ratings on new notes, which could adversely impact the availability of borrowings or the interest rates, advance rates or other financing terms and adversely affect our results of operations and liquidity. Further, if we are unable to secure ratings from other agencies, limited investor demand for unrated notes could result in further adverse changes to our liquidity and profitability.

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

As of December 31, 2019, we, either directly or through our equity method investments in affiliates, have outstanding MRAs or loan agreements with 44 counterparties under which we had borrowed an aggregate $3.2 billion and $3.5 billion on a GAAP basis and a non-GAAP basis, respectively. These agreements generally include customary representations, warranties and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each agreement, typical supplemental terms include requirements of minimum equity, leverage ratios, performance triggers or other financial ratios. 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.

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, 2019, we had greater than 5% stockholders' equity at risk on a GAAP basis with 2 repurchase agreement counterparties: Barclays Capital Inc. and Citigroup Global Markets Inc. On December 31, 2019, we had greater than 5% stockholders’ equity at risk on a non-GAAP basis with each of 3 repurchase agreement counterparties: Barclays Capital Inc, Citigroup Global Markets Inc., and Credit Suisse 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, impacting our legal title and the right to proceeds. In the event of the insolvency or bankruptcy of a lender during the term of a repurchase agreement, the lender may be permitted, under applicable insolvency laws, to repudiate the contract, and our claim against the lender for damages may be treated simply as that of an unsecured creditor. In addition, if the lender is a broker or dealer subject to the Securities Investor Protection Act of 1970, or an insured depository institution subject to the Federal Deposit Insurance Act, our ability to exercise our rights to recover our securities under a repurchase 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 are generally more susceptible to margin calls as periods of increased interest rates tend to affect more negatively the market value of fixed-rate securities. In addition, some collateral may be more illiquid than other instruments in which we invest, which could cause them to be more susceptible to margin calls in a volatile market environment. Moreover, collateral that prepays more quickly increases the frequency and magnitude of potential margin calls as there is a significant time lag between when the prepayment is reported (which reduces the market value of the security) and when the principal payment is actually received. If we are unable to satisfy margin calls, our lenders may foreclose on our collateral. The threat of or occurrence of a margin call could force us to sell, either directly or through a foreclosure, our collateral under adverse market conditions. Because of the leverage we expect to have, we may incur substantial losses upon the threat or occurrence of a margin call.

Changes in the method pursuant to which LIBOR is determined, or a discontinuation of LIBOR, may adversely affect the value of the financial obligations to be held or issued by us that are linked to LIBOR.

LIBOR and other indices which are deemed "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past, or have other consequences which cannot be predicted. In particular, regulators and law enforcement agencies in the U.K. and elsewhere conducted criminal and civil investigations into whether the banks that contributed information to the British Bankers’ Association ("BBA") in connection with the daily calculation of various LIBOR rates ("LIBOR rates") may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR rates. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to this alleged manipulation of LIBOR rates. LIBOR rates are calculated by reference to a market for interbank lending that continues to shrink, as it is based on increasingly fewer actual transactions. This increases the subjectivity of the calculation process and increases the risk of manipulation. Actions by the regulators or law enforcement agencies, as well as ICE Benchmark Administration (the current administrator), may result in changes to the manner in which LIBOR rates are determined or the establishment of alternative reference rates. For example, on July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021.

It is likely that, over time, U.S. Dollar LIBOR ("USD-LIBOR") will be replaced by the Secured Overnight Financing Rate ("SOFR") published by the Federal Reserve Bank of New York. The manner and timing of this shift is not known with certainty. It is possible, but unlikely, that USD-LIBOR will be used in instruments created after 2021. Global regulators are encouraging regulated institutions to make the shift earlier. For each existing LIBOR-based instrument, the manner and timing of the switch depends on the terms of the relevant contract and the specifics of future events

SOFR is not an exact replacement for USD-LIBOR. USD-LIBOR accounts for bank credit risk, while SOFR does not. Therefore, LIBOR and SOFR are expected to behave differently at times when market participants are concerned about the financial strength of banks. Also, SOFR is an overnight rate instead of a term rate. There is currently no perfect way to create robust, forward-looking SOFR term rates. A large and liquid market in SOFR-based futures could eventually lead to the ability to calculate forward-looking SOFR term rates, but currently the SOFR-based futures market is small relative to LIBOR-based futures markets. Regulators and other members of the Alternative Reference Rates Committee ("ARRC") have indicated that market participants should stop using USD-LIBOR now, despite the unavailability of a forward-looking SOFR term rate. However, a large majority of new issuance of floating-rate instruments, including some transactions in which we are issuer or sponsor, still reference USD-LIBOR.

Regulators and other members of the ARRC have also indicated that all instruments that reference USD-LIBOR should include robust fallbacks. The ARRC has published fallbacks for several asset types, and the International Swaps and Derivatives Association ("ISDA") is preparing documentation to implement fallbacks for derivatives. ISDA has not yet published its documentation, and there is no certainty about what ISDA's recommendations will be.

Switching existing financial instruments and hedging transactions from LIBOR to SOFR requires calculations of a spread. ISDA has described the spread calculation methodology that will apply to derivatives that adopt the ISDA recommendations for derivatives. The spread calculation methodology for non-derivatives is currently not known. The spread calculation is intended to minimize value transfer between counterparties, borrowers, and lenders, but there is no assurance that the calculated spread will be fair and accurate.

The fallbacks recommended by the ARRC are different for various non-derivative instruments, the fallbacks recommended by ARRC will likely differ from the fallbacks recommended by ISDA, and not all USD-LIBOR-based instruments will incorporate the recommended fallbacks. This could result in unexpected differences between our USD-LIBOR-based assets and our USD-LIBOR-based interest rate hedges.

Many existing USD-LIBOR-based instruments either do not contemplate the discontinuation of LIBOR, provide a fallback that in practice will make the instrument fixed-rate, or provide a fallback that one party may believe is contrary to the contractual intent. We may incur costs amending those instruments to implement fallbacks recommended by the ARRC or ISDA. We may decide not to amend, in which case we may bear the cost and risk of litigation. Some instruments, particularly consumer-facing adjustable-rate mortgages, are impractical to amend. With respect to those instruments, we may bear the cost and risk of litigation. Our lenders may be less willing to extend credit secured by assets that do not include robust fallbacks.

We and other market participants have less experience understanding and modeling SOFR-based assets and liabilities than LIBOR-based assets and liabilities, increasing the difficulty of investing, hedging, and risk management. Because the impact of USD-LIBOR cessation is dependent on unknown future facts, the language of individual contracts, and the outcome of potential future litigation, it is not currently practical for our valuation models to account for the cessation of LIBOR. We use service providers to validate the fair values of certain financial instruments. We are not aware of those service providers accounting for the cessation of LIBOR in their pricing models.

The process of transition involves operational risks. References to USD-LIBOR may be embedded in computer code or models, and we may not identify and correct all of those references. Because compounded SOFR is backward-looking rather than forward-looking, parties making or receiving USD-LIBOR-based payments may be unable to calculate payment amounts until the day that payment is due. Proposed mechanisms to solve the operational timing issue may result in a payment amount that does not fully reflect interest rates during the calculation period.

It is also possible that USD-LIBOR will continue to be published without being representative of any underlying market, meaning that some instruments would continue to be subject to the weaknesses of the LIBOR calculation process. A rate may also be published that continues to be named USD-LIBOR and therefore continues to be used for certain contracts, but is calculated pursuant to an entirely different methodology. Preparing for and addressing the cessation of USD-LIBOR cessation may require significant time and resources.

Holders of our fixed-to-floating preferred shares should refer to the relevant prospectus to understand the USD-LIBOR-cessation provisions applicable to that class. We do not currently intend to amend any classes of our fixed-to-floating preferred shares to change the existing USD-LIBOR cessation fallbacks. Each such class that is currently outstanding becomes callable at the same time it begins to pay a USD-LIBOR-based rate. Should we choose to call a class of preferred shares in order to avoid a dispute over the results of the USD-LIBOR fallbacks for that class, we may be forced to raise additional funds at an unfavorable time.

Risks Related to our Hedging Activities

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

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 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;
- the hedging counterparty owing the money in the hedging transaction may default on its obligation to pay; and
- we hedge incorrectly.

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 may be impractical 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. Contingent liabilities, such as previously described, and the need to fund these obligations could adversely impact our financial condition.

Our hedging strategies are generally not designed to mitigate 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 swaps, 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.

Hedging may adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

We pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates and currency exchange rates. Our hedging activity varies in scope based on the level and volatility of interest rates, currency exchange rates, the type of assets held and other changing market conditions. Hedging may fail to protect or could adversely affect us because, among other things:

- interest rate and/or currency hedging can be expensive, particularly during periods of rising and volatile markets;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;

- the duration of the hedges may not match the duration of the liabilities;
- the amount of income that a REIT may earn from hedging transactions (other than hedging transactions that satisfy certain requirements of the Internal Revenue Code or that are done through a taxable REIT subsidiary ("TRS")) to offset interest rate losses is limited by U.S. federal tax provisions governing REITs;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

Our hedging transactions, which are intended to limit losses, may actually adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

In addition, the enforceability of agreements underlying hedging transactions may depend on compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. Any actions taken by regulators could constrain our investment strategy and could increase our costs, either of which could materially and adversely impact our results of operations.

Our hedging strategies may be costly, and may not hedge our risks as intended.

Our policies permit us to enter into interest rate swaps, caps and floors, interest rate swaptions, interest rate futures, and other derivative transactions to help us mitigate our interest rate and prepayment risks described above subject to maintaining our qualification as a REIT and our Investment Company Act exemption. We have used interest rate swaps and options to enter into interest rate swaps (commonly referred to as interest rate swaptions) to provide a level of protection against interest rate risks. We may also purchase or sell TBAs on Agency mortgage-backed securities, purchase or write put or call options on TBAs and invest in other types of mortgage derivatives, such as interest-only securities. No hedging strategy can protect us completely. Entering into interest rate hedging may fail to protect or could adversely affect us because, among other things: interest rate hedging can be expensive, particularly during periods of volatile interest rates; available hedges may not correspond directly with the risk for which protection is sought; and the duration of the hedge may not match the duration of the related asset or liability. The expected transition from LIBOR to alternative reference rates adds additional complication to our hedging strategies.

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, financial condition and results of operations.

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. Maintaining our qualification as a REIT requires us to meet various tests regarding the nature of our assets and our income, the ownership of our outstanding stock, and the amount of our distributions on an ongoing basis.

Our ability to satisfy the asset tests depends upon the characterization and fair values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the annual REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Although we intend to operate so that we will maintain our qualification as a REIT, 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.

We also own an interest in an entity that has elected to be taxed as a REIT under the U.S. federal income tax laws, or a "Subsidiary REIT." The Subsidiary REIT is subject to the various REIT qualification requirements that are applicable to us. If the Subsidiary REIT were to fail to qualify as a REIT, then (i) that Subsidiary REIT would become subject to regular U.S. federal, state and local corporate income tax, (ii) our interest in such Subsidiary REIT would cease to be a qualifying asset for purposes of the REIT asset tests, and (iii) it is possible that we would fail certain of the REIT asset tests, in which event we also would fail to qualify as a

REIT unless we could avail ourselves of certain relief provisions. While we believe that the Subsidiary REIT has qualified as a REIT under the Code, we have joined the Subsidiary REIT in filing a "protective" TRS election under Section 856(l) of the Code. We cannot assure you that such "protective" TRS election would be effective to avoid adverse consequences to us. Moreover, even if the "protective" election were to be effective, we cannot assure you that we would not fail to satisfy the requirement that not more than 20% of the value of our total assets may be represented by the securities of one or more TRSs.

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

Complying with the REIT requirements can be difficult and may cause us to 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.

Our failure to maintain our qualification as a REIT could cause our stock to be delisted from the NYSE.

If we fail to maintain our REIT status, our shares could be delisted from or suspended from trading by the NYSE, which would decrease the trading activity of such shares. This could make it difficult to sell shares and would likely cause the market volume of the shares trading to decline. If we were delisted or trading in our stock was suspended as a result of losing our REIT status and we desired to continue listing our shares on the NYSE, we would have to meet the NYSE’s listing requirements for domestic corporations. As the NYSE’s listing standards for REITs are less onerous than its standards for domestic corporations, it would be more difficult for us to maintain our listing under these heightened standards and we might not be able to satisfy the NYSE’s listing standards for a domestic corporation.

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.

Our ownership of and relationship with our TRSs will be limited, and a failure to comply with the limits would jeopardize our REIT status and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation (other than a REIT) of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of a REIT's total assets may consist of stock or securities of one or more TRSs. A domestic TRS will pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation, and in certain circumstances, the ability of our TRSs to deduct net business interest expenses generally may be limited. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

Uncertainty exists with respect to the treatment of our TBAs for purposes of the REIT asset and income tests.

We purchase and sell Agency RMBS through TBAs and recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise, and may continue to do so in the future. While there is no direct authority with respect to the qualification of TBAs as real estate assets or U.S. Government securities for purposes of the REIT 75% asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property or other qualifying income for purposes of the REIT 75% gross income test, we treat our TBAs under which we contract to purchase a to-be-announced Agency RMBS ("long TBAs") as qualifying assets for purposes of the REIT 75% asset test, and we treat income and gains from our long TBAs as qualifying income for purposes of the REIT 75% gross income test, based on an opinion of counsel substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a long TBA should be treated as ownership of real estate assets, and (ii) for purposes of the REIT 75% gross income test, any gain recognized by us in connection with the settlement of our long TBAs should be treated as gain from the sale or disposition of an interest in mortgages on real property. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that the opinion of counsel is based on various assumptions relating to our TBAs and is conditioned upon fact-based representations and covenants made by our management regarding our TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge the opinion of counsel, we could be subject to a penalty tax or we could fail to remain qualified as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs.

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 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.

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.

Certain financing activities may subject us to U.S. federal income tax and could have negative tax consequences for our stockholders.

We may enter into securitization transactions and other financing transactions that could result in us, or a portion of our assets, being treated as a taxable mortgage pool for U.S. federal income tax purposes. If we enter into such a transaction in the future, we could be taxable at the highest corporate income tax rate on a portion of the income arising from a taxable mortgage pool, referred to as "excess inclusion income," that is allocable to the percentage of our shares held in record name by disqualified organizations (generally tax-exempt entities that are exempt from the tax on unrelated business taxable income, such as state pension plans and charitable remainder trusts and government entities). In that case, we could reduce distributions to such stockholders by the amount of tax paid by us that is attributable to such stockholder's ownership.

If we were to realize excess inclusion income, IRS guidance indicates that the excess inclusion income would be allocated among our stockholders in proportion to the dividends paid. Excess inclusion income cannot be offset by losses of a stockholder. If the stockholder is a tax-exempt entity and not a disqualified organization, then this income would be fully taxable as unrelated business taxable income under Section 512 of the Code. If the stockholder is a foreign person, it would be subject to U.S. federal income tax at the maximum tax rate and withholding will be required on this income without reduction or exemption pursuant to any otherwise applicable income tax treaty.

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. The share ownership limit is based upon direct or indirect ownership by "persons," which is defined to include entities and certain groups of stockholders. Our share ownership limits might delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

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

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 U.S. 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.

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 our stockholders 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 U.S. government programs

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

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. 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. 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, 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.

New laws may be passed affecting the relationship between Fannie Mae and Freddie Mac, on the one hand, and the federal government, on the other, which could adversely affect the price of, or our ability to invest in and finance Agency mortgage-backed securities.

The interest and principal payments we expect to receive on the Agency mortgage-backed securities in which we invest are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. Principal and interest payments on Ginnie Mae certificates are directly guaranteed by the U.S. government. Principal and interest payments relating to the securities issued by Fannie Mae and Freddie Mac are only guaranteed by each respective Agency.

In September 2008, Fannie Mae and Freddie Mac were placed into the conservatorship of the FHFA, their federal regulator, pursuant to its powers under The Federal Housing Finance Regulatory Reform Act of 2008, a part of the Housing and Economic Recovery Act of 2008. In addition to FHFA becoming the conservator of Fannie Mae and Freddie Mac, the U.S. Department of the Treasury entered into Preferred Stock Purchase Agreements with the FHFA and have taken various actions intended to provide Fannie Mae and Freddie Mac with additional liquidity in an effort to ensure their financial stability. In September 2019, FHFA and the U.S. Treasury Department agreed to modifications to the Preferred Stock Purchase Agreements that will permit Fannie Mae and Freddie Mac to maintain capital reserves of $25 billion and $20 billion, respectively.

Shortly after Fannie Mae and Freddie Mac were placed in federal conservatorship, the Secretary of the U.S. Treasury suggested that the guarantee payment structure of Fannie Mae and Freddie Mac in the U.S. housing finance market should be re-examined. The future roles of Fannie Mae and Freddie Mac could be significantly reduced and the nature of their guarantees could be eliminated or considerably limited relative to historical measurements. The U.S. Treasury could also stop providing credit support to Fannie Mae and Freddie Mac in the future. Any changes to the nature of the guarantees provided by Fannie Mae and Freddie Mac could redefine what constitutes an Agency mortgage-backed security and could have broad adverse market implications. If Fannie Mae or Freddie Mac was eliminated, or their structures were to change in a material manner that is not compatible with our business model, we would not be able to acquire Agency mortgage-backed securities from these entities, which could adversely affect our business operations.

The implementation of the Single Security Initiative may adversely affect our results and financial condition.

The Single Security Initiative is a joint initiative of Fannie Mae and Freddie Mac (the Enterprises), under the direction of the FHFA, the Enterprises' regulator and conservator, to develop a common security MBS issued by the Enterprises.

Our liquidity is typically reduced each month when we receive margin calls related to factor changes, and typically increased each month when we receive payment of principal and interest on Fannie Mae and Freddie Mac securities. Legacy Freddie Mac securities pay principal and interest earlier in the month than Fannie Mae and Uniform Mortgage Backed Securities ("UMBS"), meaning that legacy Freddie Mac positions reduce the period of time between meeting factor-related margin calls and receiving principal and interest. The percentage of legacy Freddie Mac positions in the market and in our portfolio will likely decrease over time as those securities are converted to UMBS or pay off.

The FHFA recently released a Request For Input regarding pooling practices and other topics relating to aligning the prepayment speeds of UMBS issued by each of the Enterprises. There is no certainty about what, if any, changes may result from the Request For Input. Some of the proposals described in the Request For Input, if implemented, could negatively impact the Agency mortgage-backed securities market and could make it more difficult for us to comply with our Investment Company Act exemption.

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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2019, 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 and claims arising in the ordinary course of our business. In addition, in the ordinary course of business, we can be and are involved in governmental and regulatory examinations, information gathering requests, investigations and proceedings. 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 14, 2020, there were 32,748,720 shares of common stock outstanding and approximately 37 registered holders of our common stock. The 37 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	
2019	**High**	**Low**
First Quarter	$ 18.49	$ 15.62
Second Quarter	17.32	15.25
Third Quarter	16.51	14.86
Fourth Quarter	16.05	14.67
2018	**High**	**Low**
First Quarter	$ 19.01	$ 16.31
Second Quarter	19.69	17.00
Third Quarter	19.60	17.93
Fourth Quarter	18.36	15.52

2019

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/15/2019	3/29/2019	4/30/2019	$ 0.50
6/14/2019	6/28/2019	7/31/2019	0.50
9/6/2019	9/30/2019	10/31/2019	0.45
12/13/2019	12/31/2019	1/31/2020	0.45
Total			**$ 1.90**

2018

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/15/2018	3/29/2018	4/30/2018	$ 0.475
6/18/2018	6/29/2018	7/31/2018	0.50
9/14/2018	9/28/2018	10/31/2018	0.50
12/14/2018	12/31/2018	1/31/2019	0.50
Total			**$ 1.975**

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," among others. 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

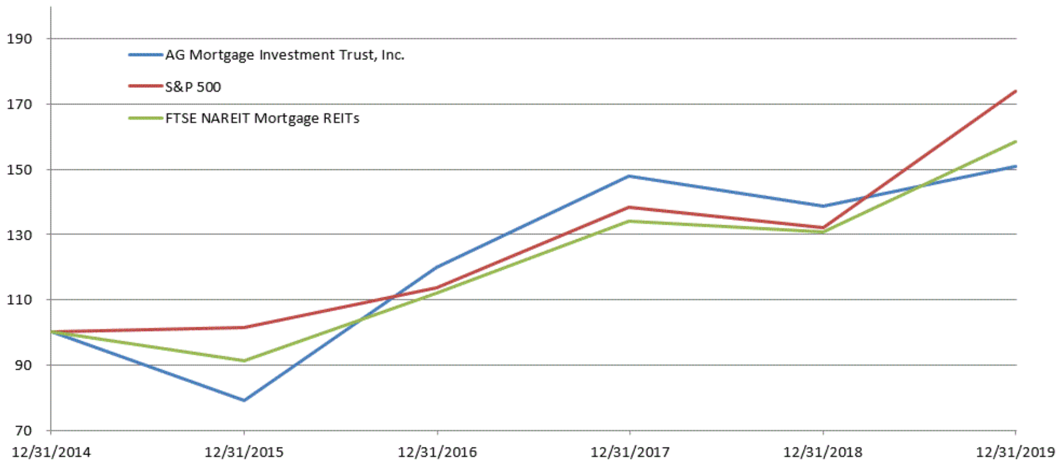
We have adopted equity incentive plans to provide incentive compensation to attract and retain qualified directors, officers, advisors, consultants and other personnel, including our Manager and personnel of our Manager and its affiliates. The total number of shares that may be made subject to awards 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, 2019:

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	—	$ —	17,921
Equity compensation plans not approved by stockholders	—	—	—
Total	—	$ —	17,921

Performance graph

The following graph provides a comparison of the cumulative total return on our common stock from December 31, 2014 to the NYSE closing price per share on December 31, 2019 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.



	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
AG Mortgage Investment Trust, Inc.	$100	$79	$120	$148	$139	$151
S&P 500	$100	$101	$114	$138	$132	$174
FTSE NAREIT Mortgage REITs	$100	$91	$112	$134	$131	$158

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.

(in thousands)	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Balance Sheet Data:					
Real estate securities, at fair value:					
Agency	$ 2,315,439	$ 1,988,280	$ 2,247,161	$ 1,057,664	$ 1,201,442
Non-Agency	717,470	625,350	1,004,256	1,043,017	1,229,811
ABS	—	21,160	40,958	21,232	54,762
CMBS	416,923	261,385	220,169	211,653	148,949
Residential mortgage loans, at fair value	417,785	186,096	18,890	38,196	57,080
Commercial loans, at fair value	158,686	98,574	57,521	60,069	72,800
Investments in debt and equity of affiliates	156,311	84,892	99,696	72,216	43,040
Excess mortgage servicing rights, at fair value	17,775	26,650	5,084	413	425
Cash and cash equivalents	81,692	31,579	15,200	52,470	46,253
Total assets	4,347,817	3,548,926	3,789,295	2,628,645	3,164,076
Financing arrangements	3,233,468	2,720,488	3,004,407	1,900,510	2,034,963
Securitized debt	224,348	10,858	16,478	21,492	30,047
Dividend payable	14,734	14,372	13,392	13,158	13,496
Stockholders' equity	849,046	656,011	714,259	655,876	666,945

(in thousands, except per share data)	Year Ended December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Statement of Operations Data:					
Net Interest Income					
Interest income	$ 171,660	$ 156,475	$ 128,845	$ 123,006	$ 141,273
Interest expense	90,108	70,502	43,722	33,785	31,230
Total Net Interest Income	81,552	85,973	85,123	89,221	110,043
Other Income/(Loss)					
Net realized gain/(loss)	(50,822)	(39,450)	(13,986)	(10,391)	(17,148)
Net interest component of interest rate swaps	7,736	2,230	(7,763)	(6,010)	(13,205)
Unrealized gain/(loss) on real estate securities and loans, net	83,832	(20,940)	45,529	2,673	(32,492)
Unrealized gain/(loss) on derivative and other instruments, net	(312)	(13,538)	19,813	8,613	(12,181)
Foreign currency gain/(loss), net	(2,512)	—	—	—	—
Expenses					
Management fee to affiliate	9,825	9,544	9,835	9,809	9,971
Other operating expenses	18,638	14,885	10,965	10,291	12,357
Excise tax	531	1,500	1,500	1,513	1,500
Servicing fees	1,619	433	234	404	671
Equity in earnings/(loss) from affiliates	7,644	15,593	12,622	1,519	3,398
Net Income/(Loss) from Continuing Operations	97,338	3,504	118,558	63,683	13,818
Net Income/(Loss) from Discontinued Operations	(4,416)	(1,936)	—	—	—
Net Income/(Loss)	92,922	1,568	118,558	63,683	13,818
Dividends on preferred stock (1)	16,122	13,469	13,469	13,469	13,469
Net Income/(Loss) Available to Common Stockholders	$ 76,800	$ (11,901)	$ 105,089	$ 50,214	$ 349
Share Data:					
Earnings/(Loss) Per Share - Basic					
Continuing Operations	$ 2.52	$ (0.35)	$ 3.77	$ 1.80	$ 0.01
Discontinued Operations	(0.13)	(0.07)	—	—	—
Total Earnings/(Loss) Per Common Share	$ 2.39	$ (0.42)	$ 3.77	$ 1.80	$ 0.01
Earnings/(Loss) Per Share - Diluted					
Continuing Operations	$ 2.52	$ (0.35)	$ 3.77	$ 1.80	$ 0.01
Discontinued Operations	(0.13)	(0.07)	—	—	—
Total Earnings/(Loss) Per Common Share	$ 2.39	$ (0.42)	$ 3.77	$ 1.80	$ 0.01
Dividends Declared Per Share of Common Stock	$ 1.90	$ 1.975	$ 2.00	$ 1.90	$ 2.275

(1) The year ended December 31, 2019 includes cumulative and undeclared dividends of $0.4 million on the Company's 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock as of December 31, 2019.

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 hybrid mortgage REIT that opportunistically invests in a diversified risk adjusted portfolio of Agency RMBS and Credit Investments. Our Credit Investments include Residential Investments and Commercial Investments. We are a Maryland corporation and are externally managed by our Manager, a wholly-owned subsidiary of Angelo Gordon, 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 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 ("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 ("NYSE") under the symbol MITT. Our 8.25% Series A Cumulative Redeemable Preferred Stock, our 8.00% Series B Cumulative Redeemable Preferred Stock, and our 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock trade on the NYSE under the symbols MITT PrA, MITT PrB, and MITT PrC, respectively.

Prior to December 31, 2019, we conducted our business through the following segments; (i) Securities and Loans and (ii) Single-Family Rental Properties. On November 15, 2019, we sold our portfolio of single-family rental properties and no longer separate our business into segments. We reclassified the operating results of our Single-Family Rental Properties segment to discontinued operations and excluded the income associated with the portfolio from continuing operations for all periods presented. See Note 14 to the "Notes to Consolidated Financial Statements" for additional financial information regarding our discontinued operations.

Market conditions

S&P CoreLogic Case-Shiller reported a 3.3% increase in national home prices year-over-year, up slightly from 3.2% in the previous quarter and down from 5.3% a year ago. New and existing home sales oscillated during the quarter as limited supply, particularly in the lower- and middle-price tiers, and affordability headwinds from rising prices continued to challenge homebuyers. On the other hand, a monthly survey of homebuilders, measuring sales expectations, current sale conditions and buyer traffic, reached its highest level since June 1999, as relatively low mortgage rates, limited housing stock and a strong job market increased builders' confidence.

Although the pace of home price appreciation has slowed, the continued positive trajectory in home prices has resulted in an annual 5.1% increase of U.S. homeowner equity in the third quarter of 2019 according to CoreLogic's Homeowner Equity Report. At the same time, the total number of mortgaged residential properties with negative equity (homes where the homeowner owes more on the home than the home is worth) decreased 10% on a year-over-year basis to two million homes. Additionally, credit performance in terms of serious delinquencies and subsequent default rates continued to be stable-to-improving. According to CoreLogic's Loan Performance Insights Report, the serious delinquency rate on residential mortgages, defined as 90 days or more past due including loans in foreclosure, was 1.7% in September 2019, down from 2.0% in September 2018. This improvement has been driven primarily by the strengthening of borrower's household balance sheets and the strength of the U.S. labor market. With unemployment and jobless claims remaining at or near historical lows, subdued inflation, and a belief that their prior interest rate cuts were sufficient insurance protection against a further weakening of economic data, the Federal Reserve unanimously voted to maintain the federal funds interest rate at its target range of 1.50%-1.75% at its December meeting. Chairman Powell expressed confidence in a favorable outlook for the economy and indicated that the Fed is on hold for the foreseeable future and that a significant change in their outlook would be required for further rate cuts to occur.

Spreads for many mortgage sectors were stable during the fourth quarter of 2019 although Agency MBS spreads tightened sharply versus benchmarks as headwinds from the prior two quarters turned to tailwinds. Higher rates, decreased origination, lower implied volatility and favorable seasonals all helped improve valuations versus both benchmark interest rates and investment grade corporate credit. Successful actions by the Federal Reserve to stabilize funding during the quarter further supported valuations through an improved carry profile. Spreads for credit-risk transfer (CRT) were relatively unchanged, in some instances a little tighter. Supply was well-absorbed, and strong investor demand continuously reduced dealer balance sheets through the quarter. However, CRT bonds that trade at large price premiums to par faced some moderate spread pressure before relief set in from higher rates. Strong demand for legacy RMBS continued. CMBS spreads generally widened during the quarter on the heels of strong supply into the end of the year.

The market conditions and trends outlined above may have a meaningful impact on our operating results and our existing portfolio and may cause us to adjust our investment and financing strategies over time as new opportunities emerge and the risk profile of our business changes.

Recent government activity

The current regulatory environment may be impacted by future legislative developments, such as changes to 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 impact of such potential reforms on our operations is unclear.

Results of operations

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 fair 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 investment portfolio. 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.

Year Ended December 31, 2019 compared to the Year Ended December 31, 2018

The table below presents certain information from our consolidated statements of operations for the years ended December 31, 2019 and December 31, 2018 (in thousands):

	Year Ended		
	December 31, 2019	December 31, 2018	Increase/(Decrease)
Statement of Operations Data:			
Net Interest Income			
Interest income	$ 171,660	$ 156,475	$ 15,185
Interest expense	90,108	70,502	19,606
Total Net Interest Income	81,552	85,973	(4,421)
Other Income/(Loss)			
Net realized gain/(loss)	(50,822)	(39,450)	(11,372)
Net interest component of interest rate swaps	7,736	2,230	5,506
Unrealized gain/(loss) on real estate securities and loans, net	83,832	(20,940)	104,772
Unrealized gain/(loss) on derivative and other instruments, net	(312)	(13,538)	13,226
Foreign currency gain/(loss), net	(2,512)	—	(2,512)
Other income	1,182	237	945
Total Other Income/(Loss)	39,104	(71,461)	110,565
Expenses			
Management fee to affiliate	9,825	9,544	281
Other operating expenses	18,638	14,885	3,753
Equity based compensation to affiliate	349	239	110
Excise tax	531	1,500	(969)
Servicing fees	1,619	433	1,186
Total Expenses	30,962	26,601	4,361
Income/(loss) before equity in earnings/(loss) from affiliates	89,694	(12,089)	101,783
Equity in earnings/(loss) from affiliates	7,644	15,593	(7,949)
Net Income/(Loss) from Continuing Operations	97,338	3,504	93,834
Net Income/(Loss) from Discontinued Operations	(4,416)	(1,936)	(2,480)
Net Income/(Loss)	92,922	1,568	91,354
Dividends on preferred stock	16,122	13,469	2,653
Net Income/(Loss) Available to Common Stockholders	$ 76,800	$ (11,901)	$ 88,701

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, if any.

Interest income increased from December 31, 2018 to December 31, 2019 primarily due to an increase in the weighted average cost of our GAAP investment portfolio and U.S. Treasury securities, if any, period over period by $0.3 billion from $3.3 billion for the year ended December 31, 2018 to $3.6 billion for the year ended December 31, 2019. Additionally, there was an increase in the weighted average yield on our GAAP investment portfolio and U.S. Treasury securities, if any, during the period of 0.01%

from 4.80% for the year ended December 31, 2018 to 4.81% for the year ended December 31, 2019.

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, if any.

Interest expense increased from December 31, 2018 to December 31, 2019 primarily due to an increase in the weighted average financing rate on our GAAP investment portfolio and U.S. Treasury securities, if any, during the period, by 0.38% from 2.55% for the year ended December 31, 2018 to 2.93% for the year ended December 31, 2019. Additionally, there was an increase in the weighted average financing balance on our GAAP investment portfolio and U.S. Treasury securities, if any, of $0.3 billion from $2.8 billion for the year ended December 31, 2018 to $3.1 billion for the year ended December 31, 2019. For the year ended December 31, 2019, interest expense includes a de minimis amount of deferred financing costs that were excluded from core earnings in transaction related expenses. Refer to the "Financing activities" section below for a discussion of material changes in our cost of funds.

Net realized gain/(loss)

Net realized gain/(loss) represents the net gain or loss recognized on any (i) sales of real estate securities out of our GAAP investment portfolio, (ii) sales of loans out of our GAAP investment portfolio, transfers of loans from our GAAP investment portfolio to real estate owned included in Other assets, and sales of Other assets, (iii) settlement of derivatives and other instruments, and (iv) other-than-temporary-impairment ("OTTI") charges recorded during the period. See Note 2, Note 3, Note 4 and Note 5 of the "Notes to Consolidated Financial Statements" for further discussion on OTTI. The following table presents a summary of Net realized gain/(loss) for the years ended December 31, 2019 and December 31, 2018 (in thousands):

	Year Ended	
	December 31, 2019	**December 31, 2018**
Sale of real estate securities	$ 29,858	$ (54,987)
Sale of loans and loans transferred to or sold from Other assets	1,042	2,352
Settlement of derivatives and other instruments	(64,181)	21,099
OTTI	(17,541)	(7,914)
Total Net realized gain/(loss)	$ (50,822)	$ (39,450)

Net interest component of interest rate swaps

Net interest component of interest rate swaps represents the net interest income received or expense paid on our interest rate swaps.

Net interest component of interest rate swaps increased from December 31, 2018 to December 31, 2019 due to a decrease in the weighted average pay rate for swaps from 2.41% at December 31, 2018 to 1.60% at to December 31, 2019. This was offset by a decrease in three-month LIBOR. Three-month LIBOR decreased from 2.808% at December 31, 2018 to 1.908% at December 31, 2019. In addition, the weighted average swap notional decreased from $2.3 billion for the year ended December 31, 2018 to $1.6 billion for the year ended December 31, 2019.

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

For the year ended December 31, 2019, the gain of $83.8 million was comprised of unrealized gains on securities of $75.2 million and unrealized gains on loans of $8.6 million during the year.

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

For the year ended December 31, 2019, the $(0.3) million loss was comprised of unrealized losses on certain derivatives of $(0.3) million due to the decrease in the value of such derivatives.

Foreign currency gain/(loss), net

Foreign currency gain/(loss), net pertains to the effects of remeasuring the monetary assets and liabilities of our foreign investments into U.S. dollars using foreign currency exchange rates at the end of the reporting period. Refer to Note 2 of the "Notes to the Consolidated Financial Statements" for details on what specifically is included in the "Foreign currency gain/(loss), net" line item.

We invested in assets and liabilities denominated in foreign currencies during the year ended December 31, 2019, causing the change from the year ended December 31, 2018 to the year ended December 31, 2019. The 2019 losses relate to an increase in the value of GBP relative to USD from the time we acquired assets and liabilities denominated in foreign currencies through the end of the year.

Other income

Other income primarily includes certain fees we receive on our loans and CMBS portfolios, and a premium received on a credit default swap which was entered into and expired in Q2 2019.

Other income increased from December 31, 2018 to December 31, 2019 primarily as a result of origination fees received on our loans during the year.

Management fee to affiliate

Our management fee is based upon a percentage of our Stockholders' Equity. See the "Contractual obligations" section of this Part II, Item 7 for further detail on the calculation of our management fee and for the definition of Stockholders' Equity.

Management fees increased from December 31, 2019 and December 31, 2018 primarily due to an increase in our Stockholders' Equity as calculated pursuant to our Management Agreement.

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 legal, accounting, due diligence, and other services. Refer to the "Contractual obligations" section below for more detail on certain expenses reimbursable to the Manager. The following table presents a summary of expenses within Other operating expenses broken out between non-investment related expenses and investment related expenses for the years ended December 31, 2019 and December 31, 2018 (in thousands):

	Year Ended	
	December 31, 2019	**December 31, 2018**
Non Investment Related Expenses		
Affiliate reimbursement - Operating expenses	$ 6,873	$ 6,517
Professional Fees	1,982	2,124
D&O insurance	697	708
Directors' compensation	880	854
Other	1,034	952
Total Corporate Expenses (1)	11,466	11,155
Investment Related Expenses		
Affiliate expense reimbursement - Deal related expenses	609	446
Affiliate expense reimbursement - Transaction related expenses and deal related performance fees (2)	42	228
Professional fees	186	137
Residential mortgage loan related expenses	1,312	723
Transaction related expenses and deal related performance fees (2)	4,491	1,808
Other	532	388
Total Investment Expenses (1)	7,172	3,730
Total Other operating expenses	$ 18,638	$ 14,885

(1) Total Corporate Expenses and Total Investment Expenses for the three months ended December 31, 2019 were $3.2 million and $1.8 million, respectively. Total Corporate Expenses and Total Investment Expenses for the three months ended December 31, 2018 were $2.7 million and $2.0 million, respectively.

(2) For the years ended December 31, 2019 and December 31, 2018, total transaction related expenses and deal related performance fees were $4.5 million and $2.1 million, respectively. For the year ended December 31, 2019, the $4.5 million was comprised of $4.5 million and $42.0 thousand per the chart above as well as a de minimis amount of deferred financing costs that are included within interest expense. For the year ended December 31, 2018, the $2.1 million was

comprised of $1.8 million and $0.2 million per the chart above as well as $0.1 million of deferred financing costs that are included within interest expense.

The increase in Transaction related expenses and deal related performance fees from December 31, 2018 to December 31, 2019 is primarily a result of expenses incurred in connection with the Q3 2019 securitization of certain of our re-performing residential mortgage loans coupled with additional expenses incurred in connection with purchases of Residential mortgage loans during 2019.

Equity based compensation to affiliate

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

Equity based compensation to affiliate increased from December 31, 2019 to December 31, 2018 as a result of a retrospective adjustment in Q1 2019 as a result of our adoption of ASU 2018-7, which changed the measurement of nonemployee share-based payment award recognition from the performance completion date (generally the vesting date) to the grant date.

Excise tax

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

For the years ended December 31, 2019 and December 31, 2018 our excise tax decreased primarily due to a true up based on filing our 2018 tax return coupled with a decrease in our current estimated undistributed taxable income.

Servicing fees

We incur servicing fee expenses in connection with the servicing of our Residential mortgage loans. As of December 31, 2019, and December 31, 2018, we owned Residential mortgage loans with a fair value of $417.8 million and $186.1 million, respectively. This increase in the fair value of the Residential mortgage loans we own pertains to the purchase of Residential mortgage loan pools in 2019.

For the years ended December 31, 2019 and December 31, 2018, our servicing fees increased primarily due to our purchases of residential mortgage loans during the period.

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. The decrease from the year ended December 31, 2019 to the year ended December 31, 2018 primarily pertains to our share of the unrealized losses on investments held within affiliated entities.

Discontinued operations

On November 15, 2019, we sold our portfolio of single-family rental properties to a third party at a price of approximately $137 million. We recognized a gain of $0.2 million as a result of the transaction. We reclassified the operating results of the single-family rental properties segment to discontinued operations and excluded the income from continuing operations for all periods presented.

Year Ended December 31, 2018 compared to the Year Ended December 31, 2017

The table below presents certain information from our consolidated statements of operations for the years ended December 31, 2018 and December 31, 2017 (in thousands):

	Year Ended		
	December 31, 2018	**December 31, 2017**	**Increase/(Decrease)**
Statement of Operations Data:			
Net Interest Income			
Interest income	$ 156,475	$ 128,845	$ 27,630
Interest expense	70,502	43,722	26,780
Total Net Interest Income	85,973	85,123	850
Other Income/(Loss)			
Net realized gain/(loss)	(39,450)	(13,986)	(25,464)
Net interest component of interest rate swaps	2,230	(7,763)	9,993
Unrealized gain/(loss) on real estate securities and loans, net	(20,940)	45,529	(66,469)
Unrealized gain/(loss) on derivative and other instruments, net	(13,538)	19,813	(33,351)
Other income	237	55	182
Total Other Income/(Loss)	(71,461)	43,648	(115,109)
Expenses			
Management fee to affiliate	9,544	9,835	(291)
Other operating expenses	14,885	10,965	3,920
Equity based compensation to affiliate	239	301	(62)
Excise tax	1,500	1,500	—
Servicing fees	433	234	199
Total Expenses	26,601	22,835	3,766
Income/(loss) before equity in earnings/(loss) from affiliates	(12,089)	105,936	(118,025)
Equity in earnings/(loss) from affiliates	15,593	12,622	2,971
Net Income/(Loss) from Continuing Operations	3,504	118,558	(115,054)
Net Income/(Loss) from Discontinued Operations	(1,936)	—	(1,936)
Net Income/(Loss)	1,568	118,558	(116,990)
Dividends on preferred stock	13,469	13,469	—
Net Income/(Loss) Available to Common Stockholders	$ (11,901)	$ 105,089	$ (116,990)

Interest income

Interest income increased from December 31, 2017 to December 31, 2018 primarily due to an increase in the weighted average cost of our GAAP investment portfolio and U.S. Treasury securities, if any, period over period by $0.4 billion from $2.9 billion for the year ended December 31, 2017 to $3.3 billion for the year ended December 31, 2018. Additionally, there was an increase in the weighted average yield on our GAAP investment portfolio and U.S. Treasury securities, if any, during the period of 0.35% from 4.45% for the year ended December 31, 2017 to 4.80% for the year ended December 31, 2018.

Interest expense

Interest expense increased from December 31, 2017 to December 31, 2018 primarily due to an increase in the weighted average financing rate on our GAAP investment portfolio and U.S. Treasury securities, if any, during the period, by 0.69% from 1.86% for the year ended December 31, 2017 to 2.55% for the year ended December 31, 2018. Additionally, there was an increase in the weighted average financing balance on our GAAP investment portfolio and U.S. Treasury securities, if any, of $0.5 billion from $2.3 billion for the year ended December 31, 2017 to $2.8 billion for the year ended December 31, 2018. For the year ended December 31, 2018, interest expenses includes $0.1 million of deferred financing costs that were excluded from core earnings in transaction related expenses.

Net realized gain/(loss)

The following table presents a summary of Net realized gain/(loss) for the years ended December 31, 2018 and December 31, 2017 (in thousands):

	December 31, 2018	December 31, 2017
Sale of real estate securities	$ (54,987)	$ 196
Sale of loans and loans transferred to or sold from Other assets	2,352	2,972
Settlement of derivatives and other instruments	21,099	(9,228)
OTTI	(7,914)	(7,926)
Total Net realized gain/(loss)	$ (39,450)	$ (13,986)

Net interest component of interest rate swaps

Net interest component of interest rate swaps increased from December 31, 2017 to December 31, 2018 due to an increase in three-month LIBOR, coupled with an increase in swap notional amount for the period. Three-month LIBOR increased from 1.694% at December 31, 2017 to 2.808% at December 31, 2018. In addition, the weighted average swap notional increased from $1.4 billion for the year ended December 31, 2017 to $2.3 billion for the year ended December 31, 2018.

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

For the year ended December 31, 2018, the $(20.9) million loss was comprised of unrealized losses on securities of $20.0 million and unrealized losses on loans of $0.9 million during the year.

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

For the year ended December 31, 2018, the $(13.5) million loss was comprised of unrealized losses on certain derivatives of $13.4 million and unrealized losses on TBAs of $0.1 million during the year.

Other income

Other income increased from December 31, 2017 to December 31, 2018 primarily as a result of a premium received on a credit default swap.

Management fee to affiliate

Our management fees decreased from December 31, 2017 to December 31, 2018 primarily due to the decrease in our Stockholders' Equity as calculated pursuant to our Management Agreement.

Other operating expenses

The following table presents a summary of expenses within Other operating expenses broken out between non investment portfolio related expenses and investment portfolio related expenses for the years ended December 31, 2018 and December 31, 2017 (in thousands):

	Year Ended	
	December 31, 2018	**December 31, 2017**
Non Investment Related Expenses		
Affiliate reimbursement - Operating expenses	$ 6,517	$ 6,120
Professional Fees	2,124	1,525
D&O insurance	708	722
Directors' compensation	854	549
Other	952	772
Total Corporate Expenses (1)	11,155	9,688
Investment Related Expenses		
Affiliate expense reimbursement - Deal related expenses	446	170
Affiliate expense reimbursement - Transaction related expenses and deal related performance fees (2)	228	—
Professional fees	137	93
Residential mortgage loan related expenses	723	761
Transaction related expenses and deal related performance fees (2)	1,808	102
Other	388	151
Total Investment Expenses (1)	3,730	1,277
Total Other operating expenses	$ 14,885	$ 10,965

(1) Total Corporate Expenses and Total Investment Expenses for the three months ended December 31, 2018 were $2.7 million and $2.0 million, respectively. Total Corporate Expenses and Total Investment Expenses for the three months ended December 31, 2017 were $2.3 million and $0.4 million, respectively.

(2) For the years ended December 31, 2018 and December 31, 2017, total transaction related expenses and deal related performance fees were $2.1 million and $0.1 million, respectively. For the year ended December 31, 2018, the $2.1 million was comprised of $1.8 million and $0.2 million per the above as well as $0.1 million of deferred financing costs that are included within interest expense. Refer to our "Core Earnings" section below for more detail on transaction related expenses and deal related performance fees for the year ended December 31, 2017.

Equity based compensation to affiliate

For the years ended December 31, 2018 and December 31, 2017, our equity based compensation to affiliate decreased as a result of a decreased stock price for the year.

Excise tax

For the years ended December 31, 2018 and December 31, 2017 our excise tax remained relatively unchanged.

Servicing fees

For the years ended December 31, 2018 and December 31, 2017 our servicing fees increased primarily due to net purchases of residential mortgage loans during the period.

Equity in earnings/(loss) from affiliates

The increase for the year ended December 31, 2018 to the year ended December 31, 2017 primarily pertains to increased security prices causing an increase in unrealized gains on securities and loans.

Discontinued operations

On November 15, 2019, we sold our portfolio of single-family rental properties to a third party at a price of approximately $137 million. We recognized a gain of $0.2 million as a result of the transaction. We reclassified the operating results of the single-family rental properties segment to discontinued operations and excluded the income from continuing operations for all periods presented.

Book value per share

As of December 31, 2019 and December 31, 2018, our book value per common share was $17.61 and $17.21, respectively.

Per share amounts for book value are calculated using all outstanding common shares in accordance with GAAP, including all vested shares granted to AG REIT Management, LLC, our external manager, and our independent directors under our equity incentive plans as of quarter-end. Book value is calculated using stockholders’ equity less net proceeds of our 8.25% Series A Cumulative Redeemable Preferred Stock, 8.00% Series B Cumulative Redeemable Preferred Stock, and 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock as the numerator.

Presentation of investment, financing and hedging activities

In the "Investment activities," "Financing activities," "Hedging activities" and "Liquidity and capital resources" sections of this Part II, Item 7, where we disclose our investment portfolio and the related financing arrangements, 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 financing arrangements 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 and TBAs.

Net interest margin and leverage ratio

GAAP net interest margin and non-GAAP net interest margin, a non-GAAP financial measure, are calculated by subtracting the weighted average cost of funds from the weighted average yield for our GAAP investment portfolio or our investment portfolio, respectively, which both exclude cash held by us and any net TBA position. The weighted average yield on our Agency RMBS portfolio and our credit 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 year-end. The calculation of weighted average yield is weighted on fair value. The weighted average cost of funds is the sum of the weighted average funding costs on total financing arrangements outstanding at year-end, including all non-recourse financing arrangements, 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 financing arrangements on our GAAP investment portfolio or our investment portfolio and securitized debt at year-end, exclusive of repurchase agreements associated with U.S. Treasury securities, if any.

Net interest margin and leverage ratio are metrics that management believes should be considered when evaluating the performance of our investment portfolio. See the "Financing activities" section below for more detail on our leverage ratio.

The chart below sets forth the net interest margin and leverage ratio from our investment portfolio as of December 31, 2019, December 31, 2018 and December 31, 2017, and a reconciliation to our GAAP investment portfolio:

December 31, 2019 **Weighted Average**	**GAAP Investment Portfolio**	**Other Assets**	**Investments in Debt and Equity of Affiliates**	**Investment Portfolio (a)**
Yield	4.57%	—%	6.75%	4.82%
Cost of Funds (b)	2.23%	—%	3.94%	2.35%
Net Interest Margin	2.34%	—%	2.81%	2.47%
Leverage Ratio (c)	4.1x	N/A	(d)	4.1x

December 31, 2018

Weighted Average	GAAP Investment Portfolio	Other Assets	Investments in Debt and Equity of Affiliates	Investment Portfolio (a)
Yield	5.29%	—%	6.49%	5.37%
Cost of Funds (b)	2.82%	—%	5.79%	2.96%
Net Interest Margin	2.47%	—%	0.70%	2.41%
Leverage Ratio (c)	4.2x	N/A	(d)	4.4x

December 31, 2017

Weighted Average	GAAP Investment Portfolio	Other Assets	Investments in Debt and Equity of Affiliates	Investment Portfolio (a)
Yield	4.45%	10.03%	12.32%	4.64%
Cost of Funds (b)	2.26%	—%	3.80%	2.26%
Net Interest Margin	2.19%	10.03%	8.52%	2.38%
Leverage Ratio (c)	4.2x	N/A	(d)	4.4x

(a) Excludes any net TBA position.

(b) Includes cost of non-recourse financing arrangements. Non-recourse financing arrangements include securitized debt.

(c) The leverage ratio on our GAAP Investment Portfolio represents GAAP leverage. The leverage ratio on our investment portfolio represents Economic Leverage as defined below in the "Financing Activities" section.

(d) Refer to the "Financing activities" section below for an aggregate breakout of leverage.

Core Earnings

We define Core Earnings, a non-GAAP financial measure, as Net Income/(loss) available to common stockholders excluding (i) (a) unrealized gains/(losses) on real estate securities, loans, derivatives and other investments, (b) net realized gains/(losses) on the sale or termination of such instruments, and (c) any OTTI, (ii) beginning with Q2 2018, as a policy change, any transaction related expenses incurred in connection with the acquisition or disposition of our investments, (iii) beginning with Q3 2018, as a policy change, accrued deal related performance fees payable to Arc Home and third party operators to the extent the primary component of the accrual relates to items that are excluded from Core Earnings, such as unrealized and realized gains/(losses), (iv) beginning with Q4 2018 and applied retrospectively, as a policy change, realized and unrealized changes in the fair value of Arc Home's net mortgage servicing rights as well as realized and unrealized changes in the fair value of derivatives that are intended to offset changes in the fair value of those net mortgage servicing rights, (v) beginning with Q3 2019, concurrent with a change in our business, any foreign currency gains/(losses) relating to monetary assets and liabilities, and (vi) beginning with Q4 2019 and applied retrospectively, concurrent with a change in our business, income from discontinued operations. Items (i) through (vi) above include any amounts related to those items held in affiliated entities. Management considers the transaction related expenses referenced in (ii) above to be similar to realized losses incurred at the acquisition or disposition of an asset and does not view them as being part of its core operations. Management views the exclusion described in (iv) above to be consistent with how it calculates Core Earnings on the remainder of its portfolio. As defined, Core Earnings include the net interest income and other income earned on our investments on a yield adjusted basis, including TBA dollar roll 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 help measure this objective. Management believes that this non-GAAP measure, when considered with our GAAP financial statements, provides supplemental information useful for investors as it enables them to evaluate our current core performance using the same measure that management uses to operate the business. This metric, in conjunction with related GAAP measures, provides greater transparency into the information used by our management team 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 "Net Income/(loss) available to common stockholders" to Core Earnings for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 is set forth below (in thousands, except per share data):

	Year Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Net Income/(loss) available to common stockholders	$ 76,800	$ (11,901)	$ 105,089
Add (Deduct):			
Net realized (gain)/loss	50,822	39,450	13,986
Unrealized (gain)/loss on real estate securities and loans, net	(83,832)	20,940	(45,529)
Unrealized (gain)/loss on derivative and other instruments, net	312	13,538	(19,813)
Transaction related expenses and deal related performance fees (a)(b)(c)	4,517	2,137	—
Equity in (earnings)/loss from affiliates	(7,644)	(15,593)	(12,622)
Net interest income and expenses from equity method investments (d)	6,005	6,701	7,573
Foreign currency (gain)/loss, net	2,512	—	—
Net (income)/loss from discontinued operations	4,416	1,936	—
Dollar roll income	1,012	1,598	3,099
Other income	(27)	—	—
Core Earnings	$ 54,893	$ 58,806	$ 51,783
Core Earnings, per Diluted Share	$ 1.70	$ 2.07	$ 1.86

(a) For the year ended December 31, 2017 and the three months ended March 31, 2018, the above chart was not adjusted for transaction related expenses of $0.3 million and $0.1 million, respectively. Neither had a material impact on Core Earnings for those periods. Our policy with respect to transaction related expenses was modified in Q2 2018.

(b) For the year ended December 31, 2017 and the six months ended June 30, 2018, the above chart was not adjusted for deal related performance fees of $0.1 million. Neither had a material impact on Core Earnings for those periods. Our policy with respect to deal related performance fees was modified in Q3 2018.

(c) Refer to changes in Interest expense and Other operating expenses in our "Results of Operations" section above for a breakout of transaction related expenses and deal related performance fees for the years ended December 31, 2019 and December 31, 2018.

(d) For the years ended December 31, 2019, December 31, 2018, and December 31, 2017, $(8.5) million or $(0.26) per share, $0.5 million or $0.02 per share, and $1.1 million or $0.04 per share, respectively, of realized and unrealized changes in the fair value of Arc Home's net mortgage servicing rights and corresponding derivatives were excluded from Core Earnings per diluted share as a result of our modification to the definition and calculation of Core Earnings in Q4 2018.

Investment activities

We opportunistically invest in a diversified risk-adjusted portfolio of Agency RMBS and Credit Investments, which include Residential Investments and Commercial Investments.

The risk-reward profile of our investment opportunities changes continuously with the market, with labor, housing and economic fundamentals, and with U.S. monetary policy, among others. As a result, in reacting to market conditions and taking into account a variety of other factors, including liquidity, duration, interest rate expectations and hedging, the mix of our assets changes over time as we opportunistically deploy capital.

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, competition 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 also stem from issues with our investments that are not identified by our credit reviews.

The following table presents a detailed break-down of our investment portfolio as of December 31, 2019 and December 31, 2018 and a reconciliation to our GAAP Investment Portfolio ($ in thousands):

	Fair Value		Percent of Investment Portfolio Fair Value		Leverage Ratio (a)	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Agency RMBS	$ 2,333,626	$ 2,015,586	52.8%	58.9%	7.1x	7.0x
Residential Investments	1,493,869	1,019,116	33.8%	29.8%	2.7x	3.3x
Commercial Investments	589,709	365,052	13.4%	10.7%	2.1x	2.4x
ABS	—	21,160	—%	0.6%	N/A	1.0x
Total: Investment Portfolio	$ 4,417,204	$ 3,420,914	100.0%	100.0%	4.1x	4.4x
Investments in Debt and Equity of Affiliates (b)	$ 373,126	$ 213,419	N/A	N/A	(c)	(c)
Total: GAAP Investment Portfolio	$ 4,044,078	$ 3,207,495	N/A	N/A	4.1x	4.2x

(a) The leverage ratio on our investment portfolio represents Economic Leverage as defined below in the "Financing Activities" section and is calculated by dividing each investment type's total recourse financing arrangements by its allocated equity (described in the chart below). The Economic Leverage Ratio excludes any non-recourse financing arrangements, including securitized debt. The leverage ratio on our Agency RMBS includes any net receivables on TBA. The leverage ratio on our GAAP Investment Portfolio represents GAAP leverage.

(b) Certain Re/Non-Performing Loans held in securitized form are presented net of non-recourse securitized debt.

(c) Refer to the "Financing activities" section below for an aggregate breakout of leverage.

We allocate our equity by investment using the fair value of our investment portfolio, less any associated leverage, inclusive of any long TBA position (at cost). We allocate all non-investment portfolio related assets and liabilities to our investment portfolio based on the characteristics of such assets and liabilities in order to sum to stockholders' equity per the consolidated balance sheets. Our equity allocation method is a non-GAAP methodology and may not be comparable to the similarly titled measure or concepts of other companies, who may use different calculations and allocation methodologies.

The following table presents a summary of the allocated equity of our investment portfolio as of December 31, 2019 and December 31, 2018 ($ in thousands):

	Allocated Equity		Percent of Equity	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Agency RMBS	$ 295,358	$ 257,454	34.8%	39.2%
Residential Investments	359,923	241,284	42.4%	36.8%
Commercial Investments	193,765	109,159	22.8%	16.6%
ABS	—	10,293	—%	1.6%
Discontinued Operations	—	37,821	—%	5.8%
Total	$ 849,046	$ 656,011	100.0%	100.0%

The following table presents a reconciliation of our Investment Portfolio to our GAAP Investment Portfolio as of December 31, 2019 ($ in thousands):

Instrument	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value (1)	Weighted Average Coupon (2)	Weighted Average Yield	Weighted Average Life (Years) (3)
Agency RMBS:							
30 Year Fixed Rate	$ 2,125,067	$ 2,184,190	$ 57,108	$ 2,241,298	3.73%	3.17%	5.85
Inverse Interest Only	217,031	37,611	627	38,238	4.37%	6.66%	4.97
Interest Only	259,161	35,333	570	35,903	3.56%	5.02%	4.01
Excess MSR (4)	3,042,841	20,188	(2,001)	18,187	N/A	8.33%	5.56
Total Agency RMBS	5,644,100	2,277,322	56,304	2,333,626	3.77%	3.30%	5.57
Credit Investments:							
Residential Investments							
Prime (5)	297,932	213,056	28,831	241,887	4.92%	7.44%	11.63
Alt-A/Subprime (5)	141,464	110,605	12,107	122,712	4.40%	6.89%	8.23
Credit Risk Transfer	270,397	270,988	8,967	279,955	5.17%	5.27%	5.66
Non-U.S.RMBS	44,867	54,340	3,391	57,731	3.21%	3.58%	2.53
Interest Only and Excess MSR (4)	244,115	1,592	(376)	1,216	0.77%	7.73%	6.34
Re/Non-Performing Loans	605,844	493,734	16,449	510,183	4.14%	6.48%	6.56
Non-QM Loans	1,141,131	250,087	4,189	254,276	1.69%	5.35%	1.71
Land Related Financing	25,607	25,395	514	25,909	12.27%	12.40%	3.00
Total Residential Investments	2,771,357	1,419,797	74,072	1,493,869	3.53%	6.24%	4.99
Commercial Investments							
CMBS	277,020	262,233	784	263,017	4.87%	5.57%	4.07
Freddie Mac K-Series	235,810	100,427	17,723	118,150	5.01%	11.34%	8.34
Interest Only (6)	3,650,693	46,606	3,250	49,856	0.23%	6.64%	3.02
Commercial Real Estate Loans (7)	158,686	158,000	686	158,686	6.82%	7.17%	1.92
Total Commercial Investments	4,322,209	567,266	22,443	589,709	0.82%	7.25%	3.33
Total Credit Investments	7,093,566	1,987,063	96,515	2,083,578	1.74%	6.53%	3.98
Total: Investment Portfolio	$ 12,737,666	$ 4,264,385	$ 152,819	$ 4,417,204	2.34%	4.82%	4.69
Investments in Debt and Equity of Affiliates	$ 1,676,838	$ 361,992	$ 11,134	$ 373,126	1.82%	6.75%	2.71
Total: GAAP Investment Portfolio	$ 11,060,828	$ 3,902,393	$ 141,685	$ 4,044,078	2.41%	4.57%	4.94

(1) Refer to "Off-balance sheet arrangements" section below and Note 2 to the "Notes of the Consolidated Financial Statements" section for more detail on what is included in our "Investments in debt and equity of affiliates" line item on our consolidated balance sheet and a discussion of Investments in debt and equity of affiliates.
(2) Equity residuals, principal only securities and Excess MSRs with a zero coupon rate are excluded from this calculation.
(3) Weighted average life is based on projected life. Typically, actual maturities of investments and loans are 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) Within Agency RMBS, Excess MSRs whose underlying collateral is securitized in a trust held by a U.S. government agency or GSE. Within Residential Investments, Excess MSRs whose underlying collateral is securitized in a trust not held by a U.S. government agency or GSE.
(5) 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 and Alt-A/Subprime Non-Agency RMBS were 719 and 674, respectively.
(6) Comprised of Freddie Mac K-Series interest-only bonds.
(7) Yield on Commercial Real Estate Loans includes any exit fees.

The following table presents a reconciliation of our Investment Portfolio to our GAAP Investment Portfolio as of December 31, 2018 (in thousands):

Instrument	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value (1)	Weighted Average Coupon (2)	Weighted Average Yield	Weighted Average Life (Years)(3)
Agency RMBS:							
30 Year Fixed Rate	$ 1,781,995	$ 1,832,745	$ (2,630)	$ 1,830,115	4.08%	3.66%	8.82
Fixed Rate CMO	44,418	44,745	(388)	44,357	3.00%	2.79%	3.95
Inverse Interest Only	310,065	52,952	(594)	52,358	3.68%	9.84%	6.83
Interest Only	370,679	62,132	(682)	61,450	3.55%	6.67%	5.20
Excess MSR (4)	3,723,025	27,043	263	27,306	N/A	10.45%	6.76
Total Agency RMBS	6,230,182	2,019,617	(4,031)	2,015,586	3.94%	3.98%	7.24
Credit Investments:							
Residential Investments							
Prime (5)	388,021	287,754	28,637	316,391	4.83%	7.19%	10.95
Alt-A/Subprime (5)	209,887	126,206	11,789	137,995	4.76%	6.81%	7.28
Credit Risk Transfer	144,215	144,409	5,259	149,668	6.13%	6.26%	5.97
Interest Only and Excess MSR (4)	337,908	3,373	(65)	3,308	0.63%	22.02%	5.51
Re/Non-Performing Loans	369,803	294,803	3,624	298,427	4.86%	7.71%	5.73
Non-QM Loans	109,960	112,939	388	113,327	6.14%	5.06%	2.89
Total Residential Investments	1,559,794	969,484	49,632	1,019,116	4.58%	6.97%	7.01
Commercial Investments							
CMBS	172,095	131,159	(1,330)	129,829	6.14%	6.74%	3.64
Freddie Mac K-Series	202,176	70,590	14,694	85,284	5.89%	12.24%	9.56
Interest Only (6)	3,534,050	48,398	2,967	51,365	0.23%	6.87%	3.43
Commercial Real Estate Loans (7)	98,574	98,573	1	98,574	7.45%	7.65%	0.92
Total Commercial Investments	4,006,895	348,720	16,332	365,052	0.65%	8.29%	3.69
ABS	22,125	21,946	(786)	21,160	9.49%	10.22%	5.38
Total Credit Investments	5,588,814	1,340,150	65,178	1,405,328	1.66%	7.36%	4.62
Total: Investment Portfolio	$ 11,818,996	$ 3,359,767	$ 61,147	$ 3,420,914	2.41%	5.37%	6.00
Investments in Debt and Equity of Affiliates	$ 544,914	$ 212,349	$ 1,070	$ 213,419	3.29%	6.49%	5.10
Total: GAAP Investment Portfolio	$ 11,274,082	$ 3,147,418	$ 60,077	$ 3,207,495	2.38%	5.29%	6.04

(1) Refer to "Off-balance sheet arrangements" section below and Note 2 to the 'Notes of the Consolidated Financial Statements" section for more detail on what is included in our "Investments in debt and equity of affiliates" line item on our consolidated balance sheet and a discussion of Investments in debt and equity of affiliates.

(2) Equity residuals, principal only securities and Excess MSRs with a zero coupon rate are excluded from this calculation.

(3) Weighted average life is based on projected life. Typically, actual maturities of investments and loans are 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) Within Agency RMBS, Excess MSRs whose underlying collateral is securitized in a trust held by a U.S. government agency or GSE. Within Residential Investments, Excess MSRs whose underlying collateral is securitized in a trust not held by a U.S. government agency or GSE.

(5) 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 and Alt-A/Subprime Non-Agency RMBS were 719 and 665, respectively.

(6) Comprised of Freddie Mac K-Series interest-only bonds.

(7) Yield on Commercial Real Estate Loans includes any exit fees.

The following table presents the fair value ($ in thousands) and the CPR experienced on our GAAP Agency RMBS portfolio for the year ends presented:

	Fair Value		CPR (1)(2)	
Agency RMBS	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
30 Year Fixed Rate	$ 2,241,298	$ 1,830,115	8.1%	5.5%
Fixed Rate CMO (3)	—	44,357	8.2%	6.5%
ARM (4)	—	—	—%	11.0%
Inverse Interest Only	38,238	52,358	11.7%	6.6%
Interest Only	35,903	61,450	10.3%	7.5%
Total/Weighted Average	$ 2,315,439	$ 1,988,280	8.2%	5.9%

(1) Represents the weighted average monthly CPRs published during the year for our in-place portfolio during the same period.
(2) Source: Bloomberg.
(3) We held Fixed Rate CMOs during 2019, but sold them prior to December 31, 2019.
(4) We held ARMs during 2018, but sold them prior to December 31, 2018.

The following table presents the fair value of the securities and loans in our credit portfolio, and a reconciliation to our GAAP credit portfolio (in thousands):

	Fair Value	
	December 31, 2019	December 31, 2018
Non-Agency RMBS (1)	$ 835,325	$ 716,197
CMBS (2)	431,023	266,478
ABS	—	21,160
Total Credit securities	1,266,348	1,003,835
Residential loans (3)	658,544	302,919
Commercial real estate loans	158,686	98,574
Total loans	817,230	401,493
Total Credit investments	$ 2,083,578	$ 1,405,328
Less: Investments in Debt and Equity of Affiliates	$ 372,571	$ 212,555
Total GAAP Credit Portfolio	$ 1,711,007	$ 1,192,773

(1) Includes investments in Prime, Alt-A/Subprime, Credit Risk Transfer, Non-U.S RMBS, Interest-Only and Excess MSR, Re/Non-Performing Loans, Non-QM Loans, and Land Related Financing held in securitized form.
(2) Includes CMBS, Freddie Mac K-Series, and Interest-Only investments.
(3) Includes Re/Non-Performing Loans, Non-QM Loans, and Land Related Financing not held in securitized form.

The following table presents certain information grouped by vintage as it relates to our credit securities portfolio as of December 31, 2019 ($ in thousands). We have also presented a reconciliation to GAAP.

Credit Securities:	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value (1)	Weighted Average Coupon (2)	Weighted Average Yield	Weighted Average Life (Years) (3)
Pre 2009	$ 278,125	$ 198,225	$ 25,099	$ 223,324	5.07%	7.12%	12.67
2010	1,070	948	42	990	1.97%	6.68%	2.94
2011	4,812	4,302	29	4,331	4.44%	5.73%	4.93
2012	3,740	3,062	510	3,572	4.05%	7.61%	3.42
2013	76,869	17,724	1,367	19,091	2.18%	7.06%	2.58
2014	974,525	38,454	4,320	42,774	0.31%	10.46%	0.56
2015	895,235	108,425	17,520	125,945	0.84%	9.24%	4.22
2016	1,139,729	80,162	11,595	91,757	0.60%	8.67%	4.57
2017	1,054,591	176,767	8,632	185,399	0.88%	6.43%	4.27
2018	275,234	104,090	3,040	107,130	2.08%	5.48%	5.77
2019	1,498,432	449,682	12,353	462,035	2.07%	6.05%	2.73
Total: Credit Securities	$ 6,202,362	$ 1,181,841	$ 84,507	$ 1,266,348	1.24%	6.92%	3.78
Investments in Debt and Equity of Affiliates	$ 1,311,008	$ 123,152	$ 8,803	$ 131,955	0.78%	9.50%	2.50
Total: GAAP Basis	$ 4,891,354	$ 1,058,689	$ 75,704	$ 1,134,393	1.31%	6.62%	4.13

(1) Certain Re/Non-Performing Loans held in securitized form are presented net of non-recourse securitized debt.
(2) Equity residual investments and principal only securities are excluded from this calculation.
(3) Weighed average life is based on projected life. Typically, actual maturities of mortgage-backed securities are shorter than stated contractual maturities. Actual 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, 2018 ($ in thousands). We have also presented a reconciliation to GAAP.

Credit Securities:	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value (1)	Weighted Average Coupon (2)	Weighted Average Yield	Weighted Average Life (Years) (3)
Pre 2009	$ 409,237	$ 279,978	$ 26,811	$ 306,789	4.98%	7.01%	10.79
2010	1,415	1,237	18	1,255	2.51%	6.14%	2.94
2011	6,144	5,405	5	5,410	4.31%	6.03%	5.00
2012	4,966	4,147	545	4,692	4.22%	6.30%	3.59
2013	71,948	13,662	1,569	15,231	2.04%	7.57%	2.89
2014	991,192	33,899	3,956	37,855	0.28%	10.42%	1.01
2015	1,140,335	112,805	16,128	128,933	0.74%	9.19%	4.36
2016	1,292,975	111,709	12,800	124,509	0.78%	8.11%	4.96
2017	833,086	211,172	3,817	214,989	1.64%	7.58%	5.46
2018	366,221	166,254	(2,082)	164,172	2.49%	7.35%	5.51
Total: Credit Securities	$ 5,117,519	$ 940,268	$ 63,567	$ 1,003,835	1.28%	7.73%	4.62
Investments in Debt and Equity of Affiliates	$ 271,780	$ 95,474	$ 466	$ 95,940	1.60%	8.26%	5.19
Total: GAAP Basis	$ 4,845,739	$ 844,794	$ 63,101	$ 907,895	1.26%	7.67%	4.59

(1) Certain Re/Non-Performing Loans held in securitized form are presented net of non-recourse securitized debt.
(2) Equity residual investments and principal only securities are excluded from this calculation.
(3) Weighted average life is based on projected life. Typically, actual maturities of mortgage-backed securities are shorter than stated contractual maturities. Actual 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, 2019 and December 31, 2018 (in thousands):

Credit Rating - Credit Securities (1)	December 31, 2019 (2)	December 31, 2018 (2)
AAA	$ 4,975	$ 15,240
A	13,792	24,824
BBB	65,454	27,510
BB	106,311	71,678
B	226,083	146,753
Below B	103,985	144,962
Not Rated	745,748	572,868
Total: Credit Securities	$ 1,266,348	$ 1,003,835
Less: Investments in Debt and Equity of Affiliates	$ 131,955	$ 95,940
Total: GAAP Basis	$ 1,134,393	$ 907,895

(1) Represents the minimum rating for rated assets of S&P, Moody and Fitch credit ratings, stated in terms of the S&P equivalent.
(2) Certain Re/Non-Performing Loans held in securitized form are presented net of non-recourse securitized debt.

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

December 31, 2019

Non-Agency RMBS			CMBS (1)		
State	**Fair Value (2)**	**Percentage (2)**	**State**	**Fair Value**	**Percentage**
California	$ 174,569	24.5%	California	$ 52,647	12.2%
Florida	62,796	8.8%	New York	46,317	10.7%
New York	57,931	8.1%	Texas	45,619	10.6%
Texas	33,890	4.8%	Florida	45,032	10.4%
New Jersey	23,736	3.3%	New Jersey	31,396	7.3%
Other	482,403	50.5%	Other	210,012	48.8%
Total	$ 835,325	100.0%	**Total**	$ 431,023	100.0%

(1) CMBS includes all commercial credit securities, including CMBS, Freddie Mac K-Series, and Interest-Only investments.
(2) Non-Agency RMBS fair value includes $123.0 million, respectively, of investments where there was no data regarding the underlying collateral. These positions were excluded from the percent calculation.

December 31, 2018

Non-Agency RMBS			CMBS (1)		
State	**Fair Value (2)**	**Percentage (2)**	**State**	**Fair Value**	**Percentage**
California	$ 149,417	23.4%	Texas	$ 29,064	10.9%
Florida	42,175	6.6%	California	26,174	9.8%
New York	40,667	6.4%	Florida	23,254	8.7%
Colorado	28,180	4.4%	New York	21,446	8.0%
Georgia	26,551	4.2%	New Jersey	20,756	7.8%
Other	429,207	55.0%	Other	145,784	54.8%
Total	$ 716,197	100.0%	**Total**	$ 266,478	100.0%

(1) CMBS includes all commercial credit securities, including CMBS, Freddie Mac K-Series, and Interest-Only investments.
(2) Non-Agency RMBS fair value includes $78.8 million of investments where there was no data regarding the underlying collateral. These positions were excluded from the percent calculation.

See Note 4 to the "Notes to the Consolidated Financial Statements" for a breakout of geographic concentration of credit risk within loans we include in the "Residential mortgage loans, at fair value" line item on our consolidated balance sheets.

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

December 31, 2019

Non-Agency RMBS*

Category	Fair Value		Weighted Average 60+ Days Delinquent	Weighted Average Loan Age (Months)	Weighted Average Credit Enhancement
Prime	$	241,887	10.6%	136.7	9.8%
Alt-A/Subprime		122,712	12.8%	162.3	17.7%
Credit Risk Transfer		279,955	0.4%	24.5	1.8%
Non-U.S. RMBS		57,731	7.3%	147.8	15.8%

CMBS*

Category	Fair Value		Weighted Average 60+ Days Delinquent	Weighted Average Loan Age (Months)	Weighted Average Credit Enhancement
CMBS	$	263,017	0.2%	22.1	9.3%
Freddie Mac K Series		118,150	0.6%	45.3	0.4%

December 31, 2018

Non-Agency RMBS*

Category	Fair Value		Weighted Average 60+ Days Delinquent	Weighted Average Loan Age (Months)	Weighted Average Credit Enhancement
Prime	$	316,391	10.4%	133.2	11.9%
Alt-A/Subprime		137,995	14.6%	152.1	16.5%
Credit Risk Transfer		149,668	0.3%	24.0	1.2%

CMBS*

Category	Fair Value		Weighted Average 60+ Days Delinquent	Weighted Average Loan Age (Months)	Weighted Average Credit Enhancement
CMBS	$	129,829	1.1%	29.6	13.6%
Freddie Mac K Series		85,284	0.7%	39.7	0.6%

*Sources: Intex, Trepp

The following table presents detail on our commercial real estate loan portfolio on December 31, 2019 ($ in thousands).

					Gross Unrealized			Weighted Average					
Loan (1)(2)	Current Face	Premium (Discount)	Amortized Cost		Gains	Losses	Fair Value	Coupon (3)	Yield (4)	Life (Years) (5)	Initial Stated Maturity Date	Extended Maturity Date (6)	Location
Loan G (7)	$ 45,856	$ —	$ 45,856		$ —	$ —	$ 45,856	6.46%	6.46%	0.53	July 9, 2020	July 9, 2022	CA
Loan H (7)(8)	36,000	—	36,000		—	—	36,000	5.49%	5.49%	0.19	March 9, 2019	June 9, 2020	AZ
Loan I (9)	11,992	(184)	11,808		184	—	11,992	12.21%	14.51%	1.04	February 9, 2021	February 9, 2023	MN
Loan J (7)	4,674	—	4,674		—	—	4,674	6.36%	6.36%	2.12	January 1, 2023	January 1, 2024	NY
Loan K (10)	9,164	—	9,164		—	—	9,164	10.71%	11.86%	1.72	May 22, 2021	February 22, 2024	NY
Loan L (10)	51,000	(502)	50,498		502	—	51,000	6.16%	6.50%	4.63	July 22, 2022	July 22, 2024	IL
	$ 158,686	$ (686)	$ 158,000		$ 686	$ —	$ 158,686	6.82%	7.17%	1.92			

(1) We have the contractual right to receive a balloon payment for each loan.
(2) See our "Off-balance sheet arrangements" section below for details on our commitments on commercial real estate loans as of December 31, 2019.
(3) Each commercial real estate loan investment has a variable coupon rate.
(4) Yield includes any exit fees.

(5) Actual maturities of commercial real estate loans may be shorter than stated contractual maturities. Weighted average maturities are affected by prepayments of principal.
(6) Represents the maturity date of the last possible extension option.
(7) Loan G, Loan H, and Loan J are first mortgage loans.
(8) Subsequent to quarter end, Loan H has been extended to the extended maturity date.
(9) Loan I is a mezzanine loan.
(10) Loan K and Loan L are comprised of first mortgage and mezzanine loans.

The following table presents detail on our commercial real estate loan portfolio on December 31, 2018 ($ in thousands).

				Gross Unrealized			Weighted Average					
Loan (1)	Current Face	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (2)	Yield (3)	Life (Years) (4)	Initial Stated Maturity Date	Extended Maturity Date (5)	Location
Loan B (6)	$ 32,800	$ —	$ 32,800	$ —	$ —	$ 32,800	7.13%	7.51%	0.52	July 1, 2016	July 1, 2019	TX
Loan F (7)	10,417	(1)	10,416	1	—	10,417	13.39%	14.02%	0.03	September 9, 2018	September 9, 2019	MN
Loan G (8)	19,357	—	19,357	—	—	19,357	7.14%	7.14%	1.54	July 9, 2020	July 9, 2022	CA
Loan H (8)	36,000	—	36,000	—	—	36,000	6.21%	6.21%	1.21	March 9, 2019	March 9, 2020	AZ
	$ 98,574	$ (1)	$ 98,573	$ 1	$ —	$ 98,574	7.45%	7.65%	0.92			

(1) We have the contractual right to receive a balloon payment for each loan.
(2) Each commercial real estate loan investment has a variable coupon rate.
(3) Yield includes any exit fees.
(4) Actual maturities of commercial real estate loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.
(5) Represents the maturity date of the last possible extension option.
(6) Loan B is comprised of a first mortgage and mezzanine loan. As of December 31, 2018, Loan B has been extended to the extended maturity date shown above. Loan B paid off at par in Q3 2019 and we received $32.8 million of principal proceeds.
(7) Loan F is a mezzanine loan. As of December 31, 2018, Loan F has been extended to January 2019. Loan F paid off at par in Q1 2019, and we received proceeds of $10.4 million.
(8) Loan G and Loan H are first mortgage loans.

Financing activities

We use leverage to purchase our target assets. In 2019 and 2018, our leverage has primarily been in the form of repurchase agreements, facilities, and securitized debt. Repurchase agreements involve the sale and a simultaneous agreement to repurchase the transferred assets or similar assets at a future date. 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 financing arrangements mature or roll and are sensitive to governmental regulations. We did not experience fluctuations in our haircuts that caused us to alter our business and financing strategies for the year ended December 31, 2019, but we continue to monitor the regulatory environment, which may influence the timing and amount of our financing activity. We seek to obtain financing from multiple different counterparties in order to reduce our financing risk related to any single counterparty. We had outstanding debt with 30 and 31 counterparties at December 31, 2019 and December 31, 2018, respectively.

The vast majority of our financing arrangements are repurchase agreements. Our repurchase agreements 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.

We have also entered into revolving facilities to purchase certain loans in our investment portfolio. These facilities typically have longer stated maturities than repurchase agreements. Interest rates on these facilities are based on prevailing rates corresponding to the terms of the borrowings, and interest is paid on a monthly basis. Additionally, these facilities contain representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of these types.

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, 2019 and December 31, 2018, we have met all margin call requirements.

For the year ended December 31, 2019, we noted no material changes in the spread of our financing arrangements. However, our cost of financing decreased. The Fed elected to cut the federal funds interest rate by a total of 75 basis points during 2019. As a result, our cost of financing decreased by 62 bps from 3.13% at December 31, 2018 to 2.51% at December 31, 2019.

The following table presents the quarter-end balance, average quarterly balance and maximum balance at any month-end for our (i) financing arrangements on our investment portfolio and U.S Treasury securities ("Non-GAAP Basis" below), and (ii) financing arrangements through affiliated entities, excluding any financing utilized in our investment in AG Arc, with a reconciliation of all quarterly figures to GAAP ("GAAP Basis" below) (in thousands). Refer to the "Hedging Activities" section below for more information on repurchase agreements secured by U.S. Treasury securities.

Quarter Ended	Quarter-End Balance	Average Quarterly Balance	Maximum Balance at Any Month-End
December 31, 2019			
Non-GAAP Basis	$ 3,490,884	$ 3,703,921	$ 3,929,708
Less: Investments in Debt and Equity of Affiliates	257,416	240,602	257,830
GAAP Basis	$ 3,233,468	$ 3,463,319	$ 3,671,878
September 30, 2019			
Non-GAAP Basis	$ 3,720,937	$ 3,301,725	$ 3,720,937
Less: Investments in Debt and Equity of Affiliates	195,949	238,144	279,478
GAAP Basis	$ 3,524,988	$ 3,063,581	$ 3,441,459
June 30, 2019			
Non-GAAP Basis	$ 3,074,536	$ 3,166,610	$ 3,263,481
Less: Investments in Debt and Equity of Affiliates	183,286	216,024	238,045
GAAP Basis	$ 2,891,250	$ 2,950,586	$ 3,025,436
March 31, 2019			
Non-GAAP Basis	$ 3,290,383	$ 3,069,958	$ 3,290,383
Less: Investments in Debt and Equity of Affiliates	177,548	174,672	179,524
GAAP Basis	$ 3,112,835	$ 2,895,286	$ 3,110,859
December 31, 2018			
Non-GAAP Basis	$ 2,860,227	$ 2,851,744	$ 2,866,872
Less: Investments in Debt and Equity of Affiliates	139,739	125,851	139,739
GAAP Basis	$ 2,720,488	$ 2,725,893	$ 2,727,133
September 30, 2018			
Non-GAAP Basis	$ 2,913,543	$ 2,862,935	$ 2,913,543
Less: Investments in Debt and Equity of Affiliates	102,149	92,833	102,149
GAAP Basis	$ 2,811,394	$ 2,770,102	$ 2,811,394
June 30, 2018			
Non-GAAP Basis	$ 2,719,376	$ 2,792,123	$ 2,932,186
Less: Investments in Debt and Equity of Affiliates	85,194	170,006	213,489
GAAP Basis	$ 2,634,182	$ 2,622,117	$ 2,718,697
March 31, 2018			
Non-GAAP Basis	$ 3,035,398	$ 2,954,404	$ 3,043,392
Less: Investments in Debt and Equity of Affiliates	208,819	77,309	208,819
GAAP Basis	$ 2,826,579	$ 2,877,095	$ 2,834,573
December 31, 2017			
Non-GAAP Basis	$ 3,011,591	$ 2,882,548	$ 3,011,591
Less: Investments in Debt and Equity of Affiliates	7,184	8,849	9,807
GAAP Basis	$ 3,004,407	$ 2,873,699	$ 3,001,784
September 30, 2017			
Non-GAAP Basis	$ 2,703,069	$ 2,596,533	$ 2,746,151
Less: Investments in Debt and Equity of Affiliates	8,517	8,697	8,869
GAAP Basis	$ 2,694,552	$ 2,587,836	$ 2,737,282
June 30, 2017			
Non-GAAP Basis	$ 2,265,227	$ 2,209,991	$ 2,339,133
Less: Investments in Debt and Equity of Affiliates	8,485	8,806	9,116
GAAP Basis	$ 2,256,742	$ 2,201,185	$ 2,330,017
March 31, 2017			
Non-GAAP Basis	$ 1,887,767	$ 1,813,668	$ 1,887,766
Less: Investments in Debt and Equity of Affiliates	8,424	8,788	9,172
GAAP Basis	$ 1,879,343	$ 1,804,880	$ 1,878,594

The balance on our financing arrangements can reasonably be expected to (i) increase as the size of our investment portfolio increases primarily through equity capital raises and as we increase our investment allocation to Agency RMBS and (ii) decrease as the size of our portfolio decreases through asset sales, principal paydowns, and as we increase our investment allocation to credit investments. Credit investments due to their risk profile, have lower leverage ratios than Agency RMBS, which restricts our financing counterparties from providing as much financing to us and lowers the balance of our total financing.

Financing arrangements on our investment portfolio

As of December 31, 2019 and December 31, 2018, we have entered into financing arrangements on our investment portfolio with 44 counterparties under which we had outstanding debt with 30 and 31 counterparties, respectively, inclusive of financing arrangements with affiliated entities. See Note 7 to the "Notes to Consolidated Financial Statements" for a description of our material financing arrangements.

Our financing arrangements 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 a summary of financing arrangements on our investment portfolio as of December 31, 2019 and December 31, 2018 (in thousands).

	December 31, 2019	December 31, 2018
Repurchase agreements	$ 3,194,409	$ 2,650,898
Revolving facilities	296,475	209,329
Total: Non-GAAP Basis	$ 3,490,884	$ 2,860,227
Investments in Debt and Equity of Affiliates	$ 257,416	$ 139,739
Total: GAAP Basis	$ 3,233,468	$ 2,720,488

The following table presents a summary of financing arrangements on our Investment Portfolio as of December 31, 2019 ($ in thousands):

	Agency		Credit		Total	
Financing Arrangements Maturing Within: (1)	**Balance**	**Weighted Average Funding Cost**	**Balance**	**Weighted Average Funding Cost**	**Balance**	**Weighted Average Funding Cost**
30 days or less	$ 1,011,185	2.05%	$ 587,325	2.92%	$ 1,598,510	2.37%
31-60 days	1,098,093	1.96%	470,568	3.29%	1,568,661	2.36%
61-90 days	—	—	71,753	2.99%	71,753	2.99%
91-180 days	—	—	20,384	3.79%	20,384	3.79%
Greater than 180 days	—	—	231,576	3.90%	231,576	3.90%
Total: Non-GAAP Basis	$ 2,109,278	2.01%	$ 1,381,606	3.23%	$ 3,490,884	2.49%
Investments in Debt and Equity of Affiliates	$ —	—	$ 257,416	3.94%	$ 257,416	3.94%
Total: GAAP Basis	$ 2,109,278	2.01%	$ 1,124,190	3.07%	$ 3,233,468	2.38%

(1) As of December 31, 2019, our weighted average days to maturity was 94 days and our weighted average original days to maturity was 164 days on a GAAP Basis. As of December 31, 2019, our weighted average days to maturity was 92 days and our weighted average original days to maturity was 196 days on a Non-GAAP Basis.

The following table presents a summary of financing arrangements on our Investment Portfolio as of December 31, 2018 ($ in thousands):

	Agency			Credit			Total		
Financing Arrangements Maturing Within: (1)		**Balance**	**Weighted Average Funding Cost**		**Balance**	**Weighted Average Funding Cost**		**Balance**	**Weighted Average Funding Cost**
Overnight	$	52,385	3.92%	$	—	—	$	52,385	3.92%
30 days or less		1,093,948	2.51%		482,281	3.52%		1,576,229	2.82%
31-60 days		658,721	2.57%		274,968	4.55%		933,689	3.16%
61-90 days		—	—		46,594	3.89%		46,594	3.89%
91-180 days		—	—		13,699	6.01%		13,699	6.01%
Greater than 180 days		—	—		237,631	4.56%		237,631	4.56%
Total: Non-GAAP Basis	$	1,805,054	2.57%	$	1,055,173	4.07%	$	2,860,227	3.13%
Investments in Debt and Equity of Affiliates	$	—	—	$	139,739	5.79%	$	139,739	5.79%
Total: GAAP Basis	$	1,805,054	2.57%	$	915,434	3.81%	$	2,720,488	2.99%

(1) As of December 31, 2018, our weighted average days to maturity was 83 days and our weighted average original days to maturity was 156 days on a GAAP Basis. As of December 31, 2018, our weighted average days to maturity was 85 days and our weighted average original days to maturity was 168 days on a Non-GAAP Basis.

Repurchase agreements

The following table presents, as of December 31, 2019, a summary of repurchase agreements on our real estate securities ($ in thousands). It also reconciles these items to GAAP:

Repurchase Agreements Maturing Within:		**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Days to Maturity**	**Weighted Average Haircut**
30 days or less	$	1,598,510	2.37%	2.37%	14	9.8%
31-60 days		1,366,178	2.13%	2.13%	46	7.0%
61-90 days		71,753	2.99%	2.99%	67	23.5%
91-180 days		20,384	3.79%	3.79%	176	21.1%
Greater than 180 days		2,973	3.79%	3.79%	283	23.7%
Total: Non-GAAP Basis	$	3,059,798	2.29%	2.29%	31	9.0%
Investments in Debt and Equity of Affiliates	$	72,443	3.76%	3.76%	67	29.8%
Total: GAAP Basis	$	2,987,355	2.25%	2.25%	30	8.5%

The following table presents, as of December 31, 2018, a summary of our repurchase agreements on our real estate securities ($ in thousands). It also reconciles these items to GAAP:

Repurchase Agreements Maturing Within:		**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Days to Maturity**	**Weighted Average Haircut**
Overnight	$	52,385	3.92%	3.92%	2	3.0%
30 days or less		1,576,229	2.82%	2.82%	9	9.9%
31-60 days		852,017	2.85%	2.85%	46	8.1%
61-90 days		46,594	3.89%	3.89%	72	21.4%
91-180 days		13,699	6.01%	6.01%	178	38.1%
Greater than 180 days		26,212	4.71%	4.77%	556	21.9%
Total: Non-GAAP Basis	$	2,567,136	2.91%	2.91%	29	9.7%
Investments in Debt and Equity of Affiliates	$	55,025	4.94%	4.97%	258	27.1%
Total: GAAP Basis	$	2,512,111	2.86%	2.86%	24	9.3%

The increase in the balance of our repurchase agreements from December 31, 2018 to December 31, 2019 is due primarily to financing added on securities purchased during the year.

The following table presents, as of December 31, 2019, a summary of our repurchase agreements on our Re/Non-performing loans ($ in thousands).

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
31-60 days	$ 24,584	3.14%	3.14%	56	33.7%
Greater than 180 days	107,010	3.61%	3.80%	727	19.3%
Total: GAAP Basis	$ 131,594	3.53%	3.68%	602	22.0%

The following table presents, as of December 31, 2018, a summary of repurchase agreements on our Re/Non-performing loans ($ in thousands).

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
Greater than 180 days	$ 83,762	4.27%	4.37%	728	15.6%

The increase in the balance of our repurchase agreements from December 31, 2018 to December 31, 2019 on our Re/Non-performing loans is due primarily to financing added on loans purchased in 2019.

The following table presents, as of December 31, 2019, a summary of repurchase agreements on our commercial real estate loans ($ in thousands).

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
Greater than 180 days	$ 3,017	4.46%	5.89%	1,097	35.4%

There were no repurchase agreements on our commercial real estate loans as of December 31, 2018.

Financing facilities

The following table presents information regarding revolving facilities as of December 31, 2019 and December 31, 2018 ($ in thousands). It also reconciles these items to GAAP.

			December 31, 2019				December 31, 2018		
Facility	**Investment**	**Maturity Date**	**Rate**	**Funding Cost (1)**	**Balance**	**Maximum Aggregate Borrowing Capacity**	**Rate**	**Funding Cost (1)**	**Balance**
Revolving facility A (2)(3)	Commercial loans	July 1, 2019	—%	—%	$ —	$ —	4.66%	4.66%	$ 21,796
Revolving facility B (2)(4)	Re/Non-performing loans	June 28, 2021	3.80%	3.80%	21,546	110,000	4.53%	4.54%	63,328
Revolving facility C (2)(4)	Commercial loans	August 10, 2023	3.85%	4.01%	89,956	100,000	4.53%	4.80%	39,491
Revolving facility D (2)(4)(5)	Non-QM loans	February 16, 2021	3.61%	4.02%	177,899	312,130	5.00%	6.37%	81,671
Revolving facility E (2)	Re/Non-performing loans	November 25, 2020	3.73%	3.73%	1,808	1,808	4.88%	4.88%	3,043
Revolving facility F (2)	Re/Non-performing loans	July 25, 2021	3.55%	3.55%	5,266	14,120	—%	—%	—
Total: Non-GAAP Basis					$ 296,475	$ 538,058			$ 209,329
Investments in Debt and Equity of Affiliates					$ 184,973	$ 328,058			$ 84,714
Total: GAAP Basis					$ 111,502	$ 210,000			$ 124,615

(1) Funding costs represent the stated rate inclusive of any deferred financing costs.

(2) Under the terms of our financing agreements, the counterparties may, in certain cases, sell or re-hypothecate the pledged collateral.
(3) This facility was paid off in July 2019.
(4) Increasing our borrowing capacity under this facility requires consent of the lender.
(5) Subsequent to quarter end, this facility was renewed with a maturity date of February 16, 2021 and the maximum aggregate borrowing capacity was increased to $312.1 million.

The increase in our Revolving facility C balance from December 31, 2018 to December 31, 2019 is due primarily to the financing obtained to purchase certain commercial real estate loans during the year. The increase in our Revolving facility D balance from December 31, 2018 to December 31, 2019 is due primarily to the financing obtained by Mortgage Acquisition Trust I LLC ("MATT") during the year in order to acquire Non-QM Loans.

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. We determined that the SPE was a variable interest entity ("VIE") and that the VIE should be consolidated by us under ASC 810-10. The transferred assets were recorded as a secured borrowing (the "Consolidated December 2014 VIE"). See Note 2 to the "Notes to Consolidated Financial Statements" for more detail on Consolidated December 2014 VIE.

The following table details certain information related to the Consolidated December 2014 VIE as of December 31, 2019 ($ in thousands):

			Weighted Average		
	Current Face	Fair Value	Coupon	Yield	Life (Years) (1)
Consolidated tranche (2)	$ 7,204	$ 7,230	3.46%	4.11%	1.96
Retained tranche	7,851	6,608	5.37%	18.14%	7.64
Total resecuritized asset (3)	$ 15,055	$ 13,838	4.46%	10.81%	4.92

(1) Weighted average life is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) As of December 31, 2019, we have recorded secured financing of $7.2 million on our consolidated balance sheets in the "Securitized debt, at fair value" line item. 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 at the time of securitization.
(3) As of December 31, 2019, the fair value of the total resecuritized asset is included on our consolidated balance sheets as "Non-Agency RMBS."

The following table details certain information related to the Consolidated December 2014 VIE as of December 31, 2018 ($ in thousands):

			Weighted Average		
	Current Face	Fair Value	Coupon	Yield	Life (Years) (1)
Consolidated tranche (2)	$ 10,821	$ 10,858	4.10%	4.47%	2.39
Retained tranche	8,401	6,550	4.61%	18.50%	8.37
Total resecuritized asset (3)	$ 19,222	$ 17,408	4.32%	9.75%	5.00

(1) This is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) As of December 31, 2018, we have recorded secured financing of $10.9 million on our consolidated balance sheets in the "Securitized debt, at fair value" line item. 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 at the time of securitization.
(3) As of December 31, 2018, the fair value of the total resecuritized asset is included on our consolidated balance sheets as "Non-Agency RMBS."

In August 2019, we entered into a securitization transaction of certain of our residential mortgage loans, pursuant to which we created an SPE to facilitate the transaction. We determined that the SPE was a VIE and that the VIE should be consolidated by us under ASC 810-10. The transferred assets were recorded as a secured borrowing (the "Consolidated August 2019 VIE"). See Note 2 to the "Notes to Consolidated Financial Statements" for more detail on the Consolidated August 2019 VIE.

The following table details certain information related to the Consolidated August 2019 VIE as of December 31, 2019 ($ in thousands):

	Current Unpaid Principal Balance	Fair Value	Weighted Average Coupon	Weighted Average Yield	Weighted Average Life (Years) (1)
Residential mortgage loans (2)	$ 263,956	$ 255,171	3.96%	5.11%	7.66
Securitized debt (3)	217,455	217,118	2.92%	2.86%	5.00

(1) Weighted average life is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) This represents all loans contributed to the consolidated VIE.
(3) As of December 31, 2019, we have recorded secured financing of $217.1 million on the consolidated balance sheets in the "Securitized debt, at fair value" line item. 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 at the time of securitization.

We did not have an interest in the Consolidated August 2019 VIE as of December 31, 2018.

Leverage

We define GAAP leverage as the sum of (1) our GAAP financing arrangements, (2) the amount payable on purchases that have not yet settled less the financing remaining on sales that have not yet settled, and (3) securitized debt, at fair value. We define Economic Leverage, a non-GAAP metric, as the sum of: (i) our GAAP leverage, exclusive of any non-recourse financing arrangements, (ii) financing arrangements held through affiliated entities, exclusive of any financing utilized through AG Arc, any adjustment related to unsettled trades as described in (2) in the previous sentence, and any non-recourse financing arrangements and (iii) our net TBA position (at cost). Our calculations of GAAP leverage and Economic Leverage exclude financing arrangements and net receivables/payables on unsettled trades pertaining to U.S. Treasury securities due to the highly liquid and temporary nature of these investments.

Historically, we reported non-GAAP "At-Risk" leverage, which included non-recourse financing arrangements, but we believe that the adjustments made to our GAAP leverage in order to compute Economic Leverage, including the exclusion of non-recourse financing arrangements, allow investors the ability to identify and track the leverage metric that management uses to evaluate and operate the business. Our obligation to repay our non-recourse financing arrangements is limited to the value of the pledged collateral thereunder and does not create a general claim against us as an entity.

The calculations in the tables below divide GAAP leverage and Economic Leverage by our GAAP stockholders' equity to derive our leverage ratios. The following tables present a reconciliation of our Economic Leverage ratio back to GAAP ($ in thousands).

December 31, 2019	Leverage	Stockholders' Equity	Leverage Ratio
GAAP Leverage	$ 3,453,016	$ 849,046	4.1x
Non-recourse financing arrangements*	(224,348)		
Financing arrangements through affiliated entities	257,416		
Economic Leverage	$ 3,486,084	$ 849,046	4.1x

* Non-recourse financing arrangements includes securitized debt.

December 31, 2018	Leverage	Stockholders' Equity	Leverage Ratio
GAAP Leverage	$ 2,731,346	$ 656,011	4.2x
Non-recourse financing arrangements*	(10,858)		
Financing arrangements through affiliated entities	155,888		
Economic Leverage	$ 2,876,376	$ 656,011	4.4x

* Non-recourse financing arrangements includes securitized debt.

Hedging activities

Subject to maintaining our qualification as a REIT and our Investment Company Act exemption, to the extent leverage is deployed, we may utilize derivative instruments in an effort to hedge the interest rate risk associated with the financing of our portfolio. We may utilize interest rate swaps, swaption agreements, and other financial instruments such as short positions in U.S. Treasury securities. In addition, we may utilize Eurodollar Futures, U.S. Treasury Futures, British Pound Futures and Euro Futures (collectively, "Futures"). 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 derivatives, 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. Derivatives have not been designated as hedging instruments for GAAP. Refer to the tables below for a summary of our derivative instruments.

Our centrally cleared trades require that we post an "initial margin" to our counterparties of an amount determined by the Chicago Mercantile Exchange ("CME") and the London Clearing House ("LCH"), the central clearinghouses ("CCPs") through which those trades are cleared, which is generally intended to be set at a level sufficient to protect the CCPs from the maximum estimated single-day price movement in that market participant's contracts. We also exchange cash "variation margin" with our counterparties on our centrally cleared trades based upon daily changes in the fair value as measured by the CCPs. Beginning in the first quarter of 2017, as a result of an amendment to the CCPs' rule book, which governs their central clearing activities, the daily exchange of variation margin associated with a CCP instrument is legally characterized as the daily settlement of the derivative instrument itself, as opposed to a pledge of collateral. Accordingly, we account for the daily receipt or payment of variation margin associated with our centrally cleared interest rate swaps and futures as a direct reduction to the carrying value of the interest rate swap and future derivative asset or liability, respectively. The carrying amount of centrally cleared interest rate swaps and futures reflected in our consolidated balance sheets is equal to the unsettled fair value of such instruments. See Note 8 in the "Notes to Consolidated Financial Statements" for more information.

The following table summarizes certain information on our non-hedge derivatives and other instruments (in thousands).

		December 31, 2019		December 31, 2018	
Non-hedge derivatives and other instruments:	**Notional Currency**	**Notional Amount**	**Weighted Average Life (Years)**	**Notional Amount**	**Weighted Average Life (Years)**
Pay Fix/Receive Float Interest Rate Swap Agreements (1)(2)	USD	$ 1,943,281	4.25	$ 1,963,500	5.57
Payer Swaptions	USD	650,000	0.42	260,000	0.60
Long positions on U.S. Treasury Futures (3)	USD	—	—	30,000	0.22
Short positions on Eurodollar Futures (4)	USD	—	—	500,000	1.95
Short positions on British Pound Futures (5)	GBP	6,563	0.21	—	—
Short positions on Euro Futures (6)	EUR	1,500	0.21	—	—
Short positions on U.S. Treasuries	USD	—	—	11,250	2.88

(1) As of December 31, 2019, there were $94.5 million notional amount of pay fix/receive float interest rate swap agreements held through investments in debt and equity of affiliates. There was no notional amount of pay fix/receive float interest rate swap agreements held through investments in debt and equity of affiliates as of December 31, 2018.

(2) As of December 31, 2019, the weighted average life of interest rate swaps on a GAAP basis was 4.32 years and the weighted average life of interest rate swaps held through investments in debt and equity of affiliates was 2.83 years. There were no interest rate swaps held through investments in debt and equity of affiliates as of December 31, 2018.

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

(4) Each Eurodollar Future contract embodies $1,000,000 of notional value.

(5) Each British Pound Future contract embodies £62,500 of notional value.

(6) Each Euro Future contract embodies €125,000 of notional value.

Interest rate swaps

To help mitigate exposure to increases in 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 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, 2019, our interest rate swap positions consisted of pay-fixed interest rate swaps. The following table presents information about our interest rate swaps as of December 31, 2019 ($ in thousands). It also reconciles these items to GAAP.

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate (1)	Weighted Average Years to Maturity
2020	$ 105,000	1.54%	1.91%	0.20
2022	837,531	1.64%	1.92%	2.69
2023	5,750	3.19%	1.91%	3.85
2024	650,000	1.52%	1.90%	4.80
2026	180,000	1.50%	1.89%	6.70
2029	165,000	1.77%	1.94%	9.85
Total/Wtd Avg: Non-GAAP Basis	$ 1,943,281	1.60%	1.91%	4.25
Investments in Debt and Equity of Affiliates	$ 94,531	1.61%	1.93%	2.83
Total/Wtd Avg: GAAP Basis	$ 1,848,750	1.60%	1.91%	4.32

(1) 100% of our receive variable interest rate swap notional amount resets quarterly based on three-month LIBOR.

As of December 31, 2018, our interest rate swap positions consisted of pay-fixed interest rate swaps. The following table presents information about our interest rate swaps as of December 31, 2018 ($ in thousands):

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate (1)	Weighted Average Years to Maturity
2020	$ 105,000	1.54%	2.56%	1.20
2021	58,500	3.00%	2.63%	2.76
2022	478,000	1.87%	2.72%	3.58
2023	403,000	3.05%	2.64%	4.65
2024	230,000	2.06%	2.63%	5.50
2025	125,000	2.87%	2.70%	6.38
2026	75,000	2.12%	2.66%	7.89
2027	264,000	2.35%	2.66%	8.68
2028	225,000	2.96%	2.69%	9.37
Total/Wtd Avg	$ 1,963,500	2.41%	2.67%	5.57

(1) 100% of our receive variable interest rate swap notional amount resets quarterly based on three-month LIBOR.

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 financing arrangements 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 realized gains and losses on sold investments and certain terminated derivatives, (v) taxes and (vi) methods of depreciation. 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, 2019, we had estimated undistributed taxable income of approximately $1.10 per share.

The following tables detail our common stock dividends during the years ended December 31, 2019, 2018 and 2017:

2019

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/15/2019	3/29/2019	4/30/2019	$ 0.50
6/14/2019	6/28/2019	7/31/2019	0.50
9/6/2019	9/30/2019	10/31/2019	0.45
12/13/2019	12/31/2019	1/31/2020	0.45
Total			**$ 1.90**

2018

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/15/2018	3/29/2018	4/30/2018	$ 0.475
6/18/2018	6/29/2018	7/31/2018	0.50
9/14/2018	9/28/2018	10/31/2018	0.50
12/14/2018	12/31/2018	1/31/2019	0.50
Total			**$ 1.975**

2017

Declaration Date	Record Date	Payment Date	Dividend Per Share (1)
3/10/2017	3/21/2017	4/28/2017	$ 0.475
6/8/2017	6/19/2017	7/31/2017	0.475
9/11/2017	9/29/2017	10/31/2017	0.575
12/15/2017	12/29/2017	1/31/2018	0.475
Total			**$ 2.000**

(1) The combined dividend of $0.575 includes a dividend of $0.475 per common share and a special cash dividend of $0.10 per common share.

The following tables detail our preferred stock dividends on our 8.25% Series A Preferred Stock, 8.00% Series B Preferred Stock, and 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable preferred stock during the years ended December 31, 2019, 2018 and 2017:

2019

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/15/2019	2/28/2019	3/18/2019	$ 0.51563
8.25% Series A	5/17/2019	5/31/2019	6/17/2019	0.51563
8.25% Series A	8/16/2019	8/30/2019	9/17/2019	0.51563
8.25% Series A	11/15/2019	11/29/2019	12/17/2019	0.51563
Total				**$ 2.06252**

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share	
8.00% Series B	2/15/2019	2/28/2019	3/18/2019	$	0.50
8.00% Series B	5/17/2019	5/31/2019	6/17/2019		0.50
8.00% Series B	8/16/2019	8/30/2019	9/17/2019		0.50
8.00% Series B	11/15/2019	11/29/2019	12/17/2019		0.50
Total				**$**	**2.00**

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share	
8.000% Series C	11/15/2019	11/29/2019	12/17/2019	$	0.50
Total				**$**	**0.50**

2018

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share	
8.25% Series A	2/16/2018	2/28/2018	3/19/2018	$	0.51563
8.25% Series A	5/15/2018	5/31/2018	6/18/2018		0.51563
8.25% Series A	8/16/2018	8/31/2018	9/17/2018		0.51563
8.25% Series A	11/15/2018	11/30/2018	12/17/2018		0.51563
Total				**$**	**2.06252**

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share	
8.00% Series B	2/16/2018	2/28/2018	3/19/2018	$	0.50
8.00% Series B	5/15/2018	5/31/2018	6/18/2018		0.50
8.00% Series B	8/16/2018	8/31/2018	9/17/2018		0.50
8.00% Series B	11/15/2018	11/30/2018	12/17/2018		0.50
Total				**$**	**2.00**

2017

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share	
8.25% Series A	2/16/2017	2/28/2017	3/17/2017	$	0.51563
8.25% Series A	5/15/2017	5/31/2017	6/19/2017		0.51563
8.25% Series A	8/16/2017	8/31/2017	9/18/2017		0.51563
8.25% Series A	11/16/2017	11/30/2017	12/18/2017		0.51563
Total				**$**	**2.06252**

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share	
8.00% Series B	2/16/2017	2/28/2017	3/17/2017	$	0.50
8.00% Series B	5/15/2017	5/31/2017	6/19/2017		0.50
8.00% Series B	8/16/2017	8/31/2017	9/18/2017		0.50
8.00% Series B	11/16/2017	11/30/2017	12/18/2017		0.50
Total				**$**	**2.00**

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, 2019 consisted of borrowings under financing arrangements, 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 financing arrangements, 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, 2019, we had $163.3 million available to support our liquidity needs, comprised of $81.7 million of cash, $80.5 million of Agency fixed rate securities and CMOs that have not been pledged as collateral under any of our financing arrangements and $1.1 million of U.S. Treasury securities that have not been pledged as collateral under any of our financing arrangements. Refer to the "Contractual obligations" section of this Part

II, 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 financing arrangements. We generate income principally from the yields earned on our investments and, to the extent that leverage is deployed, on the difference between the yields earned on our investments and our cost of borrowing and the cost of any hedging activities. 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, 2019, we had financing arrangements with 44 counterparties, allowing us to utilize leverage in our operations. As of December 31, 2019, we had debt outstanding of $3.5 billion from 30 counterparties, inclusive of financing arrangements through affiliated entities. The borrowings under financing arrangements have maturities between January 2, 2020 and August 10, 2023. 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 arrangements 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 financing arrangements, 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 financing arrangements are in unrealized loss positions.

See "Financing arrangements on our investment portfolio" section above for information on the contractual maturity of our financing arrangements at December 31, 2019 and December 31, 2018.

As described above in the "Financing activities" section of this Part II, Item 7, we entered into a resecuritization transaction in 2014 and a securitization transaction of certain of our residential mortgage loans in August 2019 that resulted in the consolidation of those VIEs created with the SPEs. 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 and Note 4 to the "Notes to Consolidated Financial Statements" for more detail.

The following table presents information at December 31, 2019 with respect to each counterparty that provides us with financing for which we had greater than 5% of our stockholders' equity at risk ($ in thousands).

Counterparty	Stockholders' Equity at Risk		Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Credit Suisse Securities, LLC - Non-GAAP	$	47,996	72	5.7 %
Non-GAAP Adjustments (a)		(44,588)	47	(5.3)%
Credit Suisse Securities, LLC - GAAP	$	3,408	119	0.4 %
Barclays Capital Inc	$	77,334	277	9.1 %
Citigroup Global Markets Inc.		50,263	22	5.9 %

(a) Represents stockholders' equity at risk, weighted average maturity and percentage of stockholders' equity from financing arrangements held in investments in debt and equity of affiliates.

The following table presents information at December 31, 2018 with respect to each counterparty that provides us with financing for which we had greater than 5% of our stockholders’ equity at risk ($ in thousands).

Counterparty		Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Credit Suisse Securities, LLC - Non-GAAP	$	45,039	222	6.9 %
Non-GAAP Adjustments (a)		(34,616)	(75)	(4.9)%
Credit Suisse Securities, LLC - GAAP	$	10,423	147	2.0 %
Barclays Capital Inc	$	40,882	356	6.2 %

(a) Represents stockholders' equity at risk, weighted average maturity and percentage of stockholders' equity from financing arrangements held in investments in debt and equity of affiliates.

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 financing arrangement decreases to the point where the difference between the collateral fair value and the financing arrangement 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. Typically, 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 our target assets. 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 may 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. We may also receive margin calls on our derivatives based on the implied volatility of interest rates. 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. Refer to the "Liquidity risk – derivatives" section of Part II, Item 7A of this Annual Report on Form 10-K for a further discussion on margin.

Cash Flows

As of December 31, 2019, our cash, cash equivalents, and restricted cash totaled $125.4 million, representing a net increase from $84.4 million at December 31, 2018. Cash provided by continuing operating activities of $67.5 million was attributable to net interest income less operating expenses. Cash used by continuing investing activities of $(882.4) million was attributable to purchases of investments, less sales and principal repayments of investments. Cash provided by continuing financing activities of $825.7 million was primarily attributable to borrowings under financing arrangements and proceeds from the issuance of common stock, preferred stock and securitized debt offset by repayments of financing arrangements and dividend payments. Cash provided by discontinued operations of $30.2 million was attributable to the disposition of our single-family rental properties portfolio, offset by the repayment of financing on the portfolio. We do not expect the disposition of this portfolio to have a material impact on our liquidity and capital resources going forward.

Equity distribution agreement

On May 5, 2017, we entered into an equity distribution agreement with each of Credit Suisse Securities (USA) LLC and JMP Securities LLC (collectively, the "Sales Agents"), which we refer to as the "Equity Distribution Agreements," pursuant to which we may sell up to $100.0 million aggregate offering price of shares of our common stock from time to time through the Sales Agents, as defined in Rule 415 under the Securities Act of 1933. The Equity Distribution Agreements were amended on May 22, 2018 in conjunction with the filing of our shelf registration statement registering up to $750.0 million of its securities, including capital stock (the "2018 Registration Statement"). For the year ended December 31, 2019, we sold 503.7 thousand shares of common stock under the Equity Distribution Agreements for net proceeds of approximately $8.6 million. For the year ended December 31, 2018, we sold 511.8 thousand shares of common stock under the Equity Distribution Agreements for net proceeds of approximately $9.3 million. For the year ended December 31, 2017, we sold 460.9 thousand shares of common stock under the Equity Distribution Agreements for net proceeds of approximately $8.7 million.

Common offering

On February 14, 2019, we completed a public offering of 3,000,000 shares of its common stock and subsequently issued an additional 450,000 shares pursuant to the underwriters' over-allotment option at a price of $16.70 per share. Net proceeds to us from the offering were approximately $57.4 million, after deducting estimated offering expenses.

Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock issuance

On September 17, 2019, we completed a public offering of 4,000,000 shares of 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") and subsequently issued 600,000 shares of Series C Preferred Stock pursuant to the underwriters' over-allotment option with a liquidation preference of $25.00 per share. We received total gross proceeds of $115.0 million and net proceeds of approximately $111.2 million, net of underwriting discounts, commissions and expenses. The Series C Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. Under certain circumstances upon a change of control, the Series C Preferred Stock is convertible to shares of our common stock. Holders of Series C Preferred Stock have no voting rights, except under limited conditions, and holders are entitled to receive cumulative cash dividends before holders of our common stock are entitled to receive any dividends. The initial dividend rate for the Series C Preferred Stock, from and including the date of original issue to, but not including, September 17, 2024, will be equal to 8.000% per annum of the $25.00 per share liquidation preference. On and after September 17, 2024, dividends on the Series C Preferred Stock will accumulate at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of 6.476% per annum. Shares of our Series C Preferred Stock are redeemable at $25.00 per share plus accumulated and unpaid dividends (whether or not declared) exclusively at our option commencing on September 17, 2024, or earlier under certain circumstances intended to preserve our 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.

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, 2019, December 31, 2018, and December 31, 2017, we incurred management fees of approximately $9.8 million, $9.5 million and $9.8 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 and discussions with our Manager. Of the $18.6 million, $14.9 million and $11.0 million of Other operating expenses for the years ended December 31, 2019, December 31, 2018, and December 31, 2017, respectively, we have accrued $7.5 million, $7.2 million and $6.3 million, respectively, representing a reimbursement of expenses. The Manager waived its right to receive expense reimbursements of $0.5 million for the year ended December 31, 2018. The Manager did not waive any expense reimbursements for the years ended December 31, 2019 and December 31, 2017.

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 in the form of restricted stock, stock options, restricted stock units or other types of awards to our directors, officers, advisors, consultants and other personnel and to our Manager. As of December 31, 2019, 17,921 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, 2019, we have granted an aggregate of 99,329 and 40,250 shares of restricted common stock to our independent directors and Manager, respectively, and 120,000 restricted stock units to our Manager under our equity incentive plans. As of December 31, 2019, all the shares of restricted common stock granted to our Manager and independent directors have vested and 99,991 restricted stock units granted to our Manager have vested. The 20,009 restricted stock units that have not vested as of December 31, 2019 were granted to the Manager on July 1, 2017, and represent the right to receive an equivalent number of shares of our common stock when the units vest on July 1, 2020. The units do not entitle the participant 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. 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.

Unfunded commitments

See our "Off-balance sheet arrangements" section below and Note 13 of the "Notes to Consolidated Financial Statements" for details on our commitments as of December 31, 2019.

Other

We have presented a table that details the contractual maturity of our financing arrangements at December 31, 2019 in the "Financing activities" section of Part II, Item 7. As of December 31, 2019 and December 31, 2018, we are obligated to pay accrued interest on our financing arrangements in the amount of $10.8 million and $12.3 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. The change in accrued interest on our financing arrangements was due primarily to the decrease in one-month LIBOR from 2.503% at December 31, 2018 to 1.763% at December 31, 2019. As many of our financing arrangements have maturities or roll dates of one month or less, the change in one-month LIBOR contributed significantly to the decrease in our accrued interest.

Our contractual obligations as of December 31, 2019 consisted of the following (in thousands):

	Total (1)	2020	2021-2022	2023-2024	Thereafter
Repurchase agreements	$ 3,194,409	$ 3,084,382	$ 110,027	$ —	$ —
Revolving facilities	296,475	179,707	26,812	89,956	—
Securitized debt	224,348	25,410	56,979	46,453	95,506
	$ 3,715,232	$ 3,289,499	$ 193,818	$ 136,409	$ 95,506

(1) Our contractual obligations through investments in debt and equity of affiliates is $257.4 million.
(2) Securitized debt is contractually scheduled to mature between August 27, 2036 and October 25, 2068. However, the weighted average life of the securitized debt is estimated to be 4.91 years.

The table above does not include interest payable, amounts due under our management agreement, amounts due under our derivative agreements, or unfunded commitments on our commercial real estate loans, MATT, LOTS, and Residential mortgage loans as those contracts do not have fixed or determinable payments.

Off-balance sheet arrangements

We may enter into long TBA positions to facilitate the future purchase or sale of Agency RMBS. We may also enter into short TBA positions to hedge Agency RMBS. We record TBA purchases/shorts and sales/covers on the trade date and present the amount net of the corresponding payable or receivable until the settlement date of the transaction. As of December 31, 2019, we had no TBA positions.

Our investments in debt and equity of affiliates are primarily comprised of real estate securities, Excess MSRs, loans, our interest in AG Arc, and certain derivatives. Investments in debt and equity of affiliates are accounted for using the equity method of accounting. See Note 2 to the "Notes to Consolidated Financial Statements" for a discussion of investments in debt and equity of affiliates. The below table details our investments in debt and equity of affiliates as of December 31, 2019 and December 31, 2018 (in thousands):

	December 31, 2019			December 31, 2018		
	Assets (1)	Liabilities	Equity	Assets (1)	Liabilities	Equity
Agency Excess MSR	$ 555	$ —	$ 555	$ 864	$ —	$ 864
Total Agency RMBS	555	—	555	864	—	864
Re/Non-Performing Loans	87,216	(56,811)	30,405	94,135	(57,222)	36,913
Non-QM Loans	254,276	(200,257)	54,019	113,327	(81,671)	31,656
Land Related Financing	16,979	—	16,979	—	—	—
Total Residential Investments	358,471	(257,068)	101,403	207,462	(138,893)	68,569
Freddie Mac K-Series	12,237	—	12,237	4,059	—	4,059
CMBS Interest Only	1,863	—	1,863	1,034	—	1,034
Total Commercial Investments	14,100	—	14,100	5,093	—	5,093
Total Credit Investments	372,571	(257,068)	115,503	212,555	(138,893)	73,662
Total Investments excluding AG Arc	373,126	(257,068)	116,058	213,419	(138,893)	74,526
AG Arc, at fair value	28,546	—	28,546	20,360	—	20,360
Cash and Other assets/(liabilities) (2)	12,953	(1,246)	11,707	7,423	(17,417)	(9,994)
Investments in debt and equity of affiliates	$ 414,625	$ (258,314)	$ 156,311	$ 241,202	$ (156,310)	$ 84,892

(1) Certain Re/Non-Performing Loans held in securitized form are presented net of non-recourse securitized debt.
(2) Includes financing arrangements on real estate owned as of December 31, 2019 and December 31, 2018 of $(0.3) million and $(0.8) million, respectively.

The table below details our additional commitments as of December 31, 2019 (in thousands):

Commitment Type	Date of Commitment	Total Commitment	Funded Commitment	Remaining Commitment
MATH (a)	March 29, 2018	$ 46,820	$ 44,590	$ 2,230
Commercial loan G (b)(c)	July 26, 2018	84,515	45,856	38,659
Commercial loan I (b)	January 23, 2019	20,000	11,992	8,008
Commercial loan J (b)(d)	February 11, 2019	30,000	4,674	25,326
Commercial loan K (b)	February 22, 2019	20,000	9,164	10,836
LOTS (a)(e)	Various	31,810	16,979	14,831
Revolving loan (a)	October 31, 2019	12,363	—	12,363
Residential mortgage loans (f)	December 16, 2019	468,485	—	468,485
Total		$ 713,993	$ 133,255	$ 580,738

(a) Refer to "Contractual obligations" section above for more information regarding MATH, LOTS, and our revolving loan.

(b) We entered into commitments on commercial loans relating to construction projects. See Note 4 to the "Notes to the Consolidated Financial Statements" for further details.

(c) We expect to receive financing of approximately $25.1 million on our remaining commitment, which would cause our remaining equity commitment to be approximately $13.5 million. This financing is not committed and actual financing could vary significantly from our expectations.

(d) We expect to receive financing of approximately $16.5 million on our remaining commitment, which would cause our remaining equity commitment to be approximately $8.9 million. Of the expected financing, $8.2 million is committed by the financing counterparty. Actual financing could vary significantly from our expectations.

(e) Subsequent to quarter end, our total commitment and remaining commitment increased to $33.4 million and $16.4 million, respectively.

(f) On December 16, 2019, we entered into a commitment to purchase residential mortgage loans with an unpaid principal balance of $502.3 million. This purchase was subject to due diligence and customary closing conditions. Subsequent to quarter end, the transaction settled with an unpaid principal balance of $481.7 million, a cost of $450.3 million and financing of $413.3 million.

Management views our TBA position and our investments in debt and equity of affiliates as part of our investment portfolio. Exclusive of our TBAs and our investments in debt and equity of affiliates described above, we do not expect these off-balance sheet arrangements, taken as a whole, to be significant to, or to have a material impact on, our overall liquidity or capital resources or our operations, given our ability to finance such arrangements.

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

See "Share-based compensation" section above for detail on our grants of restricted common stock.

Red Creek

In connection with our investments in Re/Non-Performing Loans and non-QM loans, we may engage asset managers to provide advisory, consultation, asset management and other services. Beginning in November 2015, we also 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 our Re/Non-Performing Loans. Beginning in September 2019, we engaged the Asset Manager as the asset manager for our non-QM loans. We pay the Asset Manager separate arm's-length asset management fees as assessed and confirmed periodically by a third party valuation firm for our Re/Non-Performing Loans and non-QM loans. During 2019, the third party assessment of asset management fees resulted in our updating the fee amount for our Re/Non-Performing Loans. We also utilized the third party valuation firm to establish the fee level for non-QM loans during 2019. For the years ended December 31, 2019, December 31, 2018, and December 31, 2017, the fees paid by us to the Asset Manager, totaled $0.9 million, $0.4 million, and $0.2 million, respectively.

Arc Home

On December 9, 2015, we, alongside private funds under the management of Angelo Gordon, through AG Arc, formed Arc Home, a Delaware limited liability company. Arc Home, through its subsidiary, originates conforming, Government, Jumbo, Non-QM and other non-conforming residential mortgage loans, retains the mortgage servicing rights associated with the loans it originates, and purchases additional mortgage servicing rights from third-party sellers.

Our investment in Arc Home, which is conducted through AG Arc, one of our indirect subsidiaries, is reflected on the "Investments in debt and equity of affiliates" line item on our consolidated balance sheets. See "Off-balance sheet arrangements" section above for the fair value as Arc Home of December 31, 2019 and December 31, 2018.

Arc Home may sell loans to us or to affiliates of our Manager. Arc Home may also enter into agreements with us, third parties, or affiliates of our Manager to sell Excess MSRs on the mortgage loans that it either purchases from third parties or originates. We, directly or through our subsidiaries, have entered into agreements with Arc Home to purchase rights to receive the excess servicing spread related to certain of its MSRs and as of December 31, 2019 and December 31, 2018, these Excess MSRs had fair value of approximately $18.2 million and $27.3 million, respectively.

In connection with our investments in Excess MSRs purchased through Arc Home, we paid an administrative fee to Arc Home. For the years ended December 31, 2019, December 31, 2018, and December 31, 2017, the administrative fees paid by us to Arc Home totaled $0.3 million, $0.2 million, and $10.8 thousand respectively.

Mortgage Acquisition Trust I LLC

See our "Off-balance sheet arrangements" section above.

LOT SP I LLC and LOT SP II LLC

See our "Off-balance sheet arrangements" section above.

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 Part II, Item 7.

Other transactions with affiliates

Our Board of Directors has adopted a policy regarding the approval of any "affiliated transaction," which is any transaction or series of transactions in which Angelo Gordon arranges for the purchase and sale of a security or other investment between or among us, on the one hand, and an entity or entities under Angelo Gordon's management, on the other hand (an "Affiliated Transaction"). In order for us to enter into an Affiliated Transaction, the Affiliated Transaction must be approved by our Chief Risk Officer and the Chief Compliance Officer of Angelo Gordon. The price at which the security or investment is traded is the market price or market bid for such security or investment. Independent third-party valuations are used when market prices or bids are not available or prove to be impracticable to acquire. Our Affiliated Transactions are reviewed by our Audit Committee on a quarterly basis to confirm compliance with the policy.

In February 2017, in accordance with our Affiliated Transactions Policy, we executed one trade whereby we acquired a real estate security from an affiliate of the Manager (the "February Selling Affiliate"). As of the date of the trade, the security acquired from the February Selling Affiliate had a total fair value of $2.0 million. The February Selling Affiliate sold the real estate security through a BWIC (Bids Wanted in Competition). Prior to the submission of the BWIC by the February Selling Affiliate, we submitted our bid for the real estate security to the February Selling Affiliate. The pre-submission of our bid allowed us to confirm third-party market pricing and best execution.

In July 2017, in accordance with our Affiliated Transactions Policy, we acquired certain real estate securities from an affiliate of the Manager (the "July Selling Affiliate"). As of the date of the trade, the securities acquired from the July Selling Affiliate had a total fair value of $0.2 million. As procuring market bids for the real estate securities was determined to be impracticable in the Manager’s reasonable judgment, appropriate pricing was based on a valuation prepared by an independent third-party pricing vendor. The third-party pricing vendor allowed us to confirm third-party market pricing and best execution.

In October 2017, in accordance with our Affiliated Transactions Policy, we acquired certain real estate securities and loans from two separate affiliates of the Manager (the "October Selling Affiliates"). As of the date of the trade, the securities and loans acquired from the October Selling Affiliates had a total fair value of $8.4 million. As procuring market bids for the real estate securities and loans was determined to be impracticable in the Manager’s reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed us to confirm third-party market pricing and best execution.

In October 2018, in accordance with our Affiliated Transactions Policy, we acquired certain real estate securities and loans from an affiliate of the Manager (the "October 2018 Selling Affiliate"). As of the date of the trade, the real estate securities and loans acquired from the October 2018 Selling Affiliate had a total fair value of $0.5 million. As procuring market bids for the real estate securities and loans was determined to be impracticable in the Manager’s reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed us to confirm third-party market pricing and best execution.

In March 2019, in accordance with our Affiliated Transactions Policy, we executed one trade whereby we acquired a real estate security from an affiliate of the Manager (the "March 2019 Selling Affiliate"). As of the date of the trade, the security acquired from the March 2019 Selling Affiliate had a total fair value of $0.9 million. The March 2019 Selling Affiliate sold the real estate security through a BWIC. Prior to the submission of the BWIC by the March 2019 Selling Affiliate, we submitted our bid for the real estate security to the March 2019 Selling Affiliate. The pre-submission of our bid allowed us to confirm third-party market pricing and best execution.

In June 2019, we, alongside private funds under the management of Angelo Gordon, participated through our unconsolidated ownership interest in MATT in a rated non-QM loan securitization, in which non-QM loans with a fair value of $408.0 million were securitized. Certain senior tranches in the securitization were sold to third parties with us and private funds under the management of Angelo Gordon retaining the subordinate tranches, which had a fair value of $42.9 million as of June 30, 2019. We have a 44.6% interest in the retained subordinate tranches.

In July 2019, in accordance with our Affiliated Transactions Policy, we acquired certain real estate securities from an affiliate of the Manager (the "July 2019 Selling Affiliate"). As of the date of the trade, the real estate securities acquired from the July 2019 Selling Affiliate had a total fair value of $2.0 million. As procuring market bids for the real estate securities was determined to be impracticable in the Manager’s reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed us to confirm third-party market pricing and best execution.

In September 2019, we, alongside private funds under the management of Angelo Gordon, participated through our unconsolidated ownership interest in MATT in a rated non-QM loan securitization, in which non-QM loans with a fair value of $415.1 million were securitized. Certain senior tranches in the securitization were sold to third parties with us and private funds under the management of Angelo Gordon retaining the subordinate tranches, which had a fair value of $28.7 million as of September 30, 2019. We have a 44.6% interest in the retained subordinate tranches.

In October 2019, in accordance with our Affiliated Transactions Policy, we acquired certain real estate securities from an affiliate of the Manager (the "October 2019 Selling Affiliate"). As of the date of the trade, the real estate securities acquired from the October 2019 Selling Affiliate had a total fair value of $2.2 million. The October 2019 Selling Affiliate sold the real estate securities through a BWIC. Prior to the submission of the BWIC by the October 2019 Selling Affiliate, we submitted its bid for the real estate securities to the October 2019 Selling Affiliate. The pre-submission of our bid allowed us to confirm third-party market pricing and best execution.

In November 2019, we, alongside private funds under the management of Angelo Gordon, participated through our unconsolidated ownership interest in MATT in a rated non-QM loan securitization, in which non-QM loans with a fair value of $322.1 million were securitized. Certain senior tranches in the securitization were sold to third parties with us and private funds under the management of Angelo Gordon retaining the subordinate tranches, which had a fair value of $21.4 million as of December 31, 2019. We have a 44.6% interest in the retained subordinate tranches.

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 are believed to be the following:

Valuation of financial instruments

Accounting for real estate securities

Accounting for residential and commercial mortgage loans

Interest income recognition

Financing arrangements

See Note 2 to the "Notes to Consolidated Financial Statements" for more detail on these critical accounting policies. These 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 value, whenever available. For more information on our fair value measurements, see Note 6 to the "Notes to Consolidated Financial Statements". For a review of our significant accounting policies and the recent accounting pronouncements that may impact our results of operations, see Note 2 to the "Notes to Consolidated Financial Statements."

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.

Compliance with Investment Company Act and REIT tests

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 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, 2019, 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, 2019. We also calculate that a sufficient portion of our revenue qualifies for the 75% gross income test and for the 95% gross income test rules for the year ended December 31, 2019. 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 stock and the distribution of our taxable income. Therefore, for the year ended December 31, 2019, 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, real estate, credit and basis 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 financing arrangements. We generally seek to manage this risk by monitoring the reset index and the interest rate related to our target assets and our financings; by structuring our financing arrangements to have a range of maturity terms, amortizations and interest rate adjustment periods; and by using derivative instruments to adjust interest rate sensitivity of our target assets and borrowings. Our hedging techniques can be highly complex, and the value of our target assets and derivatives may be adversely affected as a result of changing interest rates.

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 financing arrangements are short term in nature with an initial term of 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 rates plus a spread. As a result, our borrowing costs will tend to increase during periods of rising 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 interest rates, our Manager enters into hedging transactions structured to provide us with positive cash flow in the event 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 fair 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.

The following chart details information about our duration gap as of December 31, 2019:

Duration (1)	Years
Agency RMBS	1.29
Residential Loans (2)	1.00
Hedges	(1.71)
Subtotal	0.58
Credit Investments, excluding Residential Loans (2)	0.59
Duration Gap	**1.17**

(1) Duration related to financing arrangements is netted within its respective Agency RMBS and Credit Investments line items.

(2) Residential Loans include Re/Non Performing Loans, Non-QM Loans and Land Related Financing. Residential Loans are presented pro-forma for potential purchases of Re/Non-Performing Loans and Non-QM Loans that are in the diligence process, as the hedges related to these potential purchases have already been added to the portfolio. The duration gap exclusive of these potential purchases would have been 0.67.

The following tables quantify the estimated percent changes in GAAP equity, the fair value of our assets, and projected net interest income should interest rates go up or down instantaneously by 25, 50, and 75 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 equity, assets and income 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, 2019. 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 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, 2019, 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 Fair Value as a Percentage of GAAP Equity	Change in Fair Value as a Percentage of Assets	Percentage Change in Projected Net Interest Income (3)
+75	-3.8 %	-0.7 %	-3.6 %
+50	-2.2 %	-0.4 %	-2.2 %
+25	-0.9 %	-0.2 %	-0.9 %
-25	0.6 %	0.1 %	0.7 %
-50	0.8 %	0.1 %	1.0 %
-75	0.7 %	0.1 %	1.4 %

(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, 2019.

The below table quantifies the estimated percent changes in GAAP equity, the fair value of our assets, and projected net interest income should interest rates go up or down instantaneously, including the potential purchases of Re/Non-Performing Loans and Non-QM loans mentioned in the footnote 2 of the duration gap chart above as of December 31, 2019.

Change in Interest Rates (basis points) (1)(2)	Change in Fair Value as a Percentage of GAAP Equity (3)	Change in Fair Value as a Percentage of Assets (3)	Percentage Change in Projected Net Interest Income (4)
+75	-6.1 %	-1.2 %	-5.1 %
+50	-3.8 %	-0.7 %	-3.2 %
+25	-1.7 %	-0.3 %	-1.4 %
-25	1.4 %	0.3 %	1.2 %
-50	2.4 %	0.5 %	2.1 %
-75	3.2 %	0.6 %	3.0 %

(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) Changes in fair value as a percentage of GAAP equity and assets, as well as changes in projected net interest income are presented pro-forma for potential purchases of Re/Non-Performing Loans and Non-QM Loans that are in the diligence process, as the hedges related to these potential purchases have already been added to the portfolio.
(4) Interest income includes trades settled as of December 31, 2019 and the potential purchases of Re/Non-Performing Loans and Non-QM Loans mentioned in the previous footnote.

The information set forth in the interest rate sensitivity tables above and all related disclosures constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Actual results could differ significantly from those estimated in the foregoing interest rate sensitivity table. See below for additional risks which may impact the fair value of our assets, GAAP equity and net income.

Liquidity risk

Our primary liquidity risk arises from financing long-maturity assets with shorter-term borrowing primarily in the form of financing arrangements. 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.

Liquidity risk – financing arrangements

We pledge real estate securities or mortgage loans and cash as collateral to secure our financing arrangements. 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 financing arrangements 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 and 2009, our financing arrangement 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.

Liquidity risk - derivatives

The terms of our interest rate swaps and futures 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 and futures 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 or futures. Hence, as our swaps or futures 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 or futures gain value in a rising interest rate environment, we are able to recall variation margin from our counterparties. By recalling variation margin from our swaps or futures 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 swaps or futures and our counterparties were forced to unwind the swap or futures. For trades executed on a bilateral basis, the initial margin is set at the outset of each trade as a fixed percentage of the notional amount of the trade. This means that once we post initial margin at the outset of a bilateral trade, we will have no further posting obligations as it pertains to initial margin. However, the initial margin on our centrally cleared trades 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 trades 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 swaps and futures 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.

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 Note 2 of the "Notes to Consolidated Financial Statements" section below, 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, Excess MSR, 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 could cause us to suffer losses and 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, CMBS, Excess MSRs and Interest Only investments related to Non-Agency 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.

Foreign currency risk

We intend to hedge our currency exposures in a prudent manner. However, our currency hedging strategies may not eliminate all of our currency risk due to, among other things, uncertainties in the timing and/or amount of payments received on the related investments, and/or unequal, inaccurate, or unavailable hedges to perfectly offset changes in future exchange rates. Additionally, we may be required under certain circumstances to collateralize our currency hedges for the benefit of the hedge counterparty, which could adversely affect our liquidity.

Consistent with our strategy of hedging foreign currency exposure on certain investments, we typically enter into a series of forwards to fix the U.S. dollar amount of foreign currency denominated cash flows (interest income and principal payments) we expect to receive from our foreign currency denominated investments. Accordingly, the notional values and expiration dates of our foreign currency hedges approximate the amounts and timing of future payments we expect to receive on the related investments.

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 the notes thereto.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of AG Mortgage Investment Trust, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of AG Mortgage Investment Trust, Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 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, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated 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 the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

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

February 28, 2020

We have served as the Company's auditor since 2011.

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except per share data)

	December 31, 2019	December 31, 2018
Assets		
Real estate securities, at fair value:		
Agency - $2,234,921 and $1,934,562 pledged as collateral, respectively	$ 2,315,439	$ 1,988,280
Non-Agency - $682,828 and $605,243 pledged as collateral, respectively (1)	717,470	625,350
ABS - $0 and $13,346 pledged as collateral, respectively	—	21,160
CMBS - $413,922 and $248,355 pledged as collateral, respectively	416,923	261,385
Residential mortgage loans, at fair value - $171,224 and $99,283 pledged as collateral, respectively (2)	417,785	186,096
Commercial loans, at fair value - $4,674 and $0 pledged as collateral, respectively	158,686	98,574
Investments in debt and equity of affiliates	156,311	84,892
Excess mortgage servicing rights, at fair value	17,775	26,650
Cash and cash equivalents	81,692	31,579
Restricted cash	43,677	49,806
Other assets	21,905	32,619
Assets held for sale - Single-family rental properties, net	154	142,535
Total Assets	$ 4,347,817	$ 3,548,926
Liabilities		
Financing arrangements	$ 3,233,468	$ 2,720,488
Securitized debt, at fair value (1)(2)	224,348	10,858
Dividend payable	14,734	14,372
Other liabilities	24,675	42,096
Liabilities held for sale - Single-family rental properties, net	1,546	105,101
Total Liabilities	3,498,771	2,892,915
Commitments and Contingencies (Note 13)		
Stockholders' Equity		
Preferred stock - $0.01 par value; 50,000 shares authorized:		
8.25% Series A Cumulative Redeemable Preferred Stock, 2,070 shares issued and outstanding ($51,750 aggregate liquidation preference)	49,921	49,921
8.00% Series B Cumulative Redeemable Preferred Stock, 4,600 shares issued and outstanding ($115,000 aggregate liquidation preference)	111,293	111,293
8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, 4,600 shares issued and outstanding ($115,000 aggregate liquidation preference)	111,243	—
Common stock, par value $0.01 per share; 450,000 shares of common stock authorized and 32,742 and 28,744 shares issued and outstanding at December 31, 2019 and December 31, 2018, respectively	327	287
Additional paid-in capital	662,183	595,412
Retained earnings/(deficit)	(85,921)	(100,902)
Total Stockholders' Equity	849,046	656,011
Total Liabilities & Stockholders' Equity	$ 4,347,817	$ 3,548,926

The accompanying notes are an integral part of these consolidated financial statements.

(1) See Note 3 for details related to variable interest entities.
(2) See Note 4 for details related to variable interest entities.

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per share data)

	Year Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Net Interest Income			
Interest income	$ 171,660	$ 156,475	$ 128,845
Interest expense	90,108	70,502	43,722
Total Net Interest Income	81,552	85,973	85,123
Other Income/(Loss)			
Net realized gain/(loss)	(50,822)	(39,450)	(13,986)
Net interest component of interest rate swaps	7,736	2,230	(7,763)
Unrealized gain/(loss) on real estate securities and loans, net	83,832	(20,940)	45,529
Unrealized gain/(loss) on derivative and other instruments, net	(312)	(13,538)	19,813
Foreign currency gain/(loss), net	(2,512)	—	—
Other income	1,182	237	55
Total Other Income/(Loss)	39,104	(71,461)	43,648
Expenses			
Management fee to affiliate	9,825	9,544	9,835
Other operating expenses	18,638	14,885	10,965
Equity based compensation to affiliate	349	239	301
Excise tax	531	1,500	1,500
Servicing fees	1,619	433	234
Total Expenses	30,962	26,601	22,835
Income/(loss) before equity in earnings/(loss) from affiliates	89,694	(12,089)	105,936
Equity in earnings/(loss) from affiliates	7,644	15,593	12,622
Net Income/(Loss) from Continuing Operations	97,338	3,504	118,558
Net Income/(Loss) from Discontinued Operations	(4,416)	(1,936)	—
Net Income/(Loss)	92,922	1,568	118,558
Dividends on preferred stock (1)	16,122	13,469	13,469
Net Income/(Loss) Available to Common Stockholders	$ 76,800	$ (11,901)	$ 105,089
Earnings/(Loss) Per Share - Basic			
Continuing Operations	$ 2.52	$ (0.35)	$ 3.77
Discontinued Operations	(0.13)	(0.07)	—
Total Earnings/(Loss) Per Share of Common Stock	$ 2.39	$ (0.42)	$ 3.77
Earnings/(Loss) Per Share - Diluted			
Continuing Operations	$ 2.52	$ (0.35)	$ 3.77
Discontinued Operations	(0.13)	(0.07)	—
Total Earnings/(Loss) Per Share of Common Stock	$ 2.39	$ (0.42)	$ 3.77
Weighted Average Number of Shares of Common Stock Outstanding			
Basic	32,192	28,392	27,866
Diluted	32,203	28,392	27,883

(1) The year ended December 31, 2019 includes cumulative and undeclared dividends of $0.4 million on the Company's 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock as of December 31, 2019.

The accompanying notes are an integral part of these consolidated financial statements.

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock		8.25% Series A Cumulative Redeemable Preferred Stock	8.00% Series B Cumulative Redeemable Preferred Stock	8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	Additional Paid-in Capital	Retained Earnings/(Deficit)	Total
	Shares	Amount						
Balance at January 1, 2017	27,700	$ 277	$ 49,921	$ 111,293	$ —	$ 576,276	$ (81,891)	$ 655,876
Net proceeds from issuance of common stock	461	5	—	—	—	8,714	—	8,719
Grant of restricted stock and amortization of equity based compensation	32	—	—	—	—	540	—	540
Common dividends declared	—	—	—	—	—	—	(55,965)	(55,965)
Preferred Series A dividends declared	—	—	—	—	—	—	(4,269)	(4,269)
Preferred Series B dividends declared	—	—	—	—	—	—	(9,200)	(9,200)
Net Income/(Loss)	—	—	—	—	—	—	118,558	118,558
Balance at December 31, 2017	28,193	$ 282	$ 49,921	$ 111,293	$ —	$ 585,530	$ (32,767)	$ 714,259
Balance at January 1, 2018	28,193	$ 282	$ 49,921	$ 111,293	$ —	$ 585,530	$ (32,767)	$ 714,259
Net proceeds from issuance of common stock	512	5	—	—	—	9,251	—	9,256
Grant of restricted stock and amortization of equity based compensation	39	—	—	—	—	631	—	631
Common dividends declared	—	—	—	—	—	—	(56,234)	(56,234)
Preferred Series A dividends declared	—	—	—	—	—	—	(4,269)	(4,269)
Preferred Series B dividends declared	—	—	—	—	—	—	(9,200)	(9,200)
Net Income/(Loss)	—	—	—	—	—	—	1,568	1,568
Balance at December 31, 2018	28,744	$ 287	$ 49,921	$ 111,293	$ —	$ 595,412	$ (100,902)	$ 656,011
Balance at January 1, 2019	28,744	$ 287	$ 49,921	$ 111,293	$ —	$ 595,412	$ (100,902)	$ 656,011
Net proceeds from issuance of common stock	3,953	40	—	—	—	66,023	—	66,063
Net proceeds from issuance of preferred stock	—	—	—	—	111,243	—	—	111,243
Grant of restricted stock and amortization of equity based compensation	45	—	—	—	—	748	—	748
Common dividends declared	—	—	—	—	—	—	(62,172)	(62,172)
Preferred Series A dividends declared	—	—	—	—	—	—	(4,269)	(4,269)
Preferred Series B dividends declared	—	—	—	—	—	—	(9,200)	(9,200)
Preferred Series C dividends declared	—	—	—	—	—	—	(2,300)	(2,300)
Net Income/(Loss)	—	—	—	—	—	—	92,922	92,922
Balance at December 31, 2019	32,742	$ 327	$ 49,921	$ 111,293	$ 111,243	$ 662,183	$ (85,921)	$ 849,046

The accompanying notes are an integral part of these consolidated financial statements.

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Cash Flows from Operating Activities			
Net income/(loss)	$ 92,922	$ 1,568	$ 118,558
Net (income)/loss from discontinued operations	4,416	1,936	—
Net income/(loss) from continuing operations	$ 97,338	$ 3,504	$ 118,558
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:			
Net amortization of premium	(4,673)	(4,062)	(4,596)
Net realized (gain)/loss	50,822	39,450	13,986
Unrealized (gain)/loss on real estate securities and loans, net	(83,832)	20,940	(45,529)
Unrealized (gain)/loss on derivative and other instruments, net	312	13,538	(19,813)
Foreign currency (loss) gain, net	2,512	—	—
Equity based compensation to affiliate	349	239	301
Equity based compensation expense	399	392	239
Income from investments in debt and equity of affiliates in excess of distributions received	6,045	(9,418)	(5,639)
Change in operating assets/liabilities:			
Other assets	(1,886)	75	(3,752)
Other liabilities	87	11,032	5,099
Net cash provided by (used in) continuing operating activities	67,473	75,690	58,854
Net cash provided by (used in) discontinued operating activities	(2,235)	2,342	—
Net cash provided by (used in) operating activities	65,238	78,032	58,854
Cash Flows from Investing Activities			
Purchase of real estate securities	(2,090,705)	(2,138,411)	(2,225,724)
Purchase of residential mortgage loans	(263,997)	(205,043)	—
Purchase of commercial loans	(31,173)	(55,453)	(10,271)
Origination of commercial loans	(71,446)	—	—
Purchase of U.S. treasury securities	(81,917)	(249,659)	—
Investments in debt and equity of affiliates	(93,606)	(62,479)	(28,168)
Purchase of excess mortgage servicing rights	—	(25,162)	(3,399)
Proceeds from sale of real estate securities	1,240,701	2,214,729	566,047
Proceeds from sale of residential mortgage loans	12,780	34,408	18,536
Proceeds from sales of U.S. treasury securities	82,048	249,227	—
Distributions received in excess of income from investments in debt and equity of affiliates	16,143	22,962	6,396
Principal repayments on real estate securities	385,865	484,952	518,047
Principal repayments on MSRs	4,015	2,567	—
Principal repayments on residential mortgage loans	29,370	4,704	6,597
Principal repayments on commercial loans	43,217	14,522	13,478
Net proceeds from (payment made on) reverse repurchase agreements	11,499	13,299	(1,980)
Net proceeds from (payment made on) sales of securities borrowed under reverse repurchase agreements	(11,479)	(12,732)	2,086
Net settlement of interest rate swaps and other instruments	(63,996)	10,435	6,224
Net settlement of TBAs	1,261	(233)	1,669
Cash flows provided by (used in) other investing activities	(1,027)	(2,053)	4,058
Net cash provided by (used in) continuing investing activities	(882,447)	300,580	(1,126,404)
Net cash provided by (used in) discontinued investing activities	135,484	(139,538)	—
Net cash provided by (used in) investing activities	(746,963)	161,042	(1,126,404)

	Year Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Cash Flows from Financing Activities			
Net proceeds from issuance of common stock	66,063	9,282	8,718
Net proceeds from issuance of preferred stock	111,243	—	—
Borrowings under financing arrangements	47,397,506	51,539,506	41,215,511
Repayments of financing arrangements	(46,887,803)	(51,789,674)	(40,112,384)
Proceeds from issuance of securitized debt	224,923	—	—
Principal repayments on securitized debt	(6,901)	—	—
Repayments of loan participation	—	—	(1,800)
Net collateral received from (paid to) derivative counterparty	(1,465)	(201)	787
Net collateral received from (paid to) repurchase counterparty	(293)	292	(321)
Dividends paid on common stock	(61,809)	(55,254)	(55,730)
Dividends paid on preferred stock	(15,769)	(13,469)	(13,469)
Net cash provided by continuing financing activities	825,695	(309,518)	1,041,312
Net cash provided by discontinued financing activities	(103,000)	101,987	—
Net cash provided by (used in) financing activities	722,695	(207,531)	1,041,312
Net change in cash and cash equivalents, and restricted cash	40,970	31,543	(26,238)
Cash and cash equivalents, and restricted cash, Beginning of Year	84,358	52,815	79,053
Effect of exchange rate changes on cash	41	—	—
Cash and cash equivalents, and restricted cash, End of Year	$ 125,369	$ 84,358	$ 52,815
Supplemental disclosure of cash flow information:			
Cash paid for interest on financing arrangements	$ 94,989	$ 63,180	$ 40,106
Cash paid for income tax	$ 1,483	$ 1,394	$ 1,738
Supplemental disclosure of non-cash financing and investing activities:			
Payable on unsettled trades	$ —	$ —	$ 2,419
Principal repayments on real estate securities not yet received	$ —	$ —	$ 734
Common stock dividends declared but not paid	$ 14,734	$ 14,372	$ 13,391
Decrease of securitized debt	$ 3,617	$ 5,533	$ 5,241
Transfer from residential mortgage loans to other assets	$ 2,883	$ 1,825	$ 2,486
Transfer from investments in debt and equity of affiliates to CMBS	$ —	$ 65,425	$ —
Transfer from financing arrangements to investments in debt and equity of affiliates	$ —	$ 33,720	$ —
Transfer from non-agency to investments in debt and equity of affiliates	$ —	$ 44,970	$ —
Transfer from other assets to investments in debt and equity of affiliates	$ —	$ 242	$ —

The following table provides a reconciliation of cash and cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	Year Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Cash and cash equivalents	$ 81,692	$ 31,579	$ 15,200
Restricted cash	43,677	49,806	37,615
Restricted cash included in assets held for sale - Single-family rental properties, net	—	2,973	—
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 125,369	$ 84,358	$ 52,815

The accompanying notes are an integral part of these 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 a hybrid mortgage REIT that opportunistically invests in a diversified risk adjusted portfolio of agency investments and credit investments. Agency investments include Agency RMBS and Agency Excess MSRs, and credit investments include Non-Agency RMBS, ABS, CMBS, loans, and Credit Excess MSRs, as defined below.

Residential mortgage-backed securities ("RMBS") include 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 a U.S. 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"). 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.

Non-Agency RMBS represent fixed- and floating-rate RMBS issued by entities or organizations other than a GSE or agency of the U.S. government, or that are collateralized by non-U.S. mortgages, 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 or are non-U.S. mortgages. Non-Agency RMBS also includes securities issued by companies whose primary assets are land and real estate.

Asset Backed Securities ("ABS") are securitized investments for which 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 evidencing an ownership interest in, a single commercial mortgage loan or a pool of commercial mortgage loans.

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, or are collateralized by non-U.S. mortgages and are therefore subject to credit risk.

Collectively, the Company refers to Agency RMBS, Non-Agency RMBS, ABS and CMBS asset types as "real estate securities" or "securities."

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. 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. The Company refers to its residential and commercial mortgage loans as "mortgage loans" or "loans."

Excess MSRs refer to the excess servicing spread related to mortgage servicing rights, whose underlying collateral is securitized in a trust either held by a U.S. government agency or GSE ("Agency Excess MSR") or not held by a U.S. government agency or GSE ("Credit Excess MSR").

On November 15, 2019, the Company sold its portfolio of single-family rental properties ("SFR portfolio") to a third party. The sale of the Company's SFR portfolio has met the criteria for discontinued operations. Accordingly, for all current and prior periods presented, the related assets and liabilities are presented as assets and liabilities held for sale on the consolidated balance sheets and the related operating resulted are presented as income/(loss) from discontinued operations on the consolidated statement of operations. See Note 14 for further details.

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. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the year ended December 31, 2019 presentation, primarily in the Consolidated Statement of Operations and all related notes in which prior periods have been retrospectively adjusted to reflect the classification of the operations of the Company's SFR portfolio to discontinued operations.

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. Cash equivalents includes cash invested in money market funds. As of December 31, 2019 and December 31, 2018, the Company held $53.2 million and $0.6 million, respectively, of 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 "Other liabilities" line item on the consolidated balance sheets and in cash flows from financing activities on the consolidated statement of cash flows. Due to broker, which is included in the "Other liabilities" line item on the consolidated balance sheets, does not include variation margin received on centrally cleared derivatives. See Note 8 for more detail. Any cash due to the Company in the form of principal payments is included in the "Other assets" 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 financing arrangements. Prior to the disposition of the Company's SFR portfolio, restricted cash also included cash deposited into accounts related to rent deposits and collections, security deposits, property taxes, insurance premiums, interest expenses, property management fees and capital expenditures. Restricted cash 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 financing arrangement. Restricted cash is carried at cost, which approximates fair value. Restricted cash does not include variation margin pledged on centrally cleared derivatives. See Note 8 for more detail.

Offering costs

The Company has incurred offering costs in connection with common stock offerings, registration statements and preferred stock offerings. Where applicable, the offering costs were paid out of the proceeds of the respective offerings. Offering costs in connection with common stock offerings and costs in connection with registration statements have been accounted for as a reduction of additional paid-in capital. Offering costs in connection with preferred stock offerings have been accounted for as a reduction of their respective gross proceeds.

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 value on the consolidated balance sheets and the periodic change in fair 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. Purchases and sales of real estate securities are recorded on the trade date.

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. The Company recognizes certain upfront costs and fees relating to securities for which the fair value option has been elected in current period earnings as incurred and does not defer those costs, which is in accordance with ASC 825-10-25.

When the Company purchases securities with evidence of credit deterioration since origination, it will analyze the securities 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 remaining unrealized losses on securities at December 31, 2019 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 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 ("FIFO") basis. Realized gains and losses are recorded in earnings at the time of disposition.

Accounting for residential and commercial mortgage loans

Investments in mortgage loans are recorded in accordance with ASC 310-10, "Receivables." At purchase, the Company may aggregate 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 value on the consolidated balance sheets and any periodic change in fair 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 recognizes certain upfront costs and fees relating to loans for which the fair value option has been elected in current period earnings as incurred and does not defer those costs, which is in accordance with ASC 825-10-25. Purchases and sales of mortgage loans are recorded on the settlement date, concurrent with the completion of due diligence and the removal of any contingencies. Prior to the settlement date, the Company will include commitments to purchase loans within the Commitments and Contingencies footnote to the financial statements.

The Company amortizes or accretes any premium or discount over the life of the loans utilizing the effective interest method. On at least a quarterly basis, the Company evaluates the collectability of both interest and principal on its loans to determine whether they are impaired. A loan or pool of loans 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. 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 or pool of loans 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 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, may be 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, Excess MSRs, loans, and certain derivatives. These types of investments may also be held directly by the Company. These 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.

On December 9, 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 has chosen to make a fair value election with respect to its investment in AG Arc pursuant to ASC 825.

On August 29, 2017, the Company, alongside private funds under the management of Angelo Gordon, formed Mortgage Acquisition Holding I LLC ("MATH") to conduct a residential mortgage investment strategy. MATH in turn sponsored the formation of an entity called Mortgage Acquisition Trust I LLC ("MATT") to purchase predominantly "Non-QM" loans, which are residential mortgage loans that are not deemed "qualified mortgage," or "QM," loans under the rules of the CFPB. Non-QM loans are not eligible for delivery to Fannie Mae, Freddie Mac, or Ginnie Mae. MATT has made an election to be treated as a real estate investment trust beginning with the 2018 tax year.

On May 15, 2019 and November 14, 2019, the Company, alongside private funds under the management of Angelo Gordon, formed LOT SP I LLC and LOT SP II LLC, respectively, (collectively, "LOTS"). LOTS were formed to originate first mortgage loans to third party land developers and home builders for purposes of the acquisition and horizontal development of land ("Land Related Financing").

During Q3 2018, the Company transferred certain of its CMBS from certain of its non-wholly owned subsidiaries to a consolidated entity. The Company executed this transfer in order to obtain financing on these real estate securities. As a result, there was a reclassification of these assets from the "Investments in debt and equity of affiliates" line item to the "CMBS" line item on the Company's consolidated balance sheets. In addition, the Company has also shown this reclassification as a non-cash transfer from the "Investments in debt and equity of affiliates" line item to the "CMBS" line item on its consolidated statements of cash flows.

The below table reconciles the fair value of investments to the "Investments in debt and equity of affiliates" line item on the Company's consolidated balance sheet (in thousands).

	December 31, 2019			December 31, 2018		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
Real Estate Securities, Excess MSRs and Loans, at fair value (1)(2)	$ 373,126	$ (257,068)	$ 116,058	$ 213,419	$ (138,893)	$ 74,526
AG Arc, at fair value	28,546	—	28,546	20,360	—	20,360
Cash and Other assets/(liabilities)	12,953	(1,246)	11,707	7,423	(17,417)	(9,994)
Investments in debt and equity of affiliates	$ 414,625	$ (258,314)	$ 156,311	$ 241,202	$ (156,310)	$ 84,892

(1) Certain loans held in securitized form are presented net of non-recourse securitized debt.
(2) Within Real Estate Securities, Excess MSRs and Loans is $254.3 million and $113.3 million of fair value of Non-QM loans held in MATT at December 31, 2019 and December 31, 2018, respectively. Additionally, there is $17.0 million of fair value of Land Related Financing held in LOTS at December 31, 2019. There was no Land Related Financing at December 31, 2018.

The Company's investments in debt and equity of affiliates are recorded at fair value on the consolidated balance sheets in the "Investments in debt and equity of affiliates" line item and periodic changes in fair 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.

Accounting for excess mortgage servicing rights

The Company has acquired the right to receive the excess servicing spread related to Excess MSRs. The Company has chosen to make a fair value election pursuant to ASC 825 for Excess MSRs. Excess MSRs are recorded at fair value on the consolidated balance sheets and any periodic change in fair 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."

The Company amortizes or accretes any premium or discount over the life of the related Excess MSRs utilizing the effective interest method. On at least a quarterly basis, the Company evaluates the collectability of interest of its Excess MSRs to determine whether they are impaired. An Excess MSR 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.

The Company updates its estimate of the cash flows expected to be collected on at least a quarterly basis for Excess MSRs. 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 interest receipts, and assumptions of prepayments, repurchases, defaults and liquidations. If there is a significant increase in expected cash flows over what was 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 Excess MSR's yield over its remaining life. 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, may be recognized as impairment. Increases in interest income may be recognized on an Excess MSR on which the Company previously recorded an OTTI charge if the performance of such Excess MSR subsequently improves.

Accounting for single-family rental properties

The previously mentioned sale of the Company's SFR portfolio has met the criteria for discontinued operations. Accordingly, for all current and prior periods presented, the related assets and liabilities are presented as assets and liabilities held for sale on the consolidated balance sheets and the related operating results are presented as income/(loss) from discontinued operations on the consolidated statement of operations.

Purchases of single-family rental properties were treated as asset acquisitions under ASU 2017-01, "Clarifying the Definition of a Business" and were recorded at their purchase price, which were allocated between land, building and improvements, and in-place lease intangibles (when a tenant is in place at the acquisition date) based upon their relative fair values at the date of acquisition. Fair value was determined in accordance with ASC 820 and was primarily based on unobservable data inputs. In making estimates of fair values for purposes of allocating the purchase price, the Company utilized its own market knowledge and published market data and generally engaged a third-party valuation specialist to assist management in the determination of fair value for purposes of allocating price of properties acquired as part of portfolio level transactions. For purposes of this allocation, the purchase price was inclusive of acquisition costs, which included legal costs, as well as other closing costs.

The Company incurred costs to acquire, stabilize and prepare its single-family rental properties to be rented. These costs included renovation and other costs associated with these activities. The Company capitalized these costs as a component of the Company's investment in each single-family rental property, using specific identification and relative allocation methodologies. The capitalization period associated with the Company's stabilization activities began at such time that activities commenced and concluded at the time that a single-family rental property was available to be leased. Once a property was ready for its intended use, expenditures for ordinary maintenance and repairs were expensed to operations as incurred. The Company capitalized expenditures that improved or extended the life of a home and for certain furniture and fixtures additions.

The Company recorded single-family rental properties at purchase price plus any capitalized expenses less accumulated depreciation and amortization and any impairment to the "Single-family rental properties, net" line item on its consolidated balance sheets. Costs capitalized in connection with property acquisitions and improvements were depreciated over their estimated useful lives on a straight line basis. Buildings were depreciated over 30 years and improvements were depreciated over a range of 5 years to 30 years. In-place lease intangibles were recorded based on the costs to execute similar leases as well as an estimate of lost rent revenue at in-place rental rates during the estimated time required to lease the property. The in-place lease intangibles were amortized over the remaining life of the leases in place at purchase and were recorded in "Single-family rental properties, net" on the Company's consolidated balance sheets.

The Company assessed impairment on its single-family rental properties at least on a quarterly basis, or whenever events or changes in business circumstances indicated that carrying amounts of the assets may not be fully recoverable. When such trigger events occurred, the Company determined whether there had been impairment by comparing the asset’s carrying value with its estimated fair value. If impairment existed, the asset was written down to its estimated fair value. This analysis was performed at the property level using estimated cash flows, which were estimated based on a number of assumptions that were subject to economic and market uncertainties, including, among others, demand for rental properties, competition for customers, changes in market rental rates, costs to operate each property, expected ownership periods and value of the property. If the carrying amount of a property exceeded the sum of its undiscounted future operating and disposition cash flows, an impairment loss was recorded for excess of the carrying amount over the estimated fair value.

Minimum contractual rents from leases were recognized on a straight-line basis over the terms of the leases in rental income. Therefore, actual amounts billed in accordance with the lease during any given period may have been higher or lower than the amount of rental income recognized during the period. Straight-line rental income commenced when the customer took control of the leased premises.

The Company maintained an allowance for doubtful accounts for estimated losses that may have resulted from the inability of residents to make required rent or other payments. The allowance was estimated based on, among other considerations, the aging of accounts receivable, payment histories, and overall delinquencies. The provision for doubtful accounts was recorded as a reduction of rental income on the Company's consolidated statements of operations and a reduction of rent receivable, which was included within "Other assets" on the Company's consolidated balance sheets.

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. If the Company determines that consolidation is not required, it will then assess whether the transfer of the underlying assets would qualify as a sale, should be accounted for as secured financings under GAAP, or should be accounted for as an equity method investment, depending on the circumstances. See Note 3 and Note 4 for more detail.

The Company entered into a resecuritization transaction in 2014 which resulted in the Company consolidating the VIE that was created to facilitate the transaction and to which the underlying assets in connection with the resecuritization were transferred. In determining the accounting treatment to be applied to this resecuritization transaction, the Company evaluated whether the entity used to facilitate this transaction was a VIE and, if so, whether it should be consolidated. Based on its evaluation, the Company concluded that the VIE should be consolidated and, as a result, transferred assets of the VIE were determined to be secured borrowings. The Company has chosen to make a fair value election pursuant to ASC 825 for its secured borrowings. See Note 3 below for more detail.

The Company transferred certain of its CMBS in Q3 2018 from certain of its non-wholly owned subsidiaries into a newly formed wholly owned entity so the Company could obtain financing on these real estate securities. The Company evaluated whether this newly formed entity was a VIE and, whether it should be consolidated. Based on its evaluation, the Company concluded that the VIE should be consolidated. See Note 3 below as well as the "Investments in debt and equity of affiliates" section above for more detail.

The Company entered into a securitization transaction of certain of its re-performing residential mortgage loans in Q3 2019, which resulted in the Company consolidating the VIE that was created to facilitate the transaction and to which the underlying assets in connection with the securitization were transferred. In determining the accounting treatment to be applied to this securitization transaction, the Company evaluated whether the entity used to facilitate this transaction was a VIE and, if so, whether it should be consolidated. Based on its evaluation, the Company concluded that the VIE should be consolidated and, as a result, transferred assets of the VIE were determined to be secured borrowings. The Company has chosen to make a fair value election pursuant to ASC 825 for its secured borrowings. See Note 4 below for more detail.

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.

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 "residential mortgage loans" 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, "Imputation of Interest," 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, exclusive of interest-only securities), 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 records an 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, interest-only securities and Excess MSRs). In estimating these cash flows, there are a number of assumptions made that are uncertain and subject to judgments and assumptions based on subjective and objective factors 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 is 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 may aggregate 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.

Financing arrangements

The Company finances the acquisition of certain assets within its portfolio through the use of financing arrangements. Financing arrangements include repurchase agreements and financing facilities. The Company's financing facilities include revolving facilities. Repurchase agreements and financing facilities are treated as collateralized financing transactions and carried at their contractual amounts, including accrued interest, as specified in the respective agreements. The carrying amount of the Company’s repurchase agreements and revolving facilities approximates fair value.

The Company pledges certain securities, loans or properties as collateral under financing arrangements with financial institutions, the terms and conditions of which are negotiated on a transaction-by-transaction basis. The amounts available to be borrowed under repurchase agreements and revolving facilities are dependent upon the fair value of the securities or loans pledged as collateral, which can fluctuate 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 assets pledged under repurchase agreements and revolving facilities, 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, 2019 and December 31, 2018, the Company has met all margin call requirements.

Accounting for derivative financial instruments

The Company enters into derivative contracts as a means of mitigating interest rate risk or foreign currency 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, 2019 and December 31, 2018, 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 with respect to its counterparties. The Company records the daily receipt or payment of variation margin associated with the Company's centrally cleared derivative instruments on a net basis. See Note 8 for a discussion of this accounting treatment. 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. The Company establishes haircuts to ensure the fair value of the underlying assets remain sufficient to protect the Company in the event of a default by a counterparty. 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.

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 earned. For a more detailed discussion on the fees payable under the management agreement, see Note 11.

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 taxable 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 10 for further details.

Foreign currency remeasurement

The Company's assets and liabilities denominated in foreign currencies are remeasured into U.S. dollars using foreign currency exchange rates at the end of the reporting period. Income and expenses are remeasured using the average exchange rates for each reporting period. The effects of remeasuring the monetary assets and liabilities of the Company's foreign investments held by entities with a U.S. dollar functional currency are included in the "Foreign currency gain/(loss), net" line item in the Consolidated Statements of Operations. The effects of remeasuring the assets, income and expenses of the Company's foreign investments held by entities with a U.S. dollar functional currency in which the fair value option is elected are either included in the applicable unrealized line item per the Company's other significant accounting policies, or within the "Interest income" or "Interest expense" line items, respectively, in the Consolidated Statements of Operations.

Deal related performance fees

The Company may incur deal related performance fees, payable to Arc Home and third party operators, on certain of its CMBS, Excess MSRs, and Land Related Financing. The deal related performance fees are based on these investments meeting certain performance hurdles. The fees are accrued and expensed during the period for which they are incurred and are included in the "Other operating expenses" and "Equity in earnings/(loss) from affiliates" line items on the Consolidated Statement of Operations.

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 the financial statements.

Compensation cost related to restricted common shares and restricted stock units issued to the Company's directors and the Manager are measured at its estimated fair value at the grant date, and is amortized and expensed over the vesting period on a straight-line basis. 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 stock units.

Recent accounting pronouncements

In June 2016, FASB issued ASU 2016-13, "Financial Instruments - Credit Losses" ("ASU 2016-13"). This new guidance significantly changes how entities will measure credit losses for most financial assets, including loans, that are not measured at fair value through net income. The guidance replaces the existing "incurred loss" model with an "expected loss" model for instruments measured at amortized cost. It requires entities to record credit allowances for available-for-sale debt securities rather than reduce the carrying amount, as it currently is under the other-than temporary impairment model. The new guidance also simplifies the accounting model for purchased credit-impaired debt securities and loans. The Company is required to adopt the new guidance as of January 1, 2020. The new guidance specifically excludes available-for-sale securities and loans measured at fair value through net income. Accordingly, the impact of the new guidance on accounting for the Company's debt securities and loans is expected to be limited to recognition of effective yield which is currently impacted by other than temporary impairment recorded under current standards. As the new guidance is expected to eliminate the accounting for other than temporary impairment, the Company expects this guidance to have an impact on its unrealized and realized gain/(loss) amounts.

In June 2018, the FASB issued ASU 2018-7, "Improvements to Nonemployee Share-Based Payment Accounting" ("ASU 2018-7"). The standard largely aligns the accounting for share-based payment awards issued to employees and nonemployees. Equity-classified share-based payment awards issued to nonemployees will be measured on the grant date, instead of being remeasured through the performance completion date (generally the vesting date), as required under the current guidance. The standard is to be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year when adopted. The standard is effective for public business entities for fiscal years beginning after December 15, 2018 and interim periods within those years. The Company adopted ASU 2018-7 in the first quarter of 2019 and applied the guidance on a modified retrospective basis through a cumulative-effect adjustment to retained earnings. The adjustment was immaterial.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 changes the fair value measurement disclosure requirements of ASC 820 "Fair Value Measurement" by adding, eliminating, and modifying certain disclosure requirements. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019 and requires application of the prospective method of transition. The Company has concluded this guidance will not have a material impact on its consolidated financial statements.

3. Real Estate Securities

The following tables detail the Company’s real estate securities portfolio as of December 31, 2019 and December 31, 2018. The gross unrealized gains/(losses) stated in the tables below represent inception to date unrealized gains/(losses).

The following table details the Company’s real estate securities portfolio as of December 31, 2019 ($ in thousands):

				Gross Unrealized			Weighted Average	
	Current Face	Premium / (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (1)	Yield
Agency RMBS:								
30 Year Fixed Rate	$ 2,125,067	$ 59,123	$ 2,184,190	$ 57,404	$ (296)	$ 2,241,298	3.73%	3.17%
Interest Only	476,192	(403,248)	72,944	2,330	(1,133)	74,141	3.93%	5.87%
Total Agency RMBS:	2,601,259	(344,125)	2,257,134	59,734	(1,429)	2,315,439	3.77%	3.26%
Credit Investments:								
Non-Agency RMBS	769,254	(107,848)	661,406	55,343	(353)	716,396	4.84%	6.28%
Non-Agency RMBS Interest Only	209,362	(207,948)	1,414	—	(340)	1,074	0.77%	5.96%
Total Non-Agency:	978,616	(315,796)	662,820	55,343	(693)	717,470	4.40%	6.28%
CMBS	485,713	(134,596)	351,117	18,720	(906)	368,931	4.91%	7.28%
CMBS Interest Only	3,427,025	(3,382,273)	44,752	3,486	(246)	47,992	0.24%	6.68%
Total CMBS:	3,912,738	(3,516,869)	395,869	22,206	(1,152)	416,923	0.60%	7.21%
Total Credit Investments:	4,891,354	(3,832,665)	1,058,689	77,549	(1,845)	1,134,393	1.31%	6.62%
Total	$ 7,492,613	$ (4,176,790)	$ 3,315,823	$ 137,283	$ (3,274)	$ 3,449,832	2.20%	4.37%

(1) 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, 2018 ($ in thousands):

				Gross Unrealized			Weighted Average	
	Current Face	Premium / (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (1)	Yield
Agency RMBS:								
30 Year Fixed Rate	$ 1,781,995	$ 50,750	$ 1,832,745	$ 6,544	$ (9,174)	$ 1,830,115	4.08%	3.66%
Fixed Rate CMO	44,418	327	44,745	—	(388)	44,357	3.00%	2.79%
Interest Only	680,743	(565,659)	115,084	1,788	(3,064)	113,808	3.61%	8.13%
Total Agency RMBS:	2,507,156	(514,582)	1,992,574	8,332	(12,626)	1,988,280	3.94%	3.89%
Credit Investments:								
Non-Agency RMBS	763,753	(189,569)	574,184	50,131	(2,064)	622,251	5.09%	7.18%
Non-Agency RMBS Interest Only	296,677	(293,520)	3,157	879	(937)	3,099	0.63%	21.88%
Total Non-Agency:	1,060,430	(483,089)	577,341	51,010	(3,001)	625,350	4.29%	7.25%
ABS	22,125	(179)	21,946	—	(786)	21,160	9.49%	10.22%
CMBS	361,514	(163,366)	198,148	14,936	(2,030)	211,054	6.12%	8.87%
CMBS Interest Only	3,401,670	(3,354,311)	47,359	3,243	(271)	50,331	0.24%	6.87%
Total CMBS:	3,763,184	(3,517,677)	245,507	18,179	(2,301)	261,385	0.48%	8.48%
Total Credit Investments:	4,845,739	(4,000,945)	844,794	69,189	(6,088)	907,895	1.26%	7.67%
Total	$ 7,352,895	$ (4,515,527)	$ 2,837,368	$ 77,521	$ (18,714)	$ 2,896,175	2.23%	5.08%

(1) 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 as of December 31, 2019 and December 31, 2018 (in thousands).

	Less than 12 months		Greater than 12 months	
As of	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2019	$ 243,529	$ (2,313)	$ 22,719	$ (961)
December 31, 2018	966,620	(14,937)	81,170	(3,777)

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, 2019, the Company recognized an OTTI charge of $14.6 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. None of this amount was recognized on securities in which the Company demonstrated an intent to sell. The Company recorded $14.6 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 $14.6 million of OTTI recorded, $3.4 million related to securities where OTTI was not recognized in a prior year.

For the year ended December 31, 2018, the Company recognized an OTTI charge of $7.3 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. Of this amount, $2.9 million was recognized on certain securities in an unrealized loss position in which the Company demonstrated an intent to sell, and the charge represents a write-down to fair value as of the reporting date. The Company recorded $4.4 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 $7.3 million of OTTI recorded, $5.1 million related to securities where OTTI was not recognized in a prior year.

For the year ended December 31, 2017, the Company recognized an OTTI charge of $7.6 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. Of this amount, $2.3 million was recognized on certain securities in an unrealized loss position in which the Company demonstrated an intent to sell, and the charge represents a write-down to fair value as of the reporting date. The Company recorded $5.3 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 $7.6 million of OTTI recorded, $2.6 million related to securities where OTTI was not recognized in a prior year.

The unrealized losses on the remaining real estate securities are solely due to market conditions and not the credit quality of the assets. The investments in any remaining 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 the weighted average life of our real estate securities broken out by Agency RMBS and Credit Investments as of December 31, 2019 ($ in thousands):

	Agency RMBS			Credit Investments		
Weighted Average Life (1)	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon (2)**
Less than or equal to 1 year	$ —	$ —	—%	$ 82,474	$ 82,273	0.56%
Greater than one year and less than or equal to five years	313,855	302,520	4.01%	525,192	508,038	1.29%
Greater than five years and less than or equal to ten years	2,001,584	1,954,614	3.71%	296,665	263,300	1.06%
Greater than ten years	—	—	—	230,062	205,078	5.46%
Total	$ 2,315,439	$ 2,257,134	3.77%	$ 1,134,393	$ 1,058,689	1.31%

(1) This is based on projected life. Typically, actual maturities of mortgage-backed securities are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

(2) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

The following table details the weighted average life of our real estate securities broken out by Agency RMBS and Credit Investments as of December 31, 2018 ($ in thousands):

	Agency RMBS			Credit Investments		
Weighted Average Life (1)	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon (2)**
Less than or equal to 1 year	$ —	$ —	—%	$ 73,194	$ 73,738	0.59%
Greater than one year and less than or equal to five years	61,644	61,305	3.01%	240,232	226,342	0.89%
Greater than five years and less than or equal to ten years	1,908,417	1,912,545	4.02%	420,050	388,500	1.47%
Greater than ten years	18,219	18,724	3.50%	174,419	156,214	5.77%
Total	$ 1,988,280	$ 1,992,574	3.94%	$ 907,895	$ 844,794	1.26%

(1) This is based on projected life. Typically, actual maturities of mortgage-backed securities are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

For the year ended December 31, 2019, the Company sold 90 securities for total proceeds of $1.2 billion, recording realized gains of $34.6 million and realized losses of $4.7 million. For the year ended December 31, 2018, the Company sold 171 securities for total proceeds for $2.2 billion, recording realized gains of $6.4 million and realized losses of $61.4 million. For the year ended December 31, 2017, the Company sold 71 securities for total proceeds of $566.0 million, recording realized gains of $3.6 million and realized losses of $3.4 million.

See Notes 4 and 8 for amounts realized on sales of loans and the settlement of certain derivatives, 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 an 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 in 2014 (the "December 2014 VIE"). The Company concluded that the SPE created to facilitate this transaction was a VIE and also determined that the December 2014 VIE should be consolidated by the Company. The transferred assets were recorded as a secured borrowing, based on the Company’s involvement in the December 2014 VIE, including the design and purpose of the SPE, and whether the Company’s involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the December 2014 VIE.

The Company transferred certain of its CMBS in Q3 2018 from certain of its non-wholly owned subsidiaries into a newly formed entity so it could obtain financing on these real estate securities (the "August 2018 VIE"). The Company concluded that the entity created to facilitate this transfer was a VIE. The Company also determined that the August 2018 VIE should be consolidated by the Company based on the Company’s 100% equity ownership in the August 2018 VIE (despite a profit participation interest held by an unaffiliated third party in the August 2018 VIE), the Company's involvement in the August 2018 VIE, including the design and purpose of the entity, and whether the Company’s involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the August 2018 VIE.

The following table details certain information related to the assets and liabilities of the December 2014 VIE and August 2018 VIE as of December 31, 2019 and December 31, 2018 (in thousands):

	December 31, 2019	December 31, 2018
Assets		
Real estate securities, at fair value:		
Non-Agency	$ 13,838	$ 17,408
CMBS	94,500	84,515
Other assets	808	1,073
Total assets	$ 109,146	$ 102,996
Liabilities		
Financing arrangements	$ 70,712	$ 58,623
Securitized debt, at fair value	7,230	10,858
Other liabilities	3,553	3,002
Total liabilities	$ 81,495	$ 72,483

The following table details certain information related to the December 2014 VIE as of December 31, 2019 ($ in thousands):

			Weighted Average		
	Current Face	Fair Value	Coupon	Yield	Life (Years) (1)
Consolidated tranche (2)	$ 7,204	$ 7,230	3.46%	4.11%	1.96
Retained tranche	7,851	6,608	5.37%	18.14%	7.64
Total resecuritized asset (3)	$ 15,055	$ 13,838	4.46%	10.81%	4.92

(1) This is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) As of December 31, 2019, the Company has recorded secured financing of $7.2 million 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.
(3) As of December 31, 2019, the fair value of the total resecuritized asset is included in the Company's consolidated balance sheets as "Non-Agency."

The following table details certain information related to the December 2014 VIE as of December 31, 2018 ($ in thousands):

			Weighted Average		
	Current Face	Fair Value	Coupon	Yield	Life (Years) (1)
Consolidated tranche (2)	$ 10,821	$ 10,858	4.10%	4.47%	2.39
Retained tranche	8,401	6,550	4.61%	18.50%	8.37
Total resecuritized asset (3)	$ 19,222	$ 17,408	4.32%	9.75%	5.00

(1) This is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) As of December 31, 2018, the Company has recorded secured financing of $10.9 million 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.
(3) As of December 31, 2018, the fair value of the total resecuritized asset is included in the Company's consolidated balance sheets as "Non-Agency."

The holders of the consolidated tranche of the December 2014 VIE, shown within the Non-Agency line item above, have no recourse to the general credit of the Company and the Company has no obligation to provide any other explicit or implicit support to the December 2014 VIE. Except for restricted cash, shown within the Other assets line item above, assets held by the August

2018 VIE are not restricted and can be used to settle any obligations of the Company. The liabilities of the August 2018 VIE are recourse to the Company and can be satisfied with assets of the Company.

4. Loans

Residential mortgage loans

For the year ended December 31, 2019, the Company sold 79 loans for total proceeds of $12.8 million, recording realized gains of $1.0 million and realized losses of $0.2 million. For the year ended December 31, 2018, the Company sold 168 loans for total proceeds of $34.4 million, recording realized gains of $1.5 million and realized losses of $0.1 million. For the year ended December 31, 2017, the Company sold 100 loans for total proceeds of $18.5 million, recording realized gains of $3.4 million.

The Company has chosen to make a fair value election pursuant to ASC 825 for its residential mortgage 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 gains/(losses) stated in the tables below represents inception to date unrealized gains/(losses).

The table below details information regarding the Company's residential mortgage loan portfolio as of December 31, 2019 ($ in thousands):

				Gross Unrealized			Weighted Average		
	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years) (1)
Residential mortgage loans	$ 464,041	$ (55,219)	$ 408,822	$ 9,065	$ (102)	$ 417,785	4.09%	5.72%	7.36

(1) This is based on projected life. Typically, actual maturities of residential mortgage loans are 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 information regarding the Company's residential mortgage loan portfolio as of December 31, 2018 ($ in thousands):

				Gross Unrealized			Weighted Average		
	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years) (1)
Residential mortgage loans	$ 216,853	$ (31,773)	$ 185,080	$ 1,190	$ (174)	$ 186,096	4.75%	6.53%	7.14

(1) This is based on projected life. Typically, actual maturities of residential mortgage loans are 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 information regarding the Company's re-performing and non-performing residential mortgage loans as of December 31, 2019 and December 31, 2018 (in thousands):

	December 31, 2019		December 31, 2018	
	Fair Value	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance
Re-Performing	$ 330,234	$ 357,678	$ 148,508	$ 172,470
Non-Performing	87,551	106,363	37,588	44,383
	$ 417,785	$ 464,041	$ 186,096	$ 216,853

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, 2019, the Company recognized $0.2 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 $0.2 million of OTTI where the fair values of the loan pools were less than their carrying amounts. The $0.2 million related to loan pools with unpaid principal balances of $153.2 million, fair value of $144.8 million and an average fair value of $74.8 million for the year ended December 31, 2019. The Company recognized $1.5 million of interest income on the loan pools where OTTI was taken during the year ended December 31, 2019.

For the year ended December 31, 2018, the Company recognized $0.2 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 $0.2 million of OTTI where the fair values of the loan pools were less than their carrying amounts. The $0.2 million related to a loan pool with an unpaid principal balance of $5.3 million, a fair value of $4.4 million and an average fair value of $5.9 million for the year ended December 31, 2018. The Company recognized $0.5 million of interest income on the loan pools where OTTI was taken during the year ended December 31, 2018.

For the year ended December 31, 2017, the Company recognized $0.4 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 $0.4 million of OTTI where the fair values of the loan pools were less than their carrying amounts. The $0.4 million related to a loan pool with an unpaid principal balance of $9.9 million, a fair value of $7.4 million and average fair value of $9.4 million for the year ended December 31, 2017. The Company recognized $0.5 million of interest income on the loan pools where OTTI was taken during the year ended December 31, 2017.

As of December 31, 2019 and December 31, 2018 the Company had residential mortgage loans that were in the process of foreclosure with a fair value of $35.6 million and $17.3 million, respectively.

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 the geographic concentration of credit risk within the Company's mortgage loan portfolio:

Geographic Concentration of Credit Risk	**December 31, 2019**	**December 31, 2018**
Percentage of fair value of mortgage loans secured by properties in the following states representing 5% or more of fair value:		
California	19%	19%
Florida	11%	9%
New York	9%	5%
New Jersey	6%	3%
Georgia	4%	5%

The Company records interest income on an effective interest 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, 2019, December 31, 2018 and December 31, 2017, respectively (in thousands):

	Year Ended		
	December 31, 2019	**December 31, 2018**	**December 31, 2017**
Beginning Balance	$ 79,610	$ 9,318	$ 18,282
Additions	108,275	82,757	—
Accretion	(16,169)	(4,161)	(2,503)
Reclassifications from/(to) non-accretable difference	2,411	(3,988)	6,275
Disposals	(5,250)	(4,316)	(12,736)
Ending Balance	$ 168,877	$ 79,610	$ 9,318

As of December 31, 2019, the Company's residential mortgage loan portfolio was comprised of 3,413 conventional loans with original loan balances between $3.8 thousand and $3.4 million.

As of December 31, 2018, the Company's residential mortgage loan portfolio was comprised of 2,025 conventional loans with original loan balances between $10.0 thousand and $1.9 million.

The Company entered into a securitization transaction of certain of its residential mortgage loans in August 2019 (the "August 2019 VIE"). The Company concluded that the SPE created to facilitate this transaction was a VIE and also determined that the August 2019 VIE should be consolidated by the Company. The transferred assets were recorded as a secured borrowing, based on the Company's involvement in the August 2019 VIE, including the design and purpose of the SPE, and whether the Company's involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the August 2019 VIE.

Upon consolidation, the Company elected the fair value option for the assets and liabilities of the August 2019 VIE in order to avoid an accounting mismatch, and to more accurately represent the economics of its interest in the entity. Electing the fair value option allows the Company to record changes in fair value in the consolidated statement of operations. The Company applied the guidance under ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity", whereby the Company determines whether the fair value of the assets or liabilities of the August 2019 VIE is more observable as a basis for measuring the less observable financial instruments. The Company has determined that the fair value of the liabilities of the August 2019 VIE are more observable since the prices for these liabilities are more easily determined as similar instruments trade more frequently on a relative basis than the individual assets of the VIE.

The following table details certain information related to the assets and liabilities of the August 2019 VIE as of December 31, 2019 (in thousands):

	December 31, 2019
Assets	
Residential mortgage loans, at fair value	$ 255,171
Other assets	898
Total assets	$ 256,069
Liabilities	
Financing arrangements	$ 24,584
Securitized debt, at fair value	217,118
Other liabilities	596
Total liabilities	$ 242,298

The following table details certain information related to the August 2019 VIE as of December 31, 2019 ($ in thousands):

			Weighted Average		
	Current Unpaid Principal Balance	Fair Value	Coupon	Yield	Life (Years) (1)
Residential mortgage loans (2)	$ 263,956	$ 255,171	3.96%	5.11%	7.66
Securitized debt (3)	217,455	217,118	2.92%	2.86%	5.00

(1) This is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) This represents all loans contributed to the consolidated VIE.
(3) As of December 31, 2019, the Company has recorded secured financing of $217.1 million 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.

The Company did not have an interest in the August 2019 VIE as of December 31, 2018.

The holders of the securitized debt have no recourse to the general credit of the Company. The Company has no obligation to provide any other explicit or implicit support to the August 2019 VIE.

Commercial loans

The Company has chosen to make a fair value election pursuant to ASC 825 for its commercial 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 gains/(losses) columns in the tables below represent inception to date unrealized gains/(losses).

The following table presents detail on the Company’s commercial loan portfolio on December 31, 2019 ($ in thousands):

Loan (1)(2)	Current Face	Premium (Discount)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Coupon (3)	Weighted Average Yield (4)	Weighted Average Life (Years) (5)	Initial Stated Maturity Date	Extended Maturity Date (6)	Location
Loan G (7)	$ 45,856	$ —	$ 45,856	$ —	$ —	$ 45,856	6.46%	6.46%	0.53	July 9, 2020	July 9, 2022	CA
Loan H (7)(8)	36,000	—	36,000	—	—	36,000	5.49%	5.49%	0.19	March 9, 2019	June 9, 2020	AZ
Loan I (9)	11,992	(184)	11,808	184	—	11,992	12.21%	14.51%	1.04	February 9, 2021	February 9, 2023	MN
Loan J (7)	4,674	—	4,674	—	—	4,674	6.36%	6.36%	2.12	January 1, 2023	January 1, 2024	NY
Loan K (10)	9,164	—	9,164	—	—	9,164	10.71%	11.86%	1.72	May 22, 2021	February 22, 2024	NY
Loan L (10)	51,000	(502)	50,498	502	—	51,000	6.16%	6.50%	4.63	July 22, 2022	July 22, 2024	IL
	$ 158,686	$ (686)	$ 158,000	$ 686	$ —	$ 158,686	6.82%	7.17%	1.92			

(1) The Company has the contractual right to receive a balloon payment for each loan.
(2) Refer to Note 13 "Commitments and Contingencies" for details on the Company's commitments on its Commercial Loans as of December 31, 2019.
(3) Each commercial loan investment has a variable coupon rate.
(4) Yield includes any exit fees.
(5) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.
(6) Represents the maturity date of the last possible extension option.
(7) Loan G, Loan H and Loan J are first mortgage loans.
(8) Subsequent to quarter end, Loan H has been extended to the extended maturity date.
(9) Loan I is a mezzanine loan.
(10) Loan K and Loan L are comprised of first mortgage and mezzanine loans.

The following table presents detail on the Company's commercial loan portfolio on December 31, 2018 ($ in thousands):

Loan (1)	Current Face	Premium (Discount)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Coupon (2)	Weighted Average Yield (3)	Weighted Average Life (Years) (4)	Initial Stated Maturity Date	Extended Maturity Date (5)	Location
Loan B (6)	$ 32,800	$ —	$ 32,800	$ —	$ —	$ 32,800	7.13%	7.51%	0.52	July 1, 2016	July 1, 2019	TX
Loan F (7)	10,417	(1)	10,416	1	—	10,417	13.39%	14.02%	0.03	September 9, 2018	September 9, 2019	MN
Loan G (8)	19,357	—	19,357	—	—	19,357	7.14%	7.14%	1.54	July 9, 2020	July 9, 2022	CA
Loan H (8)	36,000	—	36,000	—	—	36,000	6.21%	6.21%	1.21	March 9, 2019	March 9, 2020	AZ
	$ 98,574	$ (1)	$ 98,573	$ 1	$ —	$ 98,574	7.45%	7.65%	0.92			

(1) The Company has the contractual right to receive a balloon payment for each loan.
(2) Each commercial loan investment has a variable coupon rate.
(3) Yield includes any exit fees.
(4) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.
(5) Represents the maturity date of the last possible extension option.
(6) Loan B is comprised of a first mortgage and mezzanine loan. As of December 31, 2018, Loan B has been extended to the extended maturity date shown above. Loan B paid off at par in Q3 2019 and the Company received $32.8 million of principal proceeds.
(7) Loan F is a mezzanine loan. As of December 31, 2018, Loan F has been extended to January 2019. Loan F paid off at par in Q1 2019, with the Company receiving proceeds of $10.4 million.
(8) Loan G and Loan H are first mortgage loans.

During the years ended December 31, 2019, December 31, 2018, and December 31, 2017, the Company recorded $25.5 thousand, $1.1 million, and $0.4 million of discount accretion, respectively, on its commercial loans.

5. Excess MSRs

The Company has chosen to make a fair value election pursuant to ASC 825 for its Excess MSR portfolio. Unrealized gains and losses are recognized in current period earnings in the "Unrealized gain/(loss) on derivative and other instruments, net" line item. The gross unrealized gains/(losses) columns below represent inception to date unrealized gains/(losses).

The following table presents detail on the Company's Excess MSR portfolio on December 31, 2019 ($ in thousands).

	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years) (1)
Agency Excess MSRs	$ 2,910,735	$ 19,570	$ 93	$ (2,031)	$ 17,632	8.32%	5.58
Credit Excess MSRs	34,753	178	2	(37)	143	21.38%	5.25
Total Excess MSRs	$ 2,945,488	$ 19,748	$ 95	$ (2,068)	$ 17,775	8.42%	5.58

(1) This is based on projected life. Actual maturities of Excess MSRs may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.

The following table presents detail on the Company's Excess MSR portfolio on December 31, 2018 ($ in thousands).

	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years) (1)
Agency Excess MSRs	$ 3,564,527	$ 26,182	$ 1,081	$ (821)	$ 26,442	10.43%	6.77
Credit Excess MSRs	41,231	215	—	(7)	208	24.09%	5.02
Total Excess MSRs	$ 3,605,758	$ 26,397	$ 1,081	$ (828)	$ 26,650	10.62%	6.75

(1) This is based on projected life. Actual maturities of Excess MSRs may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.

As described in Note 2, the Company evaluates securities for OTTI on at least a quarterly basis. The determination of whether an Excess MSR is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of an Excess MSR is less than its amortized cost at the balance sheet date, the Excess MSR is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary." For the year ended December 31, 2019, the Company recognized an OTTI charge of $2.6 million on its Excess MSRs, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. Of the $2.6 million of OTTI recorded for the year ended December 31, 2019, $0.9 million related to Excess MSRs where OTTI was not recognized in a prior year. For the year ended December 31, 2018, the Company recognized an OTTI charge of $0.4 million on its Excess MSRs, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. None of the OTTI recorded for the year ended December 31, 2018 was related to Excess MSRs where OTTI was recognized in a prior year. No OTTI was recorded for the year ended December 31, 2017.

6. 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, Excess MSRs, securitized debt of the December 2014 VIE, derivatives and U.S. Treasury securities are based upon prices obtained from third party pricing services, which are indicative of market activity. 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 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 ("CCCH") 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").

Beginning in the first quarter of 2017, as a result of a CCCH amendment to its rule book governing central clearing activities, the daily exchange of variation margin associated with a CCCH centrally cleared derivative instrument is legally characterized as the daily settlement of the derivative instrument itself, as opposed to a pledge of collateral. Accordingly, the Company accounts for the daily receipt or payment of variation margin associated with its centrally cleared interest rate swaps and futures as a direct reduction to the carrying value of the interest rate swap and future derivative asset or liability, respectively. The carrying amount of centrally cleared interest rate swaps and futures reflected in the Company’s consolidated balance sheets is equal to the unsettled fair value of such instruments. See Note 8 for more information.

The fair value of the Company's mortgage loans and securitized debt relating to the August 2019 VIE 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, prepayment rates and loss severity (considering mortgage insurance). Projections of default and prepayment rates are impacted by other variables such as reperformance rates, and timeline to liquidation. 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.

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.

Cash equivalents include investments in money market funds that invest primarily in short term U.S. Treasury and Agency securities. These cash equivalent instruments are valued at their market quoted prices, which generally approximate cost plus accrued interest.

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 residential mortgages. Through this subsidiary, Arc Home originates conforming, Government, Jumbo, Non-QM and other non-conforming residential mortgage loans, retains the mortgage servicing rights associated with the loans it originates, and purchases additional mortgage servicing rights from third-party sellers.

The following table presents the Company’s financial instruments measured at fair value on a recurring basis as of December 31, 2019 (in thousands):

	Fair Value at December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Agency RMBS:				
30 Year Fixed Rate	$ —	$ 2,241,298	$ —	$ 2,241,298
Interest Only	—	74,141	—	74,141
Credit Investments:				
Non-Agency RMBS	—	86,281	630,115	716,396
Non-Agency RMBS Interest Only	—	—	1,074	1,074
CMBS	—	2,365	366,566	368,931
CMBS Interest Only	—	—	47,992	47,992
Residential mortgage loans	—	—	417,785	417,785
Commercial loans	—	—	158,686	158,686
Excess mortgage servicing rights	—	—	17,775	17,775
Cash equivalents (1)	53,243	—	—	53,243
Derivative assets	—	2,282	—	2,282
AG Arc (1)	—	—	28,546	28,546
Total Assets Measured at Fair Value	$ 53,243	$ 2,406,367	$ 1,668,539	$ 4,128,149
Liabilities:				
Securitized debt	$ —	$ (151,933)	$ (72,415)	$ (224,348)
Derivative liabilities	(122)	(289)	—	(411)
Total Liabilities Measured at Fair Value	$ (122)	$ (152,222)	$ (72,415)	$ (224,759)

(1) Refer to Note 2 for more information on the Company's accounting policies with regard to cash equivalents and AG Arc.

The following table presents the Company's financial instruments measured at fair value on a recurring basis as of December 31, 2018 (in thousands):

	Fair Value at December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Agency RMBS:				
30 Year Fixed Rate	$ —	$ 1,830,115	$ —	$ 1,830,115
Fixed Rate CMO	—	44,357	—	44,357
Interest Only	—	113,808	—	113,808
Credit Investments:				
Non-Agency RMBS	—	130,697	491,554	622,251
Non-Agency RMBS Interest Only	—	—	3,099	3,099
ABS	—	—	21,160	21,160
CMBS	—	—	211,054	211,054
CMBS Interest Only	—	—	50,331	50,331
Residential mortgage loans	—	—	186,096	186,096
Commercial loans	—	—	98,574	98,574
Excess mortgage servicing rights	—	—	26,650	26,650
Cash equivalents (1)	595	—	—	595
Derivative assets	—	1,729	—	1,729
AG Arc (1)	—	—	20,360	20,360
Total Assets Measured at Fair Value	$ 595	$ 2,120,706	$ 1,108,878	$ 3,230,179
Liabilities:				
Securitized debt	$ —	$ —	$ (10,858)	$ (10,858)
Securities borrowed under reverse repurchase agreements	—	(11,378)	—	(11,378)
Derivative liabilities	—	(317)	—	(317)
Total Liabilities Measured at Fair Value	$ —	$ (11,695)	$ (10,858)	$ (22,553)

(1) Refer to Note 2 for more information on the Company's accounting policies with regard to cash equivalents and AG Arc.

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, 2019 and December 31, 2018.

Refer to the tables below for details on transfers between the Level 3 and Level 2 categories 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 additional information about the Company's assets and liabilities which are measured at fair value on a recurring basis for which the Company has utilized Level 3 inputs to determine fair value:

Year Ended December 31, 2019 (in thousands)	Non-Agency RMBS	Non-Agency RMBS Interest Only	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	Securitized debt
Beginning balance	$ 491,554	$ 3,099	$ 21,160	$ 211,054	$ 50,331	$ 186,096	$ 98,574	$ 26,650	$ 20,360	$ (10,858)
Transfers (1):										
Transfers into level 3	87,070	—	—	—	—	—	—	—	—	—
Transfers out of level 3	(57,140)	—	—	(5,280)	—	—	—	—	—	—
Purchases/Reclassifications	261,847	—	1,632	208,871	5,123	263,110	102,619	—	—	—
Issuances of Securitized Debt	—	—	—	—	—	—	—	—	—	(65,171)
Capital contributions	—	—	—	—	—	—	—	—	17,836	—
Proceeds from sales/redemptions	(115,616)	—	(14,183)	(25,792)	(2,632)	(12,780)	—	—	—	—
Proceeds from settlement	(59,274)	—	(9,446)	(38,162)	—	(30,422)	(43,217)	—	—	3,618
Total net gains/(losses) (2)										
Included in net income	21,674	(2,025)	837	15,875	(4,830)	11,781	710	(8,875)	(9,650)	(4)
Ending Balance	$ 630,115	$ 1,074	$ —	$ 366,566	$ 47,992	$ 417,785	$ 158,686	$ 17,775	$ 28,546	$ (72,415)
Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of December 31, 2019 (3)	$ 11,984	$ (529)	$ —	$ 12,430	$ (4,704)	$ 10,689	$ 710	$ (6,240)	$ (9,650)	$ (4)

(1) Transfers are assumed to occur at the beginning of the period. For the year ended December 31, 2019, the Company transferred 14 Non-Agency RMBS securities into the Level 3 category from the Level 2 category and 6 Non-Agency RMBS securities and 2 CMBS security into the Level 2 category from the Level 3 category under the fair value hierarchy of ASC 820.

(2) 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	$ 33,256
Unrealized gain/(loss) on derivative and other instruments, net	(8,879)
Net realized gain/(loss)	10,766
Equity in earnings/(loss) from affiliates	(9,650)
Total	$ 25,493

(3) 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	$ 30,580
Unrealized gain/(loss) on derivative and other instruments, net	(6,244)
Equity in earnings/(loss) from affiliates	(9,650)
Total	$ 14,686

Year Ended December 31, 2018 (in thousands)

	Non-Agency RMBS	Non-Agency RMBS Interest Only	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	Securitized debt
Beginning balance	$ 845,424	$ 2,662	$ 40,958	$ 161,250	$ 50,702	$ 18,890	$ 57,521	$ 5,084	$ 17,911	$ (16,478)
Transfers (1):										
Transfers into level 3	61,225	—	—	8,217	—	—	—	—	—	—
Transfers out of level 3	(90,028)	—	—	(6,951)	—	—	—	—	—	—
Purchases/Reclassifications (2)	140,488	—	8,580	113,684	10,436	203,979	55,357	25,162	(336)	—
Capital contributions	—	—	—	—	—	—	—	—	4,729	—
Proceeds from sales/redemptions	(311,920)	—	(11,559)	—	—	(34,259)	—	—	—	—
Proceeds from settlement	(145,300)	—	(15,620)	(80,436)	(5,400)	(4,360)	(14,522)	—	—	5,533
Total net gains/(losses) (3)										
Included in net income	(8,335)	437	(1,199)	15,290	(5,407)	1,846	218	(3,596)	(1,944)	87
Ending Balance	$ 491,554	$ 3,099	$ 21,160	$ 211,054	$ 50,331	$ 186,096	$ 98,574	$ 26,650	$ 20,360	$ (10,858)
Change in unrealized appreciation/(depreciation) for level 3 assets still held as of December 31, 2018 (4)	$ (4,456)	$ 513	$ (1,347)	$ 15,254	$ (5,076)	$ 1,197	$ —	$ (2,662)	$ (1,944)	$ 87

(1) Transfers are assumed to occur at the beginning of the period. For the year ended December 31, 2018, the Company transferred 4 Non-Agency RMBS securities and 2 CMBS securities into the Level 3 category from the Level 2 category and 13 Non-Agency RMBS securities and 1 CMBS security into the Level 2 category from the Level 3 category under the fair value hierarchy of ASC 820.

(2) Any reclassifications represent proceeds from investments in debt and equity of affiliates, or changes in ownership interests that do not result in a change of control.

(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	$ 1,054
Unrealized gain/(loss) on derivative and other instruments, net	(3,509)
Net realized gain/(loss)	1,796
Equity in earnings/(loss) from affiliates	(1,944)
Total	$ (2,603)

(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	$ 6,085
Unrealized gain/(loss) on derivative and other instruments, net	(2,575)
Equity in earnings/(loss) from affiliates	(1,944)
Total	$ 1,566

The following tables present a summary of quantitative information about the significant unobservable inputs used in the fair value measurement of investments for which the Company has utilized Level 3 inputs to determine fair value.

Asset Class	Fair Value at December 31, 2019 (in thousands)		Valuation Technique	Unobservable Input	Range (Weighted Average)
				Yield	1.71% - 100.00% (5.99%)
Non-Agency RMBS	$	625,537	Discounted Cash Flow	Projected Collateral Prepayments	0.00% - 100.00% (14.60%)
				Projected Collateral Losses	0.00% - 100.00% (2.93%)
				Projected Collateral Severities	0.00% - 100.00% (21.37%)
	$	4,578	Consensus Pricing	Offered Quotes	100.00 - 100.00 (100.00)
				Yield	27.50% - 27.50% (27.50%)
	$	1,074	Discounted Cash Flow	Projected Collateral Prepayments	18.00% - 18.00% (18.00%)
Non-Agency RMBS Interest Only				Projected Collateral Losses	2.00% - 2.00% (2.00%)
				Projected Collateral Severities	35.00% - 35.00% (35.00%)
				Yield	0.00% - 13.89% (6.33%)
CMBS	$	366,566	Discounted Cash Flow	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%)
				Yield	-2.57% - 9.86% (4.19%)
CMBS Interest Only	$	47,992	Discounted Cash Flow	Projected Collateral Prepayments	99.00% - 100.00% (99.93%)
				Projected Collateral Losses	0.00% - 0.00% (0.00%)
				Projected Collateral Severities	0.00% - 0.00% (0.00%)
				Yield	4.00% - 8.25% (4.81%)
Residential Mortgage Loans	$	364,107	Discounted Cash Flow	Projected Collateral Prepayments	4.81% - 9.04% (7.78%)
				Projected Collateral Losses	1.64% - 4.94% (2.36%)
				Projected Collateral Severities	-7.32% - 36.91% (23.15%)
	$	53,678	Recent Transaction	Cost	N/A
				Yield	6.16% - 10.76% (6.86%)
Commercial Loans	$	60,164	Discounted Cash Flow	Credit Spread	440 bps - 900 bps (510 bps)
				Recovery Percentage (1)	100.00% - 100.00% (100.00%)
	$	98,522	Consensus Pricing	Offered Quotes	100.00 - 100.00 (100.00)
				Yield	8.50% - 11.60% (9.20%)
Excess Mortgage Servicing Rights	$	17,633	Discounted Cash Flow	Projected Collateral Prepayments	9.35% - 16.90% (12.36%)
	$	142	Consensus Pricing	Offered Quotes	0.01 - 0.40 (0.40)
AG Arc	$	28,546	Comparable Multiple	Book Value Multiple	1.0x - 1.0x (1.0x)

Liability Class	Fair Value at December 31, 2019 (in thousands)		Valuation Technique	Unobservable Input	Range (Weighted Average)
				Yield	2.98% - 4.70% (3.54%)
Securitized debt	$	(72,415)	Discounted Cash Flow	Projected Collateral Prepayments	10.00% - 10.04% (10.04%)
				Projected Collateral Losses	2.04% - 3.50% (2.19%)
				Projected Collateral Severities	20.13% - 45.00% (22.61%)

(1) Represents the proportion of the principal expected to be collected relative to the loan balances as of December 31, 2019.

Asset Class	Fair Value at December 31, 2018 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
			Yield	3.32% - 20.00% (5.34%)
Non-Agency RMBS	$ 475,927	Discounted Cash Flow	Projected Collateral Prepayments	0.00% - 100.00% (13.66%)
			Projected Collateral Losses	0.00% - 30.00% (2.24%)
			Projected Collateral Severities	-0.43% - 100.00% (26.30%)
	$ 15,627	Consensus Pricing	Offered Quotes	86.57 - 97.39 (92.43)
			Yield	7.00% - 35.00% (27.37%)
Non-Agency RMBS Interest Only	$ 3,099	Discounted Cash Flow	Projected Collateral Prepayments	9.50% - 18.00% (15.70%)
			Projected Collateral Losses	0.75% - 2.00% (1.53%)
			Projected Collateral Severities	20.00% - 65.00% (34.04%)
			Projected Collateral Prepayments	20.00% - 20.00% (20.00%)
ABS	$ 13,346	Discounted Cash Flow	Projected Collateral Losses	2.00% - 2.00% (2.00%)
			Projected Collateral Severities	50.00% - 50.00% (50.00%)
	$ 7,814	Consensus Pricing	Offered Quotes	100.00 - 100.00 (100.00)
			Yield	4.99% - 14.51% (7.91%)
CMBS	$ 208,228	Discounted Cash Flow	Projected Collateral Prepayments	0.00% - 0.00% (0.00%)
			Projected Collateral Losses	0.00% - 0.50% (0.02%)
			Projected Collateral Severities	0.00% - 25.00% (1.05%)
	$ 2,826	Consensus Pricing	Offered Quotes	4.83 - 8.88 (7.87)
			Yield	3.67% - 10.79% (4.93%)
CMBS Interest Only	$ 50,331	Discounted Cash Flow	Projected Collateral Prepayments	99.00% - 100.00% (99.92%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
			Yield	5.92% - 9.00% (6.33%)
Residential Mortgage Loans	$ 86,813	Discounted Cash Flow	Projected Collateral Prepayments	4.99% - 8.37% (7.95%)
			Projected Collateral Losses	1.43% - 5.83% (1.94%)
			Projected Collateral Severities	6.28% - 32.19% (8.13%)
	$ 99,283	Recent Transaction	Cost	N/A
			Yield	7.51% - 7.51% (7.51%)
Commercial Loans	$ 32,800	Discounted Cash Flow	Credit Spread	475 bps - 475 bps (475 bps)
			Recovery Percentage (1)	100.00% - 100.00% (100.00%)
	$ 65,774	Consensus Pricing	Offered Quotes	100.00 - 100.00 (100.00)
			Yield	8.50% - 11.62% (9.18%)
Excess Mortgage Servicing Rights	$ 26,442	Discounted Cash Flow	Projected Collateral Prepayments	6.31% - 10.12% (8.47%)
	$ 208	Consensus Pricing	Offered Quotes	0.02 - 0.49 (0.47)
AG Arc	$ 20,360	Comparable Multiple	Book Value Multiple	1.0x - 1.0x (1.0x)

Liability Class	Fair Value at December 31, 2018 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
			Yield	4.09% - 4.09% (4.09%)
Securitized debt	$ (10,858)	Discounted Cash Flow	Projected Collateral Prepayments	10.00% - 10.00% (10.00%)
			Projected Collateral Losses	3.50% - 3.50% (3.50%)
			Projected Collateral Severities	45.00% - 45.00% (45.00%)

(1) Represents the proportion of the principal expected to be collected relative to the loan balances as of December 31, 2018.

As further described above, fair 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.

7. Financing arrangements

The following table presents a summary of the Company's financing arrangements as of December 31, 2019 and December 31, 2018 (in thousands).

	December 31, 2019	December 31, 2018
Repurchase agreements	$ 3,121,966	$ 2,595,873
Revolving facilities	111,502	124,615
Financing arrangements, net	$ 3,233,468	$ 2,720,488

Repurchase agreements

A vast majority of the Company's financing arrangements are effectuated through repurchase agreements. 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. 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 value of each investment. Repurchase agreements 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 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 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. If the fair value of pledged assets increases due to changes in market conditions, counterparties may be required to return collateral to us in the form of securities or cash or post additional collateral to us.

The following table presents a summary of financial information regarding the Company's repurchase agreements and corresponding real estate securities pledged as collateral as of December 31, 2019 ($ in thousands):

	Repurchase Agreements			Real Estate Securities Pledged		
Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
30 days or less	$ 1,550,508	2.33%	9.0%	$ 1,728,837	$ 1,660,649	$ 5,402
31-60 days	1,362,121	2.13%	7.0%	1,501,850	1,453,257	5,191
61-90 days	71,753	2.99%	23.5%	93,957	92,901	245
Greater than 180 days	2,973	3.79%	23.7%	4,039	3,690	3
Total / Weighted Average	$ 2,987,355	2.25%	8.5%	$ 3,328,683	$ 3,210,497	$ 10,841

The following table presents a summary of financial information regarding the Company's repurchase agreements and corresponding real estate securities pledged as collateral as of December 31, 2018 ($ in thousands):

	Repurchase Agreements			Real Estate Securities Pledged		
Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
Overnight	$ 52,385	3.92%	3.0%	$ 54,032	$ 53,848	$ 177
30 days or less	1,555,709	2.80%	9.7%	1,733,753	1,698,750	7,294
31-60 days	852,017	2.85%	8.1%	939,222	925,418	3,123
61-90 days	46,594	3.89%	21.4%	59,319	58,422	306
Greater than 180 days	5,406	4.53%	23.1%	7,977	7,387	6
Total / Weighted Average	$ 2,512,111	2.86%	9.3%	$ 2,794,303	$ 2,743,825	$ 10,906

The following table presents a summary of financial information regarding the Company's repurchase agreements and corresponding residential mortgage loans pledged as collateral as of December 31, 2019 ($ in thousands):

	Repurchase Agreements				Residential Mortgage Loans Pledged		
Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
31-60 days	$ 24,584	3.14%	3.14%	33.7%	$ 37,546	$ 25,192	$ 377
Greater than 180 days	107,010	3.61%	3.80%	19.3%	133,678	135,409	443
Total / Weighted Average	$ 131,594	3.53%	3.68%	22.0%	$ 171,224	$ 160,601	$ 820

The following table presents a summary of financial information regarding the Company's repurchase agreements and corresponding residential mortgage loans pledged as collateral as of December 31, 2018 ($ in thousands):

	Repurchase Agreements				Residential Mortgage Loans Pledged		
Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
Greater than 180 days	$ 83,762	4.27%	4.37%	15.6%	$ 99,283	$ 99,457	$ 91

The following table presents a summary of financial information regarding the Company's repurchase agreements and corresponding commercial loans pledged as collateral as of December 31, 2019 ($ in thousands):

	Repurchase Agreements				Commercial Loans Pledged		
Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
Greater than 180 days	$ 3,017	4.46%	5.89%	35.4%	$ 4,674	$ 4,674	$ 26

There were no repurchase agreements and corresponding commercial loans pledged as collateral as of December 31, 2018.

Although repurchase agreements 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 or cash to fund margin calls. See Note 8 for details on collateral posted/received against certain derivatives. The following table presents information with respect to the Company's posting of collateral under repurchase agreements on December 31, 2019 and December 31, 2018, broken out by investment type (in thousands):

	December 31, 2019	December 31, 2018
Fair Value of investments pledged as collateral under repurchase agreements:		
Agency RMBS	$ 2,231,933	$ 1,927,359
Non-Agency RMBS	682,828	605,243
ABS	—	13,346
CMBS	413,922	248,355
Residential Mortgage Loans	171,224	99,283
Commercial Loans	4,674	—
Cash pledged (i.e., restricted cash) under repurchase agreements	11,565	20,267
Total collateral pledged under repurchase agreements	$ 3,516,146	$ 2,913,853

The following table presents the fair value of collateral posted to us under repurchase agreements by lenders (in thousands):

	December 31, 2019	December 31, 2018
Fair Value of investments posted to us under repurchase agreements:		
Agency RMBS	$ —	$ 1,534
U.S. Treasury Securities	1,083	1,123
Total collateral posted to us under repurchase agreements	$ 1,083	$ 2,657

The following table presents information with respect to the Company's total borrowings under repurchase agreements on December 31, 2019 and December 31, 2018, broken out by investment type (in thousands):

	December 31, 2019	December 31, 2018
Repurchase agreements secured by investments:		
Agency RMBS	$ 2,109,278	$ 1,805,054
Non-Agency RMBS	565,450	499,851
ABS	—	10,548
CMBS	312,627	196,658
Residential Mortgage Loans	131,594	83,762
Commercial Loans	3,017	—
Gross Liability for repurchase agreements	$ 3,121,966	$ 2,595,873

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, 2019 (in thousands):

				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	$ 3,121,966	$ —	$ 3,121,966	$ 3,121,966	$ —	$ —

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, 2018 (in thousands):

				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	$ 2,595,873	$ —	$ 2,595,873	$ 2,595,873	$ —	$ —

Revolving facilities

The following table presents information regarding the Company's revolving facilities, excluding facilities within investments in debt and equity of affiliates, as of December 31, 2019 and December 31, 2018 (in thousands).

			December 31, 2019					December 31, 2018			
Facility (1)	**Investment**	**Maturity Date**	**Rate**	**Funding Cost**	**Balance**	**Fair Value of Assets Pledged as Collateral**	**Maximum Aggregate Borrowing Capacity**	**Rate**	**Funding Cost**	**Balance**	**Fair Value of Assets Pledged as Collateral**
Revolving facility A (2)(3)	Commercial Loans	July 1, 2019	—%	—%	$ —	$ —	$ —	4.66%	4.66%	$ 21,796	$ 32,800
Revolving facility B (2)(4)	Residential Mortgage Loans	June 28, 2021	3.80%	3.80%	21,546	27,476	110,000	4.53%	4.54%	63,328	85,343
Revolving facility C (2)(4)	Commercial Loans	August 10, 2023	3.85%	4.01%	89,956	132,856	100,000	4.53%	4.80%	39,491	55,357
Total revolving facilities					$ 111,502	$ 160,332	$ 210,000			$ 124,615	$ 173,500

(1) All revolving facilities listed above are interest only until maturity.
(2) Under the terms of the Company’s financing agreements, the Company's financial counterparties may, in certain cases, sell or re-hypothecate the pledged collateral.
(3) This facility was paid off in July 2019.
(4) Increasing the Company's borrowing capacity under this facility requires consent of the lender.

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" or "Revolving facility A") with Wells Fargo to finance certain commercial 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 contains representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type. This facility was paid off in July 2019.

In June 2018, AG MIT WFB1 2014 LLC ("AG MIT WFB1"), a subsidiary of the Company, entered into Amendments Seven and Eight of the Master Repurchase Agreement and Securities Contract (as amended, the "WFB1 Repurchase Agreement" or "Revolving facility B") with Wells Fargo to finance the ownership and acquisition of certain pools of residential mortgage loans. In July 2019, AG MIT WFB1 entered into the Third Amended and Restated Fee and Pricing Letter, which provides for a funding period ending June 26, 2020 and a facility termination date of June 28, 2021. The WFB1 Repurchase Agreement contains representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type. In the event the debt outstanding under the WFB1 Repurchase Agreement falls below $7.0 million, a cash trap trigger event will occur in which all income payments received by Wells Fargo will be applied against the outstanding balance until the WFB1 Repurchase Agreement is paid off.

In August 2018, AG MIT CREL II, LLC, a subsidiary of the Company, entered into a Master Repurchase Agreement with JP Morgan (the "JPM Repurchase Agreement" or "Revolving facility C") to finance certain commercial loans. The JPM Repurchase Agreement contains representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type.

Financing arrangements

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, 2019 and December 31, 2018, the Company had 44 financing counterparties, under which it had outstanding debt with 30 and 31 counterparties, respectively.

The following table presents information at December 31, 2019 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 ($ in thousands).

Counterparty	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Barclays Capital Inc	$ 77,334	277	9.1%
Citigroup Global Markets Inc.	50,263	22	5.9%

The following table presents information at December 31, 2018 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 ($ in thousands).

Counterparty	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Barclays Capital Inc	$ 40,882	356	6.2%

The Company’s financing arrangements generally include customary representations, warranties, and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each financing arrangement, typical supplemental terms include requirements of minimum equity, leverage ratios, performance triggers or other financial ratios.

8. Other assets and liabilities

The following table details certain information related to the Company's "Other assets" and "Other liabilities" line items on its consolidated balance sheet as of December 31, 2019 and December 31, 2018 (in thousands):

	December 31, 2019	December 31, 2018
Other assets		
Interest receivable	$ 13,548	$ 12,762
Receivable under reverse repurchase agreements	—	11,461
Derivative assets, at fair value	2,282	1,729
Other assets	4,378	6,064
Due from broker	1,697	603
Total Other assets	$ 21,905	$ 32,619
Other liabilities		
Obligation to return securities borrowed under reverse repurchase agreements, at fair value	$ —	$ 11,378
Interest payable	10,941	11,905
Derivative liabilities, at fair value	411	317
Due to affiliates	5,226	4,023
Accrued expenses	6,175	5,066
Taxes payable	815	1,673
Due to broker	1,107	7,734
Total Other liabilities	$ 24,675	$ 42,096

Derivative assets and liabilities

The Company’s derivatives may include interest rate swaps ("swaps"), TBAs, and swaption contracts. They may also include Eurodollar Futures, U.S. Treasury Futures, British Pound Futures, Euro Futures (collectively, "Futures"). Derivatives have not been designated as hedging instruments. The Company uses these derivatives and may also utilize other instruments to manage interest rate risk, including long and short positions in U.S. Treasury securities. The Company uses foreign currency forward contracts to manage foreign currency risk and to protect the value or to fix the amount of certain investments or cash flows in terms of U.S. dollars.

The Company may exchange cash "variation margin" with the counterparties to its derivative instruments on a daily basis based upon changes in the fair value of such derivative instruments as measured by the Chicago Mercantile Exchange ("CME") and the London Clearing House ("LCH"), the central clearinghouses ("CCPs") through which those derivatives are cleared. In addition, the CCPs require market participants to deposit and maintain an "initial margin" amount which is determined by the CCPs and is generally intended to be set at a level sufficient to protect the CCPs from the maximum estimated single-day price movement in that market participant's contracts.

Receivables recognized for the right to reclaim cash initial margin posted in respect of derivative instruments are included in the "Restricted cash" line item in the consolidated balance sheets. Prior to the first quarter of 2017, the daily exchange of variation margin associated with centrally cleared derivative instruments was considered a pledge of collateral. For these prior periods, receivables recognized for the right to reclaim cash variation margin posted in respect of derivative instruments are included in the "Restricted cash" line item in the consolidated balance sheets.

Beginning in the first quarter of 2017, as a result of an amendment to the CCPs' rule book which governs their central clearing activities, the daily exchange of variation margin associated with a CCP instrument is legally characterized as the daily settlement of the derivative instrument itself, as opposed to a pledge of collateral. Accordingly, the Company accounts for the daily receipt or payment of variation margin associated with its centrally cleared derivative instruments as a direct reduction to the carrying value of the derivative asset or liability, respectively. The carrying amount of centrally cleared derivative instruments reflected in the Company's consolidated balance sheets approximates the unsettled fair value of such instruments. As variation margin is exchanged on a one-day lag, the unsettled fair value of such instruments represents the change in fair value that occurred on the last day of the reporting period. Non-exchange traded derivatives were not affected by these legal interpretations and continue to be reported at fair value including accrued interest.

The following table presents the fair value of the Company's derivatives and other instruments and their balance sheet location at December 31, 2019 and December 31, 2018 (in thousands).

Derivatives and Other Instruments (1)	**Designation**	**Balance Sheet Location**	**December 31, 2019**	**December 31, 2018**
Pay Fix/Receive Float Interest Rate Swap Agreements (2)	Non-Hedge	Other assets	$ 199	$ 1,406
Pay Fix/Receive Float Interest Rate Swap Agreements (2)	Non-Hedge	Other liabilities	(411)	(317)
Payer Swaptions	Non-Hedge	Other assets	2,083	323
Short positions on U.S. Treasuries	Non-Hedge	Other liabilities (3)	—	(11,378)

(1) As of December 31, 2019, the Company applied a reduction in fair value of $19.7 thousand and $0.1 million to its Euro Futures liabilities and British Pound Futures liabilities, respectively, related to variation margin. As of December 31, 2018, the Company applied a fair value reduction of $0.1 million and $1.0 million to its U.S. Treasury Futures assets and Eurodollar Future liabilities, respectively, related to variation margin.
(2) As of December 31, 2019, the Company applied a reduction in fair value of $10.8 million and $2.2 million to its interest rate swap assets and liabilities, respectively, related to variation margin. As of December 31, 2018, the Company applied a reduction in fair value of $26.0 million and $18.1 million to its interest rate swap assets and liabilities, respectively, related to variation margin.
(3) Short positions on U.S. Treasuries relate 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 (in thousands):

Notional amount of non-hedge derivatives and other instruments:	**Notional Currency**	**December 31, 2019**	**December 31, 2018**
Pay Fix/Receive Float Interest Rate Swap Agreements	USD	$ 1,848,750	$ 1,963,500
Payer Swaptions	USD	650,000	260,000
Long positions on U.S. Treasury Futures (1)	USD	—	30,000
Short positions on Eurodollar Futures (2)	USD	—	500,000
Short positions on British Pound Futures (3)	GBP	6,563	—
Short positions on Euro Futures (4)	EUR	1,500	—
Short positions on U.S. Treasuries	USD	—	11,250

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

(2) Each Eurodollar Future contract embodies $1,000,000 of notional value.
(3) Each British Pound Future contract embodies £62,500 of notional value.
(4) Each Euro Future contract embodies €125,000 of notional value.

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

	Year Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Included within Unrealized gain/(loss) on derivative and other instruments, net			
Interest Rate Swaps	$ (641)	$ (11,171)	$ 20,547
Eurodollar Futures	1,001	(1,001)	—
Swaptions	1,325	(1,083)	(596)
U.S. Treasury Futures	(145)	36	748
British Pound Futures	(102)	—	—
Euro Futures	(20)	—	—
TBAs (1)	—	(227)	650
U.S. Treasuries	82	(176)	(1,631)
	1,500	(13,622)	19,718
Included within Net realized gain/(loss)			
Interest Rate Swaps	(62,147)	21,338	(9,959)
Eurodollar Futures	(1,122)	—	1,372
Swaptions	(1,514)	(790)	—
U.S. Treasury Futures	(31)	607	(4,050)
British Pound Futures	(605)	—	—
Euro Futures	(7)	—	—
TBAs (1)	1,262	(233)	1,669
U.S. Treasuries	(18)	177	1,742
	(64,182)	21,099	(9,226)
Total income/(loss)	$ (62,682)	$ 7,477	$ 10,492

(1) For the year ended December 31, 2019, gains and losses from purchases and sales of TBAs consisted of $1.0 million of net TBA dollar roll net interest income and net gains of $0.3 million due to price changes. For the year ended December 31, 2018, gains and losses from purchases and sales of TBAs consisted of $1.6 million of net TBA dollar roll net interest income and net losses of $2.1 million due to price changes. For the year ended December 31, 2017, gains and losses from purchases and sales of TBAs consisted of $3.1 million of net TBA dollar roll net interest income and net losses of $0.8 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, 2019 (in thousands):

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
Description (1)	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	Financial Instruments (Posted)/Received	Cash Collateral (Posted)/Received	Net Amount
Derivative Assets (2)						
Interest Rate Swaps	$ 1,980	$ —	$ 1,980	$ —	$ 1	$ 1,979
Interest Rate Swaptions	2,083	—	2,083	—	—	2,083
Total Derivative Assets	$ 4,063	$ —	$ 4,063	$ —	$ 1	$ 4,062
Derivative Liabilities (3)						
Interest Rate Swaps	$ 977	$ —	$ 977	$ —	$ 1	$ 976
Total Derivative Liabilities	$ 977	$ —	$ 977	$ —	$ 1	$ 976

(1) The Company applied a reduction in fair value of $10.8 million and $2.2 million to its interest rate swap assets and liabilities, respectively, related to variation margin. The Company applied a reduction in fair value of $19.7 thousand and $0.1 million to its Euro Futures assets and British Pound Futures liabilities, respectively, related to variation margin.
(2) Included in Other assets on the consolidated balance sheet is $4.1 million less accrued interest of $(1.8) million for a total of $2.3 million.
(3) Included in Other liabilities on the consolidated balance sheet is $1.0 million less accrued interest of $(1.4) million for a total of $(0.4) million.

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, 2018 (in thousands):

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
Description (1)	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	Financial Instruments (Posted)/Received	Cash Collateral (Posted)/Received	Net Amount
Receivable Under Reverse Repurchase Agreements	$ 11,461	$ —	$ 11,461	$ 11,378	$ —	$ 83
Derivative Assets (2)						
Interest Rate Swaps	$ 2,608	$ —	$ 2,608	$ —	$ 1,465	$ 1,143
Interest Rate Swaptions	322	—	322	—	(600)	922
Total Derivative Assets	$ 2,930	$ —	$ 2,930	$ —	$ 865	$ 2,065
Derivative Liabilities (3)						
Interest Rate Swaps	$ 1,635	$ —	$ 1,635	$ —	$ 1,465	$ 170
Total Derivative Liabilities	$ 1,635	$ —	$ 1,635	$ —	$ 1,465	$ 170

(1) The Company applied a reduction in fair value of $26.0 million and $18.1 million to its interest rate swap assets and liabilities, respectively, related to variation margin. The Company applied a reduction in fair value of $0.1 million and $1.0 million to its U.S. Treasury Futures assets and Eurodollar Futures liabilities, respectively, related to variation margin.
(2) Included in Other assets on the consolidated balance sheet is $2.9 million less accrued interest of $(1.2) million for a total of $1.7 million.
(3) Included in Other liabilities on the consolidated balance sheet is $1.6 million less accrued interest of $(1.9) million for a total of $(0.3) million.

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, 2019, the Company pledged real estate securities with a fair value of $3.0 million and cash of $32.1 million as collateral against certain derivatives. Of the $32.1 million of cash pledged as collateral against certain derivatives, $8.5 million represents amounts related to variation margin. The Company’s counterparties posted a de minimis amount of cash as collateral for certain derivatives. As of December 31, 2018, the Company pledged real estate securities with a fair value of $7.2 million and cash of $29.3 million as collateral against certain derivatives. Of the $29.3 million of cash pledged as collateral against certain derivatives, $7.1 million represents amounts related to variation margin. The Company’s counterparties posted cash of $1.5 million as collateral for certain derivatives.

Interest rate swaps

To help mitigate exposure to increases in 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 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, 2019, 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, 2019 ($ in thousands):

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate	Weighted Average Years to Maturity
2020	$ 105,000	1.54%	1.91%	0.20
2022	743,000	1.64%	1.91%	2.68
2023	5,750	3.19%	1.91%	3.85
2024	650,000	1.52%	1.90%	4.80
2026	180,000	1.50%	1.89%	6.70
2029	165,000	1.77%	1.94%	9.85
Total/Wtd Avg	$ 1,848,750	1.60%	1.91%	4.32

As of December 31, 2018, 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, 2018 ($ in thousands):

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate	Weighted Average Years to Maturity
2020	$ 105,000	1.54%	2.56%	1.20
2021	58,500	3.00%	2.63%	2.76
2022	478,000	1.87%	2.72%	3.58
2023	403,000	3.05%	2.64%	4.65
2024	230,000	2.06%	2.63%	5.50
2025	125,000	2.87%	2.70%	6.38
2026	75,000	2.12%	2.66%	7.89
2027	264,000	2.35%	2.66%	8.68
2028	225,000	2.96%	2.69%	9.37
Total/Wtd Avg	$ 1,963,500	2.41%	2.67%	5.57

TBAs

As discussed in Note 2, the Company has entered into TBAs. The following table presents information about the Company's TBAs for the years ended December 31, 2019, December 31, 2018, and December 31, 2017 (in thousands):

	For the Year Ended December 31, 2019							
	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	$ —	$ 1,994,500	$ (1,994,500)	$ —	$ —	$ —	$ —	$ —
TBAs - Short	$ —	$ 485,000	$ (485,000)	$ —	$ —	$ —	$ —	$ —

	For the Year Ended December 31, 2018							
	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	$ 100,000	$ 1,761,000	$ (1,861,000)	$ —	$ —	$ —	$ —	$ —
TBAs - Short	$ —	$ 1,071,000	$ (1,071,000)	$ —	$ —	$ —	$ —	$ —

For the Year Ended December 31, 2017

	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	$ 50,000	$ 2,231,000	$ (2,181,000)	$ 100,000	$ 102,711	$ (102,484)	$ 227	$ —
TBAs - Short	$ (75,000)	$ 75,000	$ —	$ —	$ —	$ —	$ —	$ —

9. 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, 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, 2019, December 31, 2018, and December 31, 2017, the Company’s outstanding warrants and unvested restricted stock units were as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Outstanding warrants (1)	—	—	1,007,500
Unvested restricted stock units previously granted to the Manager	20,009	40,007	60,000

(1) The warrants expired July 6, 2018.

Each warrant entitled the holder to purchase half a share of the Company’s common stock at a fixed price upon exercise of the warrant. Prior to their expiration in 2018 and for the year ended December 31, 2017, the Company excluded the effects of such warrants from the computation of diluted earnings per share because their effect would be anti-dilutive.

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 the 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, 2019, 2018 and 2017 (in thousands, except per share data):

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Numerator:			
Net Income/(Loss) from Continuing Operations	$ 97,338	$ 3,504	$ 118,558
Dividends on preferred stock	16,122	13,469	13,469
Net income/(loss) from continuing operations available to common stockholders	81,216	(9,965)	105,089
Net Income/(Loss) from Discontinued Operations	(4,416)	(1,936)	—
Net Income/(Loss) available to common stockholders	$ 76,800	$ (11,901)	$ 105,089
Denominator:			
Basic weighted average common shares outstanding	32,192	28,392	27,866
Dilutive effect of restricted stock units	11	—	17
Diluted weighted average common shares outstanding	32,203	28,392	27,883
Earnings/(Loss) Per Share - Basic			
Continuing Operations	$ 2.52	$ (0.35)	$ 3.77
Discontinued Operations	(0.13)	(0.07)	—
Basic Earnings/(Loss) Per Share of Common Stock:	$ 2.39	$ (0.42)	$ 3.77
Earnings/(Loss) Per Share - Diluted			
Continuing Operations	$ 2.52	$ (0.35)	$ 3.77
Discontinued Operations	(0.13)	(0.07)	—
Diluted Earnings/(Loss) Per Share of Common Stock:	$ 2.39	$ (0.42)	$ 3.77

The following tables detail the Company's common stock dividends during the years ended December 31, 2019, 2018 and 2017:

2019

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/15/2019	3/29/2019	4/30/2019	$ 0.50
6/14/2019	6/28/2019	7/31/2019	0.50
9/6/2019	9/30/2019	10/31/2019	0.45
12/13/2019	12/31/2019	1/31/2020	0.45
Total			**$ 1.90**

2018

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/15/2018	3/29/2018	4/30/2018	$ 0.475
6/18/2018	6/29/2018	7/31/2018	0.50
9/14/2018	9/28/2018	10/31/2018	0.50
12/14/2018	12/31/2018	1/31/2019	0.50
Total			**$ 1.975**

2017

Declaration Date	Record Date	Payment Date	Dividend Per Share (1)
3/10/2017	3/21/2017	4/28/2017	$ 0.475
6/8/2017	6/19/2017	7/31/2017	0.475
9/11/2017	9/29/2017	10/31/2017	0.575
12/15/2017	12/29/2017	1/31/2018	0.475
Total			**$ 2.000**

(1) The combined dividend of $0.575 includes a dividend of $0.475 per common share and a special cash dividend of $0.10 per common share.

The following tables detail our preferred stock dividends during the years ended December 31, 2019, 2018 and 2017:

2019

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/15/2019	2/28/2019	3/18/2019	$ 0.51563
8.25% Series A	5/17/2019	5/31/2019	6/17/2019	0.51563
8.25% Series A	8/16/2019	8/30/2019	9/17/2019	0.51563
8.25% Series A	11/15/2019	11/29/2019	12/17/2019	0.51563
Total				**$ 2.06252**

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/15/2019	2/28/2019	3/18/2019	$ 0.50
8.00% Series B	5/17/2019	5/31/2019	6/17/2019	0.50
8.00% Series B	8/16/2019	8/30/2019	9/17/2019	0.50
8.00% Series B	11/15/2019	11/29/2019	12/17/2019	0.50
Total				**$ 2.00**

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.000% Series C	11/15/2019	11/29/2019	12/17/2019	$ 0.50
Total				**$ 0.50**

2018

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/16/2018	2/28/2018	3/19/2018	$ 0.51563
8.25% Series A	5/15/2018	5/31/2018	6/18/2018	0.51563
8.25% Series A	8/16/2018	8/31/2018	9/17/2018	0.51563
8.25% Series A	11/15/2018	11/30/2018	12/17/2018	0.51563
Total				**$ 2.06252**

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/16/2018	2/28/2018	3/19/2018	$ 0.50
8.00% Series B	5/15/2018	5/31/2018	6/18/2018	0.50
8.00% Series B	8/16/2018	8/31/2018	9/17/2018	0.50
8.00% Series B	11/15/2018	11/30/2018	12/17/2018	0.50
Total				**$ 2.00**

2017

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/16/2017	2/28/2017	3/17/2017	$ 0.51563
8.25% Series A	5/15/2017	5/31/2017	6/19/2017	0.51563
8.25% Series A	8/16/2017	8/31/2017	9/18/2017	0.51563
8.25% Series A	11/16/2017	11/30/2017	12/18/2017	0.51563
Total				**$ 2.06252**

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/16/2017	2/28/2017	3/17/2017	$ 0.50
8.00% Series B	5/15/2017	5/31/2017	6/19/2017	0.50
8.00% Series B	8/16/2017	8/31/2017	9/18/2017	0.50
8.00% Series B	11/16/2017	11/30/2017	12/18/2017	0.50
Total				**$ 2.00**

10. 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, 2019, and December 31, 2018, the Company elected to satisfy the REIT distribution requirements in part with a dividend paid in 2020 and 2019, respectively. In conjunction with these payments after year-end, the Company accrued an excise tax of $0.8 million and $1.7 million for the years ended December 31, 2019 and December 31, 2018, respectively, which are included in the "Other liabilities" line item on the consolidated balance sheets. Excise tax represents a four percent tax on the required amount of the Company's ordinary income and net capital gains not distributed during the year. The expense is calculated in accordance with applicable tax regulations.

The Company files tax returns in several U.S. jurisdictions. There are no ongoing U.S. federal, state or local tax examinations related to the Company.

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, 2019, December 31, 2018 and December 31, 2017 all income distributed was in the form of common and preferred dividends and was characterized as ordinary income.

Based on its 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, 2019, 2018 or 2017. 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.

11. 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, 2019 and December 31, 2018, 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, 2019, December 31, 2018 and December 31, 2017, the Company incurred management fees of $9.8 million, $9.5 million and $9.8 million, respectively.

Termination fee

The termination fee, payable upon the occurrence of (i) 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, 2019, December 31, 2018, and December 31, 2017, 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.

Of the $18.6 million, $14.9 million and $11.0 million of Other operating expenses for years ended December 31, 2019, December 31, 2018, and December 31, 2017, the Company has incurred $7.5 million, $7.2 million, and $6.3 million, respectively, representing a reimbursement of expenses. The Manager waived its right to receive expense reimbursements of $0.5 million for the year ended December 31, 2018. The Manager did not waive any expense reimbursements for the years ended December 31, 2019 and December 31, 2017.

Restricted stock grants

Pursuant to the Company’s Manager Equity Incentive Plan and the Equity Incentive Plan adopted on July 6, 2011, the Company can award up to 277,500 shares of its common stock in the form of restricted stock, stock options, restricted stock units or other types of awards to the directors, officers, advisors, consultants and other personnel of the Company and to the Manager. As of December 31, 2019, 17,921 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, 2019, the Company has granted an aggregate of 99,329 and 40,250 shares of restricted common stock to its independent directors and Manager, respectively, and 120,000 restricted stock units to its Manager under its equity incentive plans. As of December 31, 2019, all the shares of restricted common stock granted to the Company’s Manager and independent directors have vested and 99,991 restricted stock units granted to the Company’s Manager have vested. The 20,009 restricted stock units that have not vested as of December 31, 2019 were granted to the Manager on July 1, 2017 and represent the right to receive an equivalent number of shares of the Company’s common stock to be issued when the units vest on July 1, 2020. 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.

The following table presents information with respect to the Company’s restricted stock and restricted stock units for the years ended December 31, 2019, December 31, 2018 and December 31, 2017:

	Year Ended December 31, 2019		Year Ended December 31, 2018		Year Ended December 31, 2017	
	Shares of Restricted Stock and Restricted Stock Units	Weighted Average Grant Date Fair Value	Shares of Restricted Stock and Restricted Stock Units	Weighted Average Grant Date Fair Value	Shares of Restricted Stock and Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at beginning of year	108,624	$ 19.52	109,430	$ 19.64	57,981	$ 20.66
Granted (1)	25,030	15.97	19,187	18.31	71,452	18.50
Canceled/forfeited	—	—	—	—	—	—
Unrestricted	(19,998)	18.53	(19,993)	19.01	(20,003)	18.53
Outstanding at end of year	113,656	$ 18.91	108,624	$ 19.52	109,430	$ 19.64
Unvested at end of year	20,009	$ 18.53	40,007	$ 18.53	60,000	$ 18.53

(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 grant date fair value of restricted stock units is based on the closing market price of the Company's common stock at the grant date.

During the years ended December 31, 2019, December 31, 2018, and December 31, 2017, 45,028, 39,180, and 31,455 shares of total restricted stock and restricted stock units vested, respectively.

On December 31, 2019, the Company had unrecognized compensation expense of $42.8 thousand related to restricted stock units. The total fair value of restricted shares and units vested for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 was approximately $0.8 million, $0.7 million, and $0.6 million, respectively, based on the closing price of the stock on the vesting date. The unrecognized compensation expense on December 31, 2019 is expected to be recognized over a weighted average period of 6 months.

The Company capitalized equity based compensation expense of $0.7 million, $0.6 million, and $0.5 million during the years ended December 31, 2019, December 31, 2018 and December 31, 2017, respectively, associated with the amortization of restricted stock and restricted stock units.

Director compensation

Beginning in 2018, the Company began paying a $160,000 annual base director’s fee to each independent director. Base director’s fees are paid 50% in cash and 50% 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. Beginning in 2019, the Company increased the annual fee paid to the lead independent director from $15,000 to $25,000.

Investments in debt and equity of affiliates

The Company invests in credit sensitive residential and commercial real estate assets through affiliated entities which hold an ownership interest in the assets. The Company is one investor, amongst other investors managed by affiliates of Angelo Gordon, in such entities and has applied the equity method of accounting for such investments. See Note 2 for the gross fair value of the Company's share of these investments as of December 31, 2019 and December 31, 2018.

During Q3 2018, the Company transferred certain of its CMBS from certain of its non-wholly owned subsidiaries to a fully consolidated entity. The Company executed the transfer in order to obtain financing on these real estate securities. As a result, there was a reclassification of these assets from the "Investments in debt and equity of affiliates" line item to the "CMBS" line item on the Company's consolidated balance sheets. In addition, the Company has also shown this reclassification as a non-cash transfer on its consolidated statement of cash flows.

The Company's investment in AG Arc is reflected on the "Investments in debt and equity of affiliates" line item on its consolidated balance sheets. See Note 2 for the fair value of AG Arc as of December 31, 2019 and December 31, 2018.

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 47 states, including Washington D.C. Through this subsidiary, Arc Home originates conforming, Government, Jumbo, Non-QM and other non-conforming residential mortgage loans, retains the mortgage servicing rights associated with the loans it originates, and purchases additional mortgage servicing rights from third-party sellers. Arc Home is led by an external management team.

Arc Home may sell loans to the Company, to third parties, or to affiliates of the Manager. Arc Home may also enter into agreements with third parties or affiliates of the Manager to sell rights to receive the excess servicing spread related to MSRs that it either purchases from third parties or originates. The Company, directly or through its subsidiaries, has entered into agreements with Arc Home to purchase rights to receive the excess servicing spread related to certain of Arc Home's MSRs. As of December 31, 2019 and December 31, 2018, these Excess MSRs had fair value of approximately $18.2 million and $27.3 million, respectively.

On August 29, 2017, the Company, alongside private funds under the management of Angelo Gordon, entered into the MATH LLC Agreement, which requires that MATH fund a capital commitment of $75.0 million to MATT. This commitment was increased by $25.0 million to $100.0 million on March 28, 2019 and by $5.0 million to $105.0 million on August 23, 2019 with amendments to the MATH LLC Agreement. As of December 31, 2019, the Company's share of MATH's total capital commitment to MATT is $46.8 million, of which the Company had funded $44.6 million as of December 31, 2019. As of December 31, 2019, the Company's remaining commitment was $2.2 million (net of any return of capital to the Company).

On May 15, 2019 and November 14, 2019, the Company, alongside private funds under the management of Angelo Gordon and a third party, entered into the LOTS I and LOTS II Agreements, respectively, which requires the Company to fund various commitments to LOTS in connection with the origination of Land Related Financing. As of December 31, 2019, the Company's total capital commitment to LOTS was $31.8 million, of which the Company has funded $17.0 million, and the Company's remaining commitment was $14.8 million.

Transactions with affiliates

In connection with the Company's investments in residential mortgage loans, residential mortgage loans in securitized form which are issued by an entity in which the Company holds an equity interest in and which are held alongside other private funds under the management of Angelo Gordon (the "Re/Non-Performing Loans") and non-QM loans, the Company may engage asset managers to provide advisory, consultation, asset management and other services. Beginning in November 2015, the Company also 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 Re/Non-Performing Loans. Beginning in September 2019, the Company engaged the Asset Manager as the asset manager for its non-QM loans. The Company pays the Asset Manager separate arm's-length asset management fees as assessed and confirmed periodically by a third party valuation firm for its Re/Non-Performing Loans and non-QM loans. In the third quarter of 2019, the third party assessment of asset management fees resulted in the Company updating the fee amount for its Re/Non-Performing Loans. The Company also utilized the third party valuation firm to establish the fee level for non-QM loans in the third quarter of 2019. For the years ended December 31, 2019, December 31, 2018, and December 31, 2017, the fees paid by the Company to the Asset Manager, totaled $0.9 million, $0.4 million, and $0.2 million, respectively.

In connection with the Company's investments in Excess MSRs purchased through Arc Home, the Company pays an administrative fee to Arc Home. For years ended December 31, 2019, December 31, 2018 and December 31, 2017, the administrative fees paid by the Company to Arc Home totaled $0.3 million, $0.2 million, and $10.8 thousand respectively.

In February 2017, in accordance with the Company's Affiliated Transactions Policy, the Company executed one trade whereby the Company acquired a real estate security from an affiliate of the Manager (the "February Selling Affiliate"). As of the date of the trade, the security acquired from the February Selling Affiliate had a total fair value of $2.0 million. The February Selling Affiliate sold the real estate security through a BWIC (Bids Wanted in Competition). Prior to the submission of the BWIC by the February Selling Affiliate, the Company submitted its bid for the real estate security to the February Selling Affiliate. The Company's pre-submission of its bid allowed the Company to confirm third-party market pricing and best execution.

In July 2017, in accordance with the Company's Affiliated Transactions Policy, the Company acquired certain real estate securities from an affiliate of the Manager (the "July Selling Affiliate"). As of the date of the trade, the securities acquired from the July Selling Affiliate had a total fair value of $0.2 million. As procuring market bids for the real estate securities was determined to be impracticable in the Manager's reasonable judgment, appropriate pricing was based on a valuation prepared by an independent third-party pricing vendor. The third-party pricing vendor allowed the Company to confirm third-party market pricing and best execution.

In October 2017, in accordance with the Company's Affiliated Transactions Policy, the Company acquired certain real estate securities and loans from two affiliates of the Manager (the "October Selling Affiliates"). As of the date of the trade, the real estate securities and loans acquired from the October Selling Affiliates had a total fair value of $8.4 million. As procuring market bids for the real estate securities and loans were determined to be impracticable in the Manager's reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed the Company to confirm third-party market pricing and best execution.

In October 2018, in accordance with the Company's Affiliated Transactions Policy, the Company acquired certain real estate securities and loans from an affiliate of the Manager (the "October 2018 Selling Affiliate"). As of the date of the trade, the real estate securities and loans acquired from the October 2018 Selling Affiliate had a total fair value of $0.5 million. As procuring market bids for the real estate securities and loans was determined to be impracticable in the Manager's reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed the Company to confirm third-party market pricing and best execution.

In March 2019, in accordance with the Company's Affiliated Transactions Policy, the Company executed one trade whereby the Company acquired a real estate security from an affiliate of the Manager (the "March 2019 Selling Affiliate"). As of the date of the trade, the security acquired from the March 2019 Selling Affiliate had a total fair value of $0.9 million. The March 2019 Selling Affiliate sold the real estate security through a BWIC. Prior to the submission of the BWIC by the March 2019 Selling Affiliate, the Company submitted its bid for the real estate security to the March 2019 Selling Affiliate. The pre-submission of the Company's bid allowed the Company to confirm third-party market pricing and best execution.

In June 2019, the Company, alongside private funds under the management of Angelo Gordon, participated, through its unconsolidated ownership interest in MATT, in a rated non-QM loan securitization, in which non-QM loans with a fair value of $408.0 million were securitized. Certain senior tranches in the securitization were sold to third parties with the Company and private funds under the management of Angelo Gordon retaining the subordinate tranches, which had a fair value of $42.9 million as of June 30, 2019. The Company has a 44.6% interest in the retained subordinate tranches.

In July 2019, in accordance with the Company's Affiliated Transactions Policy, the Company acquired certain real estate securities from an affiliate of the Manager (the "July 2019 Selling Affiliate"). As of the date of the trade, the real estate securities acquired from the July 2019 Selling Affiliate had a total fair value of $2.0 million. As procuring market bids for the real estate securities was determined to be impracticable in the Manager's reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed the Company to confirm third-party market pricing and best execution.

In September 2019, the Company, alongside private funds under the management of Angelo Gordon, participated, through its unconsolidated ownership interest in MATT, in a rated non-QM loan securitization, in which non-QM loans with a fair value of $415.1 million were securitized. Certain senior tranches in the securitization were sold to third parties with the Company and private funds under the management of Angelo Gordon retaining the subordinate tranches, which had a fair value of $28.7 million as of September 30, 2019. The Company has a 44.6% interest in the retained subordinate tranches.

In October 2019, in accordance with the Company’s Affiliated Transactions Policy, the Company acquired certain real estate securities from an affiliate of the Manager (the "October 2019 Selling Affiliate"). As of the date of the trade, the real estate securities acquired from the October 2019 Selling Affiliate had a total fair value of $2.2 million. The October 2019 Selling Affiliate sold the real estate securities through a BWIC. Prior to the submission of the BWIC by the October 2019 Selling Affiliate, the Company submitted its bid for real estate securities to the October 2019 Selling Affiliate. The Company’s pre-submission of its bid allowed the Company to confirm third-party market pricing and best execution.

In November 2019, the Company, alongside private funds under the management of Angelo Gordon, participated through its unconsolidated ownership interest in MATT in a rated non-QM loan securitization, in which non-QM loans with a fair value of $322.1 million were securitized. Certain senior tranches in the securitization were sold to third parties with the Company and private funds under the management of Angelo Gordon retaining the subordinate tranches, which had a fair value of $21.4 million as of December 31, 2019. The Company has a 44.6% interest in the retained subordinate tranches.

12. Equity

On May 2, 2018, the Company filed a shelf registration statement, registering up to $750.0 million of its securities, including capital stock (the "2018 Registration Statement"). As of December 31, 2019, $591.2 million of the Company’s securities, including capital stock, was available for issuance under the 2018 Registration Statement. The 2018 Registration Statement became effective on May 18, 2018 and will expire on May 18, 2021.

Concurrently with the IPO in 2011, 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 0.50 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 expired on July 6, 2018. No warrants were exercised in 2018 through the expiration date on July 6, 2018.

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 currently redeemable at $25.00 per share plus accumulated and unpaid dividends (whether or not declared) exclusively at the Company’s option. Dividends are payable quarterly in arrears on the 17th day of each March, June, September and December. As of December 31, 2019, 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 as required by Maryland law. 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 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. No shares were repurchased under the Repurchase Program during the years ended December 31, 2019, December 31, 2018 and December 31, 2017. Approximately $14.6 million of common stock remained authorized for future share repurchases under the Repurchase Program.

On May 5, 2017, the Company entered into an equity distribution agreement with each of Credit Suisse Securities (USA) LLC and JMP Securities LLC (collectively, the "Sales Agents"), which the Company refers to as the "Equity Distribution Agreements," pursuant to which the Company may sell up to $100.0 million aggregate offering price of shares of its common stock from time to time through the Sales Agents, as defined in Rule 415 under the Securities Act of 1933. The Equity Distribution Agreements were amended on May 22, 2018 in conjunction with the filing of the Company's 2018 Registration Statement. For the year ended December 31, 2019, the Company sold 503.7 thousand shares of common stock under the Equity Distribution Agreements for net proceeds of approximately $8.6 million. For the year ended December 31, 2018, the Company sold 511.8 thousand shares of common stock under the Equity Distribution Agreements for net proceeds of approximately $9.3 million. For the year ended December 31, 2017, the Company sold 460.9 thousand shares of common stock under the Equity Distribution Agreements for net proceeds of approximately $8.7 million.

On February 14, 2019, the Company completed a public offering of 3,000,000 shares of its common stock and subsequently issued an additional 450,000 shares pursuant to the underwriters' over-allotment option at a price of $16.70 per share. Net proceeds to the Company from the offering were approximately $57.4 million, after deducting estimated offering expenses.

On September 17, 2019, the Company completed a public offering of 4,000,000 shares of 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") and subsequently issued 600,000 shares of Series C Preferred Stock pursuant to the underwriters' over-allotment option with a liquidation preference of $25.00 per share. The Company received total gross proceeds of $115.0 million and net proceeds of approximately $111.2 million, net of underwriting discounts, commissions and expenses. The Series C Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. Under certain circumstances upon a change of control, the Series C Preferred Stock is convertible to shares of our common stock. Holders of Series C Preferred Stock have no voting rights, except under limited conditions, and holders are entitled to receive cumulative cash dividends before holders of our common stock are entitled to receive any dividends. The initial dividend rate for the Series C Preferred Stock, from and including the date of original issue to, but not including, September 17, 2024, will be equal to 8.000% per annum of the $25.00 per share liquidation preference. On and after September 17, 2024, dividends on the Series C Preferred Stock will accumulate at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of 6.476% per annum. Shares of the Company's Series C 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 September 17, 2024, or earlier under certain circumstances intended to preserve our 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.

13. 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. As of December 31, 2019, the Company was not involved in any material legal proceedings.

The below table details the Company's outstanding commitments as of December 31, 2019 (in thousands):

Commitment type	Date of Commitment	Total Commitment	Funded Commitment	Remaining Commitment
MATH (a)	March 29, 2018	$ 46,820	$ 44,590	$ 2,230
Commercial loan G (b)	July 26, 2018	84,515	45,856	38,659
Commercial loan I (b)	January 23, 2019	20,000	11,992	8,008
Commercial loan J (b)	February 11, 2019	30,000	4,674	25,326
Commercial loan K (b)	February 22, 2019	20,000	9,164	10,836
LOTS (a)(c)	Various	31,810	16,979	14,831
Revolving loan	October 31, 2019	12,363	—	12,363
Residential mortgage loans (d)	December 16, 2019	468,485	—	468,485
Total		$ 713,993	$ 133,255	$ 580,738

(a) Refer to Note 11 "Investments in debt and equity of affiliates" for more information regarding MATH and LOTS.
(b) The Company entered into commitments on commercial loans relating to construction projects. See Note 4 for further details.
(c) Subsequent to quarter end, the Company's total commitment and remaining commitment increased to $33.4 million and $16.4 million, respectively.
(d) On December 16, 2019, the Company entered into a commitment to purchase residential mortgage loans with an unpaid principal balance of $502.3 million. This purchase was subject to due diligence and customary closing conditions.

Subsequent to quarter end, the transaction settled with an unpaid principal balance of $481.7 million and a cost of $450.3 million.

14. Discontinued Operations and Assets and Liabilities Held for Sale

In November 2019, the Company signed a purchase and sale agreement whereby it agreed to sell its portfolio of single-family rental properties to a third party at a price of approximately $137 million as the portfolio was under-performing. The Company recognized a gain of $0.2 million as a result of the transaction. The Company reclassified the operating results of its single-family rental properties segment as discontinued operations and excluded it from continuing operations for all periods presented. As of December 31, 2019, the Company has disposed of substantially all of its single-family rental properties segment.

The table below presents our results of operations for the years ended December 31, 2019 and December 31, 2018, respectively, for the single-family rental properties segment's discontinued operations as reported separately as net income (loss) from discontinued operations, net of tax (in thousands):

	Year Ended	
	December 31, 2019	December 31, 2018
Interest expense	$ 5,187	$ 1,556
Other Income/(Loss)		
Rental income	11,209	4,091
Net realized gain/(loss)	150	(51)
Other income	258	135
Total Other Income/(Loss)	11,617	4,175
Expenses		
Other operating expenses	180	38
Property depreciation and amortization	4,110	2,336
Property operating expenses	6,556	2,181
Total Expenses	10,846	4,555
Net Income/(Loss) from Discontinued Operations	$ (4,416)	$ (1,936)

The table below presents our statement of net position for the years ended December 31, 2019 and December 31, 2018, respectively, for the single-family rental properties segment's discontinued operations as reported separately as assets and liabilities held for sale on our consolidated balance sheets (in thousands):

	December 31, 2019	December 31, 2018
Assets		
Single-family rental properties held for sale	$ —	$ 138,678
Other assets	154	3,857
Total	$ 154	$ 142,535
Liabilities		
Financing arrangements held for sale	$ —	$ 102,017
Other liabilities	1,546	3,084
Total	$ 1,546	$ 105,101

15. Investments in unconsolidated equity method affiliates

The following table details the summarized balance sheets for the Company's unconsolidated ownership interests in affiliates accounted for using the equity method as of December 31, 2019 and December 31, 2018 (in thousands):

	December 31, 2019	December 31, 2018
Assets		
Real estate securities and loans, at fair value	$ 1,539,217	$ 1,059,755
Mortgage servicing rights and excess mortgage servicing rights, at fair value	113,155	155,183
Other assets	231,867	190,243
Total Assets	$ 1,884,239	$ 1,405,181
Liabilities		
Repurchase agreements	$ 807,902	$ 430,433
Securitized debt, at fair value	144,810	212,902
Other liabilities	217,301	285,401
Total Liabilities	1,170,013	928,736
Total Members' Equity		
Members' equity	711,285	472,958
Noncontrolling preferred interests	2,941	3,487
Total Member's equity	714,226	476,445
Total Liabilities & Members' Equity	$ 1,884,239	$ 1,405,181
The Company's Investments in debt and equity of affiliates (1)	$ 156,311	$ 84,892

(1) The Company's Investments in debt and equity of affiliates reflect different ownership percentages in multiple equity method investees.

The following table details the summarized statements of operations for the Company’s unconsolidated ownership interests in affiliates accounted for using the equity method as of December 31, 2019, December 31, 2018 and December 31, 2017 (in thousands):

	Year Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Net Interest Income			
Interest income	$ 82,810	$ 67,029	$ 53,213
Interest expense	51,455	37,036	10,905
Total Net Interest Income	31,355	29,993	42,308
Other Income			
Net realized gain/(loss)	25,478	29,362	13,423
Net interest component of interest rate swaps	(872)	—	—
Unrealized gain (loss) on real estate securities and loans, net	30,645	41,537	28,739
Unrealized gain/(loss) on derivative and other instruments, net	264	—	—
Other income	40,928	40,761	13,752
Total Other Income	96,443	111,660	55,914
Expenses			
Other operating expenses	66,705	43,418	23,279
Net Income/(Loss)	61,093	98,235	74,943
Net Income/(Loss) Attributable to Noncontrolling Preferred Interests	(263)	(423)	(245)
Net Income/(Loss) Attributable to Controlling Interest of Unconsolidated Equity Method Investments	$ 60,830	$ 97,812	$ 74,698
The Company's Equity in earnings/(loss) from affiliates (1)	$ 7,644	$ 15,593	$ 12,622

(1) The Company's equity in earnings/(loss) from affiliates reflect different ownership percentages in multiple equity method investees.

Refer to Note 2 for more detail on the Company’s investments in unconsolidated equity method affiliates.

16. Quarterly results (Unaudited)

Summarized quarterly results of operations were as follows (in thousands, except for per share data):

	Three Months Ended			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Statement of Operations Data:				
Net Interest Income				
Interest income	$ 41,490	$ 40,901	$ 40,735	$ 48,534
Interest expense	22,094	23,030	21,887	23,097
Total Net Interest Income	19,396	17,871	18,848	25,437
Other Income/(Loss)				
Net realized gain/(loss)	(20,583)	(27,510)	(16,132)	13,403
Net interest component of interest rate swaps	1,781	1,800	2,179	1,976
Unrealized gain/(loss) on real estate securities and loans, net	46,753	43,165	11,726	(17,812)
Unrealized gain/(loss) on derivative and other instruments, net	(10,086)	(10,839)	3,258	17,355
Foreign currency gain/(loss), net	—	—	667	(3,179)
Other income	414	216	210	342
Total Other Income/(Loss)	18,279	6,832	1,908	12,085
Expenses				
Management fee to affiliate	2,345	2,400	2,346	2,734
Other operating expenses	3,781	3,807	6,062	4,988
Equity based compensation to affiliate	126	73	76	74
Excise tax	92	186	186	67
Servicing fees	371	416	416	416
Total Expenses	6,715	6,882	9,086	8,279
Income/(loss) before equity in earnings/(loss) from affiliates	30,960	17,821	11,670	29,243
Equity in earnings/(loss) from affiliates	(771)	2,050	(564)	6,929
Net Income/(Loss) from Continuing Operations	30,189	19,871	11,106	36,172
Net Income/(Loss) from Discontinued Operations	(1,034)	(1,193)	(1,057)	(1,132)
Net Income/(Loss)	29,155	18,678	10,049	35,040
Dividends on preferred stock (1)	3,367	3,367	3,720	5,667
Net Income/(Loss) Available to Common Stockholders	$ 25,788	$ 15,311	$ 6,329	$ 29,373
Earnings/(Loss) Per Share - Basic				
Continuing Operations	$ 0.87	$ 0.50	$ 0.22	$ 0.93
Discontinued Operations	(0.03)	(0.03)	(0.03)	(0.03)
Total Earnings/(Loss) Per Share of Common Stock	$ 0.84	$ 0.47	$ 0.19	$ 0.90
Earnings/(Loss) Per Share - Diluted				
Continuing Operations	$ 0.87	$ 0.50	$ 0.22	$ 0.93
Discontinued Operations	(0.03)	(0.03)	(0.03)	(0.03)
Total Earnings/(Loss) Per Share of Common Stock	$ 0.84	$ 0.47	$ 0.19	$ 0.90

(1) The three months ended September 30, 2019 and December 31, 2019 include cumulative and undeclared dividends of $0.4 million on the Company's 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock as of September 30, 2019 and December 31, 2019, respectively.

	Three Months Ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Statement of Operations Data:				
Net Interest Income				
Interest income	$ 39,357	$ 36,012	$ 39,703	$ 41,403
Interest expense	15,326	16,271	18,415	20,490
Total Net Interest Income	24,031	19,741	21,288	20,913
Other Income/(Loss)				
Net realized gain/(loss)	(11,839)	(11,060)	(14,204)	(2,347)
Net interest component of interest rate swaps	(1,470)	1,261	1,816	623
Unrealized gain/(loss) on real estate securities and loans, net	(36,155)	(577)	700	15,092
Unrealized gain/(loss) on derivative and other instruments, net	37,090	4,781	6,589	(61,998)
Other income	—	20	1	216
Total Other Income/(Loss)	(12,374)	(5,575)	(5,098)	(48,414)
Expenses				
Management fee to affiliate	2,439	2,387	2,384	2,334
Other operating expenses	3,223	3,443	3,503	4,716
Equity based compensation to affiliate	51	94	66	28
Excise tax	375	375	375	375
Servicing fees	62	22	148	201
Total Expenses	6,150	6,321	6,476	7,654
Income/(loss) before equity in earnings/(loss) from affiliates	5,507	7,845	9,714	(35,155)
Equity in earnings/(loss) from affiliates	2,740	323	13,960	(1,430)
Net Income/(Loss) from Continuing Operations	8,247	8,168	23,674	(36,585)
Net Income/(Loss) from Discontinued Operations	—	—	(297)	(1,639)
Net Income/(loss)	8,247	8,168	23,377	(38,224)
Dividends on preferred stock	3,367	3,367	3,367	3,367
Net Income/(Loss) Available to Common Stockholders	$ 4,880	$ 4,801	$ 20,010	$ (41,591)
Earnings/(Loss) Per Share - Basic				
Continuing Operations	$ 0.17	$ 0.17	$ 0.71	$ (1.39)
Discontinued Operations	—	—	(0.01)	(0.06)
Total Earnings/(Loss) Per Share - Basic	$ 0.17	$ 0.17	$ 0.70	$ (1.45)
Earnings/(Loss) Per Share - Diluted				
Continuing Operations	$ 0.17	$ 0.17	$ 0.71	$ (1.39)
Discontinued Operations	—	—	(0.01)	(0.06)
Total Earnings/(Loss) Per Share - Diluted	$ 0.17	$ 0.17	$ 0.70	$ (1.45)

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, 2019, 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, 2019 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, 2019 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, 2019.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2019 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, 2020 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, 2020 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, 2020 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, 2020 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, 2020 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.

   All consolidated financial statement schedules have been omitted because they are either inapplicable or not deemed material, or the information required is provided in our Financial Statements and Notes thereto, included in Part II, Item 8, of Annual Report on Form 10-K.

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	Articles of Amendment to Articles of Amendment and Restatement of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of Form 8-K, filed with the Securities and Exchange Commission on May 5, 2017.
*3.3	Amended and Restated Bylaws of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.2 of Pre-Effective Amendment No. 2.
*3.4	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
*3.5	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.
*3.6	Articles Supplementary of 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.5 of Form 8-A12B, filed with the Securities and Exchange Commission on September 16, 2019.
*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.
*4.4	Specimen 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 3.9 of Form 8-A12B, filed with the Securities and Exchange Commission on September 16, 2019.
4.5	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.

Exhibit No.	Description
*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.**
*10.3	Equity Incentive Plan, dated July 6, 2011, incorporated by reference to Exhibit 10.4 of Pre-Effective Amendment No. 2.**
*10.4	Manager Equity Incentive Plan, dated July 6, 2011, incorporated by reference to Exhibit 10.5 of Pre-Effective Amendment No. 2.**
*10.5	Form of Equity Incentive Plan Restricted Stock Award Agreement, dated July 6, 2011, incorporated by reference to Exhibit 10.6 of Pre-Effective Amendment No. 2.**
*10.6	Form of Manager Incentive Plan Restricted Stock Award Agreement, dated July 6, 2011, incorporated by reference to Exhibit 10.7 of Pre-Effective Amendment No. 2.**
*10.7	Form of Indemnification Agreement, dated July 6, 2011, by and between the Company and the Company's directors and officers, incorporated by reference to Exhibit 10.10 of Pre-Effective Amendment No. 7.
*10.8	Amended and Restated Master Repurchase and Securities Contract dated as of April 12, 2013 between AG MIT, LLC, AG Mortgage Investment Trust, Inc. 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 April 15, 2013.
*10.9	Guarantee Agreement dated as of April 9, 2012 by AG Mortgage Invest 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 April 10, 2012.
*10.10	Amended and Restated Master Repurchase and Securities Contract dated as of February 11, 2014 between AG MIT WFB1 2014 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 February 21, 2014.
*10.11	Guarantee Agreement dated as of February 11, 2014 by AG MIT, LLC and AG Mortgage Invest 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 February 21, 2014.
*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.
*10.14	Form of Restricted Stock Unit Award Agreement, dated July 1, 2014, incorporated by reference to Exhibit 10.14 on Form 10-Q, filed with the Securities and Exchange Commission on November 6, 2014.**

Exhibit No.	Description
*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.
*10.16	Form of Restricted Stock Unit Award Agreement, dated July 1, 2017, incorporated by reference to Exhibit 10.14 on Form 10-Q, filed with the Securities and Exchange Commission on August 9, 2017.**
*10.17	Amendment No. 1 to the Equity Distribution Agreement, dated May 22, 2018, by and among the Company and JMP Securities LLC, incorporated by reference to Exhibit 1.1 of Form 8-K, filed with the Securities and Exchange Commission on May 22, 2018.
*10.18	Amendment No. 1 to the Equity Distribution Agreement, dated May 22, 2018, by and among the Company and Credit Suisse Securities (USA) LLC, incorporated by reference to Exhibit 1.2 of Form 8-K, filed with the Securities and Exchange Commission on May 22, 2018.
*10.19	Amendment Number 7 to the Master Repurchase and Securities Contract dated as of and effective as of February 18, 2014 between AG MIT WFB1 2014 LLC and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 10.1 of Form 8-K, filed with the Securities and Exchange Commission on June 25, 2018.
*10.20	Purchase and Sale Agreement, dated August 31, 2018, by and among Conrex Residential Property Group 2012-2, LLC, Conrex Residential Property Group 2012-2 Operating Company, LLC, Conrex Residential Property Group 2012-2 (B2R-1) Operating Company, LLC, Conrex Residential Property Group 2012-2 (B2R-2) Operating Company, LLC, Ovation Properties, LLC, and SFR MT LLC, incorporated by reference to Exhibit 10.20 on Form 10-Q, filed with the Securities and Exchange Commission on November 9, 2018.
*10.21	Loan Agreement, dated as of September 10, 2018, by and between SFR MT LLC and Metropolitan Life Insurance Company, incorporated by reference to Exhibit 10.21 on Form 10-Q, filed with the Securities and Exchange Commission on November 9, 2018.
*10.22	Underwriting Agreement, dated February 11, 2019, by and among AG Mortgage Investment Trust, Inc., AG REIT Management, LLC and Morgan Stanley & Co. LLC, as representative of the several underwriters, incorporated by reference to Exhibit 1.1 on Form 8-K, filed with the Securities and Exchange Commission on February 14, 2019.
*10.23	Underwriting Agreement, dated September 11, 2019, by and among AG Mortgage Investment Trust, Inc., AG REIT Management, LLC and BofA Securities, Inc., as representative of the several underwriters, incorporated by reference to Exhibit 1.1 on Form 8-K, filed with the Securities and Exchange Commission on September 17, 2019.
*10.24	Purchase and Sale Agreement, dated November 4, 2019, by and between SFR MT LLC and Conrex ML Portfolio 2019-01 Operating Company, LLC, , incorporated by reference to Exhibit 10.24 on Form 10-Q, filed with the Securities and Exchange Commission on November 5, 2019.
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.

Exhibit No.	Description
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.
32.2	Certification of Brian C. Sigman 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.

Exhibit No.	Description
101.INS	XBRL Instance Document
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
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.
February 28, 2020	By:	/s/ DAVID N. ROBERTS
		David N. Roberts
		Chief Executive Officer (Principal Executive Officer)
February 28, 2020	By:	/s/ BRIAN C. SIGMAN
		Brian C. Sigman
		Chief Financial Officer and Treasurer (Principal Financial Officer)
February 28, 2020	By:	/s/ ALISON HALPERN
		Alison Halpern
		Chief Accounting Officer (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.

February 28, 2020	By:	/s/ DAVID N. ROBERTS
		David Roberts **Director, Chief Executive Officer and President**
February 28, 2020	By:	/s/ BRIAN C. SIGMAN
		Brian Sigman **Director, Chief Financial Officer**
February 28, 2020	By:	/s/ THOMAS DURKIN
		Thomas Durkin **Director, Chief Investment Officer**
February 28, 2020	By:	/s/ ARTHUR AINSBERG
		Arthur Ainsberg **Director**
February 28, 2020	By:	/s/ ANDREW L. BERGER
		Andrew L. Berger **Director**
February 28, 2020	By:	/s/ DEBRA HESS
		Debra Hess **Director**
February 28, 2020	By:	/s/ JOSEPH LAMANNA
		Joseph LaManna **Director**
February 28, 2020	By:	/s/ PETER LINNEMAN
		Peter Linneman **Director**

Exhibit 4.5

DESCRIPTION OF SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934

This description of the general terms and provisions of our common stock, par value $0.01 per share , our 8.25% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock"), our 8.00% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock"), and our 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") does not purport to be complete and is subject to and qualified in its entirety by reference to Maryland law, our charter and our bylaws. Throughout this exhibit, references to "we," "our," and "us" refer to AG Mortgage Investment Trust.

Authorized Stock

Our authorized capital stock consists of:

- 450,000,000 shares of common stock, par value $0.01 per share; and
- 50,000,000 shares of preferred stock, par value $0.01 per share, 2,070,000 of which are shares of Series A Preferred Stock, 4,600,000 of which are shares of Series B Preferred Stock and 4,600,000 of which are shares of Series C Preferred Stock.

Each of the Company's securities registered under Section 12 of the Exchange Act are listed on The New York Stock Exchange.

Our charter authorizes our board of directors to amend our charter to increase or decrease the aggregate number of authorized shares or the number of shares of any class or series without stockholder approval. Under Maryland law, stockholders are not personally liable for the obligations of a corporation solely as a result of their status as stockholders.

DESCRIPTION OF COMMON STOCK

Voting Rights of Common Stock

Subject to the provisions of our charter regarding restrictions on the transfer and ownership of shares of common stock, each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of shares of our stock, the holders of our common stock possess the exclusive voting power. There is no cumulative voting in the election of directors, which means that the holders of a majority of our outstanding shares of common stock can elect all of the directors then standing for election. Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, or engage in a share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter, unless a lesser percentage (but not less than a majority of all the votes entitled to be cast on the matter) is set forth in the corporation's charter. Except in connection with removal of directors and certain charter amendments, our charter provides for approval by a majority of all the votes entitled to be cast on the matter for the matters described in the preceding sentence.

Dividends, Liquidation and Other Rights

All of our outstanding shares of common stock are duly authorized, fully paid and nonassessable. Holders of our shares of common stock are entitled to receive dividends when authorized by our board of directors and declared by us out of assets legally available for the payment of dividends. They also are entitled to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up, after payment of or adequate provision for all of our known debts and liabilities. These rights are subject to the preferential rights of any other class or series of our stock and to the provisions of our charter regarding restrictions on transfer and ownership of our stock.

Holders of our shares of common stock have no appraisal, preference, conversion, exchange, sinking fund or redemption rights and have no preemptive rights to subscribe for any of our securities, except as may be provided by our board of directors in setting the terms and rights of any class or series of shares of our stock. Subject to the restrictions on transfer of capital stock contained in our charter and to the ability of the board of directors to create shares of common stock with differing voting rights, all shares of common stock have equal dividend, liquidation and other rights.

Listing

The Company's common stock is listed on The New York Stock Exchange under the trading symbol "MITT."

Restrictions on Ownership and Transfer

In order for us to qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code, our capital stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of any taxable year.

Our charter contains restrictions on the ownership and transfer of our capital stock. The relevant sections of our charter provide that, subject to the exceptions described below, no person or entity may beneficially own, or be deemed to own, by virtue of the applicable constructive ownership provisions of the Code, either (i) more than 9.8% in value or in number of shares, whichever is more restrictive, of our outstanding common stock, which we refer to as the common stock ownership limit, or (ii) more than 9.8% in value or in number of shares, whichever is more restrictive, of our outstanding capital stock, which we refer to as the aggregate stock ownership limit. We refer to the common stock ownership limit and the aggregate stock ownership limit collectively as the "stock ownership limits."

The constructive ownership rules under the Code are complex and may cause capital stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% in value or in number of shares (or the acquisition of an interest in an entity that owns, actually or constructively, our capital stock by an individual or entity) could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% in value or in number of shares, whichever is more restrictive, and thereby violate the applicable stock ownership limit.

Our board of directors may, upon receipt of certain representations and agreements and in its sole discretion, exempt (prospectively or retroactively) any person, in whole or in part, from the above-referenced stock ownership limits or establish or increase a limit, or excepted holder limit, for a particular stockholder if the person's ownership in excess of the stock ownership limits will not then or in the future result in our being "closely held" under section 856(h) of the Code (without regard to whether the stockholder's interest is held during the last half of a taxable year) or otherwise jeopardize our qualification as a REIT. As a condition of its exemption, creation or increase of an excepted holder limit, our board of directors may, but is not required to, require an opinion of counsel or Internal Revenue Service, or IRS, ruling satisfactory to our board of directors with respect to our qualification as a REIT. The board of directors may only reduce the excepted holder limit with the written consent of the related excepted holder at any time, or pursuant to the terms and conditions of the agreements entered into in connection with the establishment of the excepted holder limit for such excepted holder. No excepted holder limit may be reduced to a percentage that is less than the common stock ownership limit.

In connection with an exemption from the stock ownership limits, establishing an excepted holder limit or at any other time, our board of directors may from time to time increase or decrease the stock ownership limits for all other persons and entities; provided, however, that any decrease in the stock ownership limits will not be effective for any person whose percentage ownership of our shares is in excess of such decreased limits until such time as such person's percentage ownership of our shares equals or falls below such decreased limits, but any further acquisition of our shares in excess of such person's percentage ownership of our shares will be in violation of the applicable limits; and provided, further, that the stock ownership limits may not be increased if, after giving effect to such increase or decrease, five or fewer individuals could beneficially own or constructively own in the aggregate more than 49.9% in value of the shares then outstanding.

Our charter further prohibits:

- any person from beneficially or constructively owning, applying certain attribution rules of the Code, our capital that would result in our being "closely held" under section 856(h) of the Code (without regard to whether the stockholder's interest is held during the last half of a taxable year) or otherwise cause us to fail to qualify as a REIT; and
- any person from transferring our capital stock if such transfer would result in our capital stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires, attempts or intends to acquire beneficial or constructive ownership of our capital stock that will or may violate the stock ownership limits or any of the other foregoing restrictions on ownership and transfer of our capital stock is required to immediately give written notice to us or, in the case of such a proposed or attempted transaction, give at least 15 days' prior written notice to us, and provide us with such other information as we may request in order to determine the effect of such transfer on our qualification as a REIT. The stock ownership limits and the other restrictions on ownership and transfer of our capital stock will not apply if our board of directors determines that it is no longer in our best interest to attempt to qualify, or to continue to qualify, as a REIT, and our board of directors determines that compliance with such limits and other restrictions is no longer required.

Pursuant to our charter, if any transfer of our capital stock would result in our capital stock being beneficially owned by fewer than 100 persons, such transfer will be void *ab initio* and the intended transferee will acquire no rights in such shares. In addition, if any purported transfer of our capital stock or any other event would otherwise result in:

- any person violating the stock ownership limits or such other limit established by our board of directors; or
- our being “closely held” under section 856(h) of the Code (without regard to whether the stockholder’s interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT,

then that number of shares (rounded up to the nearest whole share) that would cause us to violate such restrictions will automatically be deemed to be transferred to, and held by, a charitable trust for the exclusive benefit of one or more charitable organizations selected by us, and the intended transferee will acquire no rights in such shares. The deemed transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in a deemed transfer to the charitable trust. A person who, but for the deemed transfer of the shares to the charitable trust, would have beneficially or constructively owned the shares so transferred is referred to as a “prohibited owner,” which, if appropriate in the context, also means any person who would have been the record owner of the shares that the prohibited owner would have so owned.

Any distribution made to the prohibited owner, prior to our discovery that the shares had been deemed to be transferred to the charitable trust as described above, must be repaid to the trustee of the charitable trust upon demand for distribution to the beneficiary by the charitable trust. If the transfer to the charitable trust as described above would not be effective, for any reason, to prevent violation of the applicable restriction on ownership and transfer contained in our charter, then our charter provides that the transfer of the shares will be void *ab initio*. These rights will be exercised for the exclusive benefit of the charitable beneficiary. Any distribution authorized but unpaid will be paid when due to the trustee.

Capital stock transferred to the trustee of a charitable trust are deemed offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price paid per share in the transaction that resulted in such transfer to the charitable trust (or, if the event that resulted in the transfer to the charitable trust did not involve a purchase of such capital stock at market price, the last reported sales price reported on the NYSE (or other applicable exchange) on the trading day immediately preceding the day of the event which resulted in the transfer of such capital stock to the charitable trust) and (ii) the market price on the date we, or our designee, accepts such offer. We have the right to accept such offer until the trustee has sold the shares held in the charitable trust as discussed below. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates, the trustee must distribute the net proceeds of the sale to the charitable beneficiary and the prohibited owner and any distributions held by the trustee with respect to such capital stock will be made to the charitable beneficiary.

If we do not buy the shares, the trustee must, within 20 days of receiving notice from us of the transfer of shares to the charitable trust, sell the shares to a person or entity designated by the trustee who could own the shares without violating the stock ownership limits or the other restrictions on ownership and transfer of our shares described above. After that, the trustee must distribute to the prohibited owner an amount equal to the lesser of (i) the price paid by the prohibited owner for the shares in the transaction that resulted in the transfer to the charitable trust (or, if the event which resulted in the transfer to the charitable trust did not involve a purchase of such shares at market price, the last reported sales price reported on the NYSE (or other applicable exchange) on the trading day immediately preceding the relevant date) and (ii) the sales proceeds (net of commissions and other expenses of sale) received by the charitable trust for the shares. Any net sales proceeds in excess of the amount payable to the prohibited owner will be immediately paid to the charitable beneficiary, together with any distributions thereon. In addition, if, prior to discovery by us that capital stock has been transferred to a charitable trust, such capital stock is sold by a prohibited owner, then such shares will be deemed to have been sold on behalf of the charitable trust and to the extent that the prohibited owner received an amount for or in respect of such shares that exceeds the amount that such prohibited owner was entitled to receive, such excess amount will be paid to the director upon demand. The prohibited owner has no rights in the shares held by the charitable trust.

The trustee of the charitable trust will be designated by us and will be unaffiliated with us and with any prohibited owner. Prior to the sale of any shares by the charitable trust, the trustee will receive, in trust for the charitable beneficiary, all distributions made by us with respect to such shares and may also exercise all voting rights with respect to such shares.

Subject to Maryland law, effective as of the date that the shares have been transferred to the charitable trust, the trustee will have the authority, at the trustee’s sole discretion:

- to rescind as void any vote cast by a purported record transferee prior to our discovery that the shares have been transferred to the charitable trust; and
- to recast the vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the charitable trust.

However, if we have already taken irreversible action, then the trustee may not rescind and recast the vote.

If our board of directors determines in good faith that a proposed transfer would violate the restrictions on ownership and transfer of our capital stock set forth in our charter, our board of directors will take such action as it deems advisable to refuse to give effect to or to prevent such transfer, including, but not limited to, causing us to redeem capital stock, refusing to give effect to the transfer on our books or instituting proceedings to enjoin the transfer.

Every owner of more than 5% (or such lower percentage as required by the Code or the regulations promulgated thereunder) of all classes or series of our shares of capital stock is required to give written notice to us within 30 days after the end of each taxable year stating the name and address of such owner, the number of shares of each class and series of shares that the owner beneficially owns and a description of the manner in which such shares are held. Each such owner will be required to provide to us such additional information as we may request in order to determine the effect, if any, of such beneficial ownership on our qualification as a REIT and to ensure compliance with the stock ownership limits. In addition, each stockholder is, upon demand, required to provide to us such information as we may request, in good faith, in order to determine our qualification as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

Transfer Agent and Registrar

The transfer agent and registrar for our shares of common stock is American Stock Transfer & Trust Company, LLC.

DESCRIPTION OF SERIES A PREFERRED STOCK

General

Pursuant to our charter, we are currently authorized to designate and issue up to 50,000,000 shares of preferred stock, $0.01 par value per share, in one or more classes or series and, subject to the limitations prescribed by our charter and Maryland law, with such terms of each class or series of preferred stock, including preferences, conversion or other rights, voting power, restrictions, limitations as to dividends or other distributions, qualifications, and terms and conditions of redemption and the number of shares constituting any class or series, as our board of directors may determine, without any vote or action by our stockholders.

Our board of directors may, without the approval of holders of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock or our common stock, designate additional series of authorized preferred stock ranking junior to or on parity with the Series C Preferred Stock or designate additional shares of the Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock and authorize the issuance of such shares.

Listing

The Company's Series A Preferred Stock is listed on the NYSE under the symbol "MITT PrA."

Transfer Agent and Registrar

The registrar, transfer agent and dividend and redemption price disbursing agent in respect of the Series A Preferred Stock is American Stock Transfer & Trust Company, LLC.

Maturity

The Series A Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. Shares of the Series A Preferred Stock will remain outstanding indefinitely unless we decide to redeem or otherwise repurchase them or they become convertible and are converted as described below under "-Conversion Rights." We are not required to set aside funds to redeem the Series A Preferred Stock.

Ranking

The Series A Preferred Stock will rank, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up:

(1) senior to all classes or series of our common stock and to all other equity securities issued by us other than equity securities referred to in clauses (2) and (3) below;
(2) on a parity with all equity securities issued by us with terms specifically providing that those equity securities rank on a parity with the Series A Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up;
(3) junior to all equity securities issued by us with terms specifically providing that those equity securities rank senior to the Series A Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up (see "-Voting Rights" below); and
(4) effectively junior to all of our existing and future indebtedness (including indebtedness convertible to our common stock or preferred stock), and to the indebtedness of our existing subsidiaries and any future subsidiaries.

Dividends

Holders of shares of the Series A Preferred Stock are entitled to receive, when, as and if authorized by our board of directors and declared by us, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8.25% of the $25.00 per share liquidation preference per annum (equivalent to $2.0625 per annum per share). Dividends on the Series A Preferred Stock shall accrue daily and be cumulative from, and including, the date of original issue and shall be payable quarterly in arrears on the 17th day of each March, June, September and December (each, a "dividend payment date"); provided that if any dividend payment date is not a business day, as defined in the articles supplementary, then the dividend which would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day and no interest, additional dividends or other sums will accrue on the amount so payable for the period from and after that dividend payment date to that next succeeding business day. The first dividend on the Series A Preferred Stock is scheduled to be paid on September 17, 2012 in the amount of $0.2521 per share, and that dividend will be paid to the persons who are the holders of record of the Series A Preferred Stock at the close of business on the corresponding record date, which will be August 31, 2012. Any dividend payable on the Series A Preferred Stock, including dividends payable for any partial dividend period, will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in our stock records for the Series A Preferred Stock at the close of business on the applicable record date, which shall be the last business day of the preceding calendar month, in which the applicable dividend payment date falls (each, a "dividend record date").

No dividends on shares of Series A Preferred Stock shall be authorized by our board of directors or paid or set apart for payment by us at any time when the terms and provisions of any agreement of ours, including any agreement relating to our indebtedness, prohibit the authorization, payment or setting apart for payment thereof or provide that the authorization, payment or setting apart for payment thereof would constitute a breach of the agreement or a default under the agreement, or if the authorization, payment or setting apart for payment shall be restricted or prohibited by law. You should review the information appearing above under "Risk Factors-Our ability to pay dividends is limited by the requirements of Maryland law" for information as to, among other things, other circumstances under which we may be unable to pay dividends on the Series A Preferred Stock.

Notwithstanding the foregoing, dividends on the Series A Preferred Stock will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of those dividends and whether or not those dividends are declared. No interest, or sum in lieu of interest, will be payable in respect of any dividend payment or payments on the Series A Preferred Stock which may be in arrears, and holders of the Series A Preferred Stock will not be entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on the Series A Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend due with respect to those shares.

Future distributions on our common stock and preferred stock, including the Series A Preferred Stock, will be at the discretion of our board of directors and will depend on, among other things, our results of operations, cash flow from operations, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code, any debt service requirements and any other factors our board of directors deems relevant. Accordingly, we cannot guarantee that we will be able to make cash distributions on our preferred stock or what the actual distributions will be for any future period.

Unless full cumulative dividends on the Series A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods, (i) no dividends (other than in shares of common stock or in shares of any classes or series of preferred stock that we may issue ranking junior to the Series A Preferred Stock as to dividends and upon liquidation) shall be declared and paid or set apart for payment upon shares of our common stock or preferred stock that we may issue ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon liquidation; (ii) no other distribution shall be declared and made upon shares of our common stock or preferred stock that we may issue ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon liquidation; and (iii) no shares of our common stock or preferred stock that we may issue ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon liquidation shall be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by us (except by conversion into or exchange for our other capital stock that we may issue ranking junior to the Series A Preferred Stock as to dividends and upon liquidation and except for transfers made pursuant to the provisions of our charter relating to restrictions on ownership and transfers of our capital stock).

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series A Preferred Stock and the shares of any other classes or series of preferred stock that we may issue ranking on a parity as to dividends with the Series A Preferred Stock, all dividends declared upon the Series A Preferred Stock and any other classes or series of preferred stock ranking on a parity that we may issue as to dividends with the Series A Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Series A Preferred Stock and such other classes or series of preferred stock that we may issue shall in all cases bear to each other the same ratio that accrued dividends per share on the Series A Preferred Stock and such other classes or series of preferred stock that we may issue (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such preferred stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series A Preferred Stock which may be in arrears.

Liquidation Preference

In the event of our voluntary or involuntary liquidation, dissolution or winding up, the holders of shares of Series A Preferred Stock will be entitled to be paid out of the assets we have legally available for distribution to our stockholders, subject to the preferential rights of the holders of any class or series of our stock we may issue ranking senior to the Series A Preferred Stock with respect to the distribution of assets upon liquidation, dissolution or winding up, a liquidation preference of $25.00 per share, plus an amount equal to any accumulated and unpaid dividends to, but not including, the date of payment, before any distribution of assets is made to holders of our common stock or any other class or series of our stock we may issue that ranks junior to the Series A Preferred Stock as to liquidation rights.

In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series A Preferred Stock and the corresponding amounts payable on all shares of other classes or series of our capital stock that we may issue ranking on a parity with the Series A Preferred Stock in the distribution of assets, then the holders of the Series A Preferred Stock and all other such classes or series of capital stock shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Holders of Series A Preferred Stock will be entitled to written notice of any such liquidation no fewer than 30 days and no more than 60 days prior to the payment date. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series A Preferred Stock will have no right or claim to any of our remaining assets. The consolidation or merger of us with or into any other corporation, trust or entity or of any other entity with or into us, or the sale, lease, transfer or conveyance of all or substantially all of our property or business, shall not be deemed to constitute a liquidation, dissolution or winding up of us (although such events may give rise to the special optional redemption and contingent conversion rights described below).

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares of our stock or otherwise, is permitted under the Maryland General Corporation Law, amounts that would be needed, if we were to be dissolved at the time of distribution, to satisfy the preferential rights upon dissolution of holders of shares of the Series A Preferred Stock will not be added to our total liabilities.

Redemption

The Series A Preferred Stock is not redeemable by us prior to August 3, 2017, except as described below under “-Special Optional Redemption” and except that, as provided in our charter, we may purchase or redeem shares of the Series A Preferred Stock prior to that date in order to preserve our qualification as a REIT for federal income tax purposes. See “Description of Common Stock-Restrictions on Ownership and Transfer” above.

Optional Redemption. On and after August 3, 2017, we may, at our option, upon not less than 30 nor more than 60 days’ written notice, redeem the Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon to, but not including, the date fixed for redemption. If we elect to redeem any shares of Series A Preferred Stock as described in this paragraph, we may use any available cash to pay the redemption price, and we will not be required to pay the redemption price only out of the proceeds from the issuance of other equity securities or any other specific source.

Special Optional Redemption. Upon the occurrence of a Change of Control, we may, at our option, upon not less than 30 nor more than 60 days' written notice, redeem the Series A Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon to, but not including, the date fixed for redemption. If, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem some or all of the shares of Series A Preferred Stock (whether pursuant to our optional redemption right described above under "-Optional Redemption" or this special optional redemption right), the holders of Series A Preferred Stock will not have the Change of Control Conversion Right (as defined below) described below under "-Conversion Rights" with respect to the shares called for redemption.

A "Change of Control" is deemed to occur when, after the original issuance of the Series A Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of our stock entitling that person to exercise more than 50% of the total voting power of all our stock entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and
- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE Amex or Nasdaq, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or Nasdaq.

Redemption Procedures. In the event we elect to redeem Series A Preferred Stock, the notice of redemption will be mailed to each holder of record of Series A Preferred Stock called for redemption at such holder's address as it appears on our stock transfer records and will state the following:

- the redemption date;
- the number of shares of Series A Preferred Stock to be redeemed;
- the redemption price;
- the place or places where certificates (if any) for the Series A Preferred Stock are to be surrendered for payment of the redemption price;
- that dividends on the shares to be redeemed will cease to accumulate on the redemption date;
- whether such redemption is being made pursuant to the provisions described above under "-Optional Redemption" or "-Special Optional Redemption";
- if applicable, that such redemption is being made in connection with a Change of Control and, in that case, a brief description of the transaction or transactions constituting such Change of Control; and
- if such redemption is being made in connection with a Change of Control, that the holders of the shares of Series A Preferred Stock being so called for redemption will not be able to tender such shares of Series A Preferred Stock for conversion in connection with the Change of Control and that each share of Series A Preferred Stock tendered for conversion that is called, prior to the Change of Control Conversion Date (as defined below), for redemption will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date.

If less than all of the Series A Preferred Stock held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of shares of Series A Preferred Stock held by such holder to be redeemed. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Series A Preferred Stock except as to the holder to whom notice was defective or not given.

Holders of Series A Preferred Stock to be redeemed shall surrender the Series A Preferred Stock at the place designated in the notice of redemption and shall be entitled to the redemption price and any accumulated and unpaid dividends payable upon the redemption following the surrender. If notice of redemption of any shares of Series A Preferred Stock has been given and if we have irrevocably set apart the funds necessary for redemption in trust for the benefit of the holders of the shares of Series A Preferred Stock so called for redemption, then from and after the redemption date (unless default shall be made by us in providing for the payment of the redemption price plus accumulated and unpaid dividends, if any), dividends will cease to accrue on those shares of Series A Preferred Stock, those shares of Series A Preferred Stock shall no longer be deemed outstanding and all rights of the holders of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption. If any redemption date is not a business day, then the redemption price and accumulated and unpaid dividends, if any, payable upon redemption may be paid on the next business day and no interest, additional dividends or other sums will accrue on the amount payable for the period from and after that redemption date to that next business day. If less than all of the outstanding Series A Preferred Stock is to be redeemed, the Series A Preferred Stock to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by any other equitable method we determine but that will not result in the automatic transfer of any shares of Series A Preferred Stock to a trust as described above under "Description of Common Stock-Restrictions on Ownership and Transfer."

Immediately prior to any redemption of Series A Preferred Stock, we shall pay, in cash, any accumulated and unpaid dividends through and including the redemption date, unless a redemption date falls after a dividend record date and prior to the corresponding dividend payment date, in which case each holder of Series A Preferred Stock at the close of business on such dividend record date shall be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares before such dividend payment date. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on shares of the Series A Preferred Stock to be redeemed.

Unless full cumulative dividends on all shares of Series A Preferred Stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for payment for all past dividend periods, no shares of Series A Preferred Stock shall be redeemed unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed and we shall not purchase or otherwise acquire directly or indirectly any shares of Series A Preferred Stock (except by exchanging it for our capital stock ranking junior to the Series A Preferred Stock as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase or acquisition by us of shares of Series A Preferred Stock to preserve our REIT status for federal income tax purposes or pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series A Preferred Stock.

Notwithstanding the foregoing, subject to applicable law, we may purchase shares of Series A Preferred Stock in the open market, by tender or by private agreement. Any shares of Series A Preferred Stock that we acquire will become authorized but unissued shares of preferred stock, without designation as to class or series, and may thereafter be reissued as any class or series of preferred stock.

Conversion Rights

Upon the occurrence of a Change of Control, each holder of Series A Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem some or all of the shares of Series A Preferred Stock held by such holder as described above under "-Optional Redemption" or "-Special Optional Redemption," in which case such holder will have the right only with respect to shares of Series A Preferred Stock that are not called for redemption) to convert some or all of the Series A Preferred Stock held by such holder, or the Change of Control Conversion Right, on the Change of Control Conversion Date into a number of shares of our common stock per share of Series A Preferred Stock, or the Common Stock Conversion Consideration, equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of Series A Preferred Stock plus the amount of any accumulated and unpaid dividends thereon to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date and prior to the corresponding dividend payment date for the Series A Preferred Stock, in which case no additional amount for such accrued and unpaid dividend will be included in this sum) by (ii) the Common Stock Price, as defined below (such quotient, the Conversion Rate); and
- 2.2810, or the Share Cap, subject to certain adjustments as described below.

Anything in the articles supplementary to the contrary notwithstanding and except as otherwise required by law, the persons who are the holders of record of shares of Series A Preferred Stock at the close of business on a dividend record date will be entitled to receive the dividend payable on the corresponding dividend payment date notwithstanding the conversion of those shares after such dividend record date and on or prior to such dividend payment date and, in such case, the full amount of such dividend shall be paid on such dividend payment date to the persons who were the holders of record at the close of business on such dividend record date. Except as provided above, we will make no allowance for unpaid dividends that are not in arrears on the shares of Series A Preferred Stock to be converted.

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of our common stock to existing holders of our common stock), subdivisions or combinations (in each case, a Share Split) with respect to our common stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of our common stock that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding immediately after giving effect to such Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Share Split.

For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of our common stock (or equivalent Alternative Conversion Consideration (as defined below), as applicable) issuable or deliverable, as applicable, in connection with the exercise of the Change of Control Conversion Right will not exceed 4,105,800 shares of our common stock (or equivalent Alternative Conversion Consideration, as applicable), subject to proportionate increase to the extent the underwriters' over-allotment option to purchase additional shares of Series A Preferred Stock is exercised, not to exceed 4,721,670 shares of our common stock in total (or equivalent Alternative Conversion Consideration, as applicable), or the Exchange Cap. The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap and will also be increased on a pro rata basis with respect to any additional shares of Series A Preferred Stock designated and authorized for issuance pursuant to any subsequent articles supplementary.

In the case of a Change of Control pursuant to which our common stock is or will be converted into cash, securities or other property or assets (including any combination thereof), or the Alternative Form Consideration, a holder of Series A Preferred Stock will receive upon conversion of such Series A Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of shares of our common stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control, or the Alternative Conversion Consideration; the Common Stock Conversion Consideration or the Alternative Conversion Consideration, whichever shall be applicable to a Change of Control, is referred to as the Conversion Consideration).

If the holders of our common stock have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration in respect of such Change of Control will be deemed to be the kind and amount of consideration actually received by holders of a majority of the outstanding shares of our common stock that made or voted for such an election (if electing between two types of consideration) or holders of a plurality of the outstanding shares of our common stock that made or voted for such an election (if electing between more than two types of consideration), as the case may be, and will be subject to any limitations to which all holders of our common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in such Change of Control.

We will not issue fractional shares of our common stock upon the conversion of the Series A Preferred Stock in connection with a Change of Control. Instead, we will make a cash payment equal to the value of such fractional shares based upon the Common Stock Price used in determining the Common Stock Conversion Consideration for such Change of Control.

Within 15 days following the occurrence of a Change of Control, unless we have, prior to the expiration of such 15-day period, provided notice of our election to redeem all shares of Series A Preferred Stock pursuant to the redemption provisions described above, we will provide to holders of Series A Preferred Stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right. This notice will state the following:

- the events constituting the Change of Control;
- the date of the Change of Control;
- the last date on which the holders of Series A Preferred Stock may exercise their Change of Control Conversion Right;
- the method and period for calculating the Common Stock Price;
- the Change of Control Conversion Date;
- that if, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem all or any shares of Series A Preferred Stock, holders will not be able to convert the shares of Series A Preferred Stock called for redemption and such shares will be redeemed on the related redemption date, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right;
- if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series A Preferred Stock;
- the name and address of the paying agent, transfer agent and conversion agent for the Series A Preferred Stock;
- the procedures that the holders of Series A Preferred Stock must follow to exercise the Change of Control Conversion Right (including procedures for surrendering shares for conversion through the facilities of a Depositary (as defined below)), including the form of conversion notice to be delivered by such holders as described below; and
- the last date on which holders of Series A Preferred Stock may withdraw shares surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

Under such circumstances, we will also issue a press release containing such notice for publication on Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), and post a notice on our website, in any event prior to the opening of business on the first business day following any date on which we provide the notice described above to the holders of Series A Preferred Stock.

To exercise the Change of Control Conversion Right, the holders of Series A Preferred Stock will be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) representing the shares of Series A Preferred Stock to be converted, duly endorsed for transfer (or, in the case of any shares of Series A Preferred Stock held in book-entry form through a Depositary, to deliver, on or before the close of business on the Change of Control Conversion Date, the shares of Series A Preferred Stock to be converted through the facilities of such Depositary), together with a written conversion notice in the form provided by us, duly completed, to our transfer agent. The conversion notice must state:

- the relevant Change of Control Conversion Date;
- the number of shares of Series A Preferred Stock to be converted; and
- that the Series A Preferred Stock is to be converted pursuant to the applicable provisions of the Series A Preferred Stock.

The "Change of Control Conversion Date" is the date the Series A Preferred Stock is to be converted, which will be a business day selected by us that is no fewer than 20 days nor more than 35 days after the date on which we provide the notice described above to the holders of Series A Preferred Stock.

The "Common Stock Price" is (i) if the consideration to be received in the Change of Control by the holders of our common stock is solely cash, the amount of cash consideration per share of our common stock or (ii) if the consideration to be received in the Change of Control by holders of our common stock is other than solely cash (x) the average of the closing sale prices per share of our common stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred as reported on the principal U.S. securities exchange on which our common stock is then traded, or (y) the average of the last quoted bid prices for our common stock in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred, if our common stock is not then listed for trading on a U.S. securities exchange.

Holders of Series A Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal delivered by any holder must state:

- the number of withdrawn shares of Series A Preferred Stock;
- if certificated Series A Preferred Stock has been surrendered for conversion, the certificate numbers of the withdrawn shares of Series A Preferred Stock; and
- the number of shares of Series A Preferred Stock, if any, which remain subject to the holder's conversion notice.

Notwithstanding the foregoing, if any shares of Series A Preferred Stock are held in book-entry form through The Depository Trust Company, or DTC, or a similar depositary (each, a "Depositary"), the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures, if any, of the applicable Depositary.

Series A Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless prior to the Change of Control Conversion Date we have provided notice of our election to redeem some or all of the shares of Series A Preferred Stock, as described above under "-Optional Redemption" or "-Special Optional Redemption," in which case only the shares of Series A Preferred Stock properly surrendered for conversion and not properly withdrawn that are not called for redemption will be converted as aforesaid. If we elect to redeem shares of Series A Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such shares of Series A Preferred Stock will not be so converted and the holders of such shares will be entitled to receive on the applicable redemption date the redemption price described above under "-Optional Redemption" or "-Special Optional Redemption," as applicable.

We will deliver all securities, cash and any other property owing upon conversion no later than the third business day following the Change of Control Conversion Date. Notwithstanding the foregoing, the persons entitled to receive any shares of our common stock or other securities delivered on conversion will be deemed to have become the holders of record thereof as of the Change of Control Conversion Date.

In connection with the exercise of any Change of Control Conversion Right, we will comply with all federal and state securities laws and stock exchange rules in connection with any conversion of Series A Preferred Stock into shares of our common stock or other property. Notwithstanding any other provision of the Series A Preferred Stock, no holder of Series A Preferred Stock will be entitled to convert such Series A Preferred Stock into shares of our common stock to the extent that receipt of such common stock would cause such holder (or any other person) to exceed the applicable share ownership limitations contained in our charter, including the articles supplementary, unless we provide an exemption from this limitation to such holder. See "-Restrictions on Ownership and Transfer" below and "Description of Common Stock-Restrictions on Ownership and Transfers" above.

The Change of Control conversion feature may make it more difficult for a third party to acquire us or discourage a party from acquiring us. See "Risk Factors-You may not be able to exercise conversion rights upon a Change of Control. If exercisable, the Change of Control Conversion Right may not adequately compensate you. The Change of Control Conversion Rights may also make it more difficult for a party to acquire us or discourage a party from acquiring us."

Except as provided above in connection with a Change of Control, the Series A Preferred Stock is not convertible into or exchangeable for any other securities or property.

Voting Rights

Holders of the Series A Preferred Stock will not have any voting rights, except as set forth below.

Whenever dividends on any shares of Series A Preferred Stock are in arrears for six or more quarterly dividend periods, whether or not consecutive, the number of directors constituting our board of directors will be automatically increased by two (if not already increased by two by reason of the election of directors by the holders of any other class or series of our preferred stock we may issue upon which like voting rights have been conferred and are exercisable and with which the Series A Preferred Stock is entitled to vote as a class with respect to the election of those two directors) and the holders of Series A Preferred Stock (voting separately as a class with all other classes or series of preferred stock we may issue upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series A Preferred Stock in the election of those two directors) will be entitled to vote for the election of those two additional directors at a special meeting called by us at the request of the holders of record of at least 25% of the outstanding shares of Series A Preferred Stock or by the holders of any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series A Preferred Stock in the election of those two directors (unless the request is received less than 90 days before the date fixed for the next annual or special meeting of stockholders, in which case, such vote will be held at the earlier of the next annual or special meeting of stockholders), and at each subsequent annual meeting until all dividends accumulated on the Series A Preferred Stock for all past dividend periods and the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set apart for payment. In that case, the right of holders of the Series A Preferred Stock to elect any directors will cease and, unless there are other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable, any directors elected by holders of the Series A Preferred Stock shall immediately resign and the number of directors constituting the board of directors shall be reduced accordingly. For the avoidance of doubt, in no event shall the total number of directors elected by holders of the Series A Preferred Class (voting separately as a class with all other classes or series of preferred stock we may issue upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series A Preferred Stock in the election of such directors) pursuant to these voting rights exceed two.

If a special meeting is not called by us within 30 days after request from the holders of Series A Preferred Stock as described above, then the holders of record of at least 25% of the outstanding Series A Preferred Stock may designate a holder to call the meeting at our expense.

On each matter on which holders of Series A Preferred Stock are entitled to vote, each share of Series A Preferred Stock will be entitled to one vote, except that when shares of any other class or series of our preferred stock have the right to vote with the Series A Preferred Stock as a single class on any matter, the Series A Preferred Stock and the shares of each such other class or series will have one vote for each $25.00 of liquidation preference (excluding accumulated dividends).

So long as any shares of Series A Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series A Preferred Stock outstanding at the time and all other classes or series of Series A Preferred Stock upon which like voting rights have been conferred and are exercisable, given in person or by proxy, either in writing or at a meeting, voting together as a class, (a) authorize or create, or increase the number of authorized or issued shares of, any class or series of capital stock ranking senior to the Series A Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up or reclassify any of our authorized capital stock into shares of such class or series, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or (b) amend, alter or repeal the provisions of our charter, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series A Preferred Stock, each, an Event; provided, however, with respect to the occurrence of any Event set forth in (b) above, so long as the Series A Preferred Stock remains outstanding with the terms thereof materially unchanged, taking into account that, upon an occurrence of an Event, we may not be the surviving entity, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting power of the Series A Preferred Stock and, provided further, that any increase in the number of authorized shares of preferred stock, including the Series A Preferred Stock, or the creation or issuance of any additional Series A Preferred Stock or other class or series of preferred stock that we may issue, or any increase in the number of authorized shares of such class or series, in each case ranking on a parity with or junior to the Series A Preferred Stock that we may issue with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers. Notwithstanding the foregoing, holders of any series of Preferred Stock ranking on a parity with the Series A Preferred Stock that we may issue shall not be entitled to vote together as a class with the holders of Series A Preferred Stock on any amendment, alteration or repeal of any provision of our charter unless such action affects the holders of the Series A Preferred Stock and such other series of Preferred Stock equally, in which event approval of any such amendment, alteration or repeal will require the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series A Preferred Stock outstanding at the time, voting separately as a series.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series A Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

Except as expressly stated in the articles supplementary, the Series A Preferred Stock will not have any relative, participating, optional or other special voting rights or powers and the consent of the holders thereof shall not be required for the taking of any corporate action.

Information Rights

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series A Preferred Stock are outstanding, we will use our best efforts to (i) post to our website or transmit by mail (or other permissible means under the Exchange Act) to all holders of Series A Preferred Stock, as their names and addresses appear on our record books and without cost to such holders, copies of the annual reports on Form 10-K and quarterly reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any holders or prospective holder of Series A Preferred Stock. We will use our best effort to post to our website or mail (or otherwise provide) the information to the holders of the Series A Preferred Stock within 15 days after the respective dates by which a report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC, if we were subject to Section 13 or 15(d) of the Exchange Act, in each case, based on the dates on which we would be required to file such periodic reports if we were a “non-accelerated filer” within the meaning of the Exchange Act.

Preemptive Rights

No holders of the Series A Preferred Stock or any other of our securities issuable upon a permitted conversion of any Series A Preferred Stock will, as holders of Series A Preferred Stock or any other of our securities issuable upon a permitted conversion of Series A Preferred Stock, have any preemptive rights to purchase or subscribe for our common stock or any other security.

Book-Entry Procedures

DTC will act as securities depositary for the Series A Preferred Stock. We will issue one or more fully registered global securities certificates in the name of DTC’s nominee, Cede & Co. These certificates will represent the total aggregate number of shares of Series A Preferred Stock. We will deposit these certificates with DTC or a custodian appointed by DTC. We will not issue certificates to you for the shares of Series A Preferred Stock that you purchase, unless DTC’s services are discontinued as described below.

Title to book-entry interests in the Series A Preferred Stock will pass by book-entry registration of the transfer within the records of DTC in accordance with its procedures. Book-entry interests in the securities may be transferred within DTC in accordance with procedures established for these purposes by DTC. Each person owning a beneficial interest in shares of the Series A Preferred Stock must rely on the procedures of DTC and the participant through which such person owns its interest to exercise its rights as a holder of the Series A Preferred Stock.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants, or Direct Participants, deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, including the underwriters, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly, or Indirect Participants. The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC.

When you purchase shares of Series A Preferred Stock within the DTC system, the purchase must be by or through a Direct Participant. The Direct Participant will receive a credit for the Series A Preferred Stock on DTC's records. You will be considered to be the "beneficial owner" of the Series A Preferred Stock. Your beneficial ownership interest will be recorded on the Direct and Indirect Participants' records, but DTC will have no knowledge of your individual ownership. DTC's records reflect only the identity of the Direct Participants to whose accounts shares of Series A Preferred Stock are credited.

You will not receive written confirmation from DTC of your purchase. The Direct or Indirect Participants through whom you purchased the Series A Preferred Stock should send you written confirmations providing details of your transactions, as well as periodic statements of your holdings. The Direct and Indirect Participants are responsible for keeping an accurate account of the holdings of their customers like you.

Transfers of ownership interests held through Direct and Indirect Participants will be accomplished by entries on the books of Direct and Indirect Participants acting on behalf of the beneficial owners.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

We understand that, under DTC's existing practices, in the event that we request any action of the holders, or an owner of a beneficial interest in a global security, such as you, desires to take any action which a holder is entitled to take under our amended and restated certificate of incorporation (including the articles supplementary classifying and designating the Series A Preferred Stock), DTC would authorize the Direct Participants holding the relevant shares to take such action, and those Direct Participants and any Indirect Participants would authorize beneficial owners owning through those Direct and Indirect Participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Any redemption notices with respect to the Series A Preferred Stock will be sent to Cede & Co. If less than all of the outstanding shares of Series A Preferred Stock are being redeemed, DTC will reduce each Direct Participant's holdings of shares of Series A Preferred Stock in accordance with its procedures.

In those instances where a vote is required, neither DTC nor Cede & Co. itself will consent or vote with respect to the shares of Series A Preferred Stock. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants whose accounts the shares of Series A Preferred Stock are credited to on the record date, which are identified in a listing attached to the omnibus proxy.

Dividends on the Series A Preferred Stock will be made directly to DTC's nominee (or its successor, if applicable). DTC's practice is to credit participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on that payment date.

Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name." These payments will be the responsibility of the participant and not of DTC, us or any agent of ours.

DTC may discontinue providing its services as securities depositary with respect to the Series A Preferred Stock at any time by giving reasonable notice to us. Additionally, we may decide to discontinue the book-entry only system of transfers with respect to the Series A Preferred Stock. In that event, we will print and deliver certificates in fully registered form for the Series A Preferred Stock. If DTC notifies us that it is unwilling to continue as securities depositary, or it is unable to continue or ceases to be a clearing agency registered under the Exchange Act and a successor depositary is not appointed by us within 90 days after receiving such notice or becoming aware that DTC is no longer so registered, we will issue the Series A Preferred Stock in definitive form, at our expense, upon registration of transfer of, or in exchange for, such global security.

According to DTC, the foregoing information with respect to DTC has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Global Clearance and Settlement Procedures

Initial settlement for the Series A Preferred Stock will be made in immediately available funds. Secondary market trading among DTC's Participants will occur in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.

DESCRIPTION OF SERIES B PREFERRED STOCK

General

Pursuant to our charter, we are currently authorized to designate and issue up to 50,000,000 shares of preferred stock, $0.01 par value per share, in one or more classes or series and, subject to the limitations prescribed by our charter and Maryland law, with such terms of each class or series of preferred stock, including preferences, conversion or other rights, voting power, restrictions, limitations as to dividends or other distributions, qualifications, and terms and conditions of redemption and the number of shares constituting any class or series, as our board of directors may determine, without any vote or action by our stockholders.

Our board of directors may, without the approval of holders of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock or our common stock, designate additional series of authorized preferred stock ranking junior to or on parity with the Series C Preferred Stock or designate additional shares of the Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock and authorize the issuance of such shares.

Listing

The Company's Series B Preferred Stock is listed on the NYSE under the symbol "MITT PrB."

Transfer Agent and Registrar

The registrar, transfer agent and dividend and redemption price disbursing agent in respect of the Series B Preferred Stock is American Stock Transfer & Trust Company, LLC.

Maturity

The Series B Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. Shares of the Series B Preferred Stock will remain outstanding indefinitely unless we decide to redeem or otherwise repurchase them or they become convertible and are converted as described below under "-Conversion Rights." We are not required to set aside funds to redeem the Series B Preferred Stock.

Ranking

The Series B Preferred Stock will rank, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up:

(1) senior to all classes or series of our common stock and to all other equity securities issued by us other than equity securities referred to in clauses (2) and (3) below;
(2) on a parity with all equity securities issued by us with terms specifically providing that those equity securities rank on a parity with the Series B Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up, including our currently outstanding Series A Preferred Stock;
(3) junior to all equity securities issued by us with terms specifically providing that those equity securities rank senior to the Series B Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up (see "-Voting Rights" below); and
(4) effectively junior to all of our existing and future indebtedness (including indebtedness convertible to our common stock or preferred stock), and to the indebtedness of our existing subsidiaries and any future subsidiaries.

Dividends

Holders of shares of the Series B Preferred Stock are entitled to receive, when, as and if authorized by our board of directors and declared by us, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8.00% of the $25.00 per share liquidation preference per annum (equivalent to $2.00 per annum per share). Dividends on the Series B Preferred Stock shall accrue daily and be cumulative from, and including, the date of original issue and shall be payable quarterly in arrears on the 17th day of each March, June, September and December (each, a "dividend payment date"); provided that if any dividend payment date is not a business day, as defined in the articles supplementary, then the dividend which would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day and no interest, additional dividends or other sums will accrue on the amount so payable for the period from and after that dividend payment date to that next succeeding business day. The first dividend on the Series B Preferred Stock is scheduled to be paid on December 17, 2012 in the amount of $0.44 per share, and that dividend will be paid to the persons who are the holders of record of the Series B Preferred Stock at the close of business on the corresponding record date, which will be November 30, 2012. Any dividend payable on the Series B Preferred Stock, including dividends payable for any partial dividend period, will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in our stock records for the Series B Preferred Stock at the close of business on the applicable record date, which shall be the last business day of the preceding calendar month, in which the applicable dividend payment date falls (each, a "dividend record date").

No dividends on shares of Series B Preferred Stock shall be authorized by our board of directors or paid or set apart for payment by us at any time when the terms and provisions of any agreement of ours, including any agreement relating to our indebtedness, prohibit the authorization, payment or setting apart for payment thereof or provide that the authorization, payment or setting apart for payment thereof would constitute a breach of the agreement or a default under the agreement, or if the authorization, payment or setting apart for payment shall be restricted or prohibited by law. You should review the information appearing above under "Risk Factors-Our ability to pay dividends is limited by the requirements of Maryland law" for information as to, among other things, other circumstances under which we may be unable to pay dividends on the Series B Preferred Stock.

Notwithstanding the foregoing, dividends on the Series B Preferred Stock will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of those dividends and whether or not those dividends are declared. No interest, or sum in lieu of interest, will be payable in respect of any dividend payment or payments on the Series B Preferred Stock which may be in arrears, and holders of the Series B Preferred Stock will not be entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on the Series B Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend due with respect to those shares.

Future distributions on our common stock and preferred stock, including the Series B Preferred Stock, will be at the discretion of our board of directors and will depend on, among other things, our results of operations, cash flow from operations, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code, any debt service requirements and any other factors our board of directors deems relevant. Accordingly, we cannot guarantee that we will be able to make cash distributions on our preferred stock or what the actual distributions will be for any future period.

Unless full cumulative dividends on the Series B Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods, (i) no dividends (other than in shares of common stock or in shares of any classes or series of preferred stock that we may issue ranking junior to the Series B Preferred Stock as to dividends and upon liquidation) shall be declared and paid or set apart for payment upon shares of our common stock or preferred stock that we may issue ranking junior to or on a parity with the Series B Preferred Stock as to dividends or upon liquidation, including our currently outstanding Series A Preferred Stock; (ii) no other distribution shall be declared and made upon shares of our common stock or preferred stock that we may issue ranking junior to or on a parity with the Series B Preferred Stock as to dividends or upon liquidation, including our currently outstanding Series A Preferred Stock; and (iii) no shares of our common stock or preferred stock that we may issue ranking junior to or on a parity with the Series B Preferred Stock as to dividends or upon liquidation, including our currently outstanding Series A Preferred Stock, shall be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by us (except by conversion into or exchange for our other capital stock that we may issue ranking junior to the Series B Preferred Stock as to dividends and upon liquidation and except for transfers made pursuant to the provisions of our charter relating to restrictions on ownership and transfers of our capital stock).

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series B Preferred Stock and the shares of any other classes or series of preferred stock that we may issue ranking on a parity as to dividends with the Series B Preferred Stock, including our currently outstanding Series A Preferred Stock, all dividends declared upon the Series B Preferred Stock and any other classes or series of preferred stock ranking on a parity that we may issue as to dividends with the Series B Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Series B Preferred Stock and such other classes or series of preferred stock that we may issue shall in all cases bear to each other the same ratio that accrued dividends per share on the Series B Preferred Stock and such other classes or series of preferred stock that we may issue (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such preferred stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series B Preferred Stock which may be in arrears.

Liquidation Preference

In the event of our voluntary or involuntary liquidation, dissolution or winding up, the holders of shares of Series B Preferred Stock will be entitled to be paid out of the assets we have legally available for distribution to our stockholders, subject to the preferential rights of the holders of any class or series of our stock we may issue ranking senior to the Series B Preferred Stock with respect to the distribution of assets upon liquidation, dissolution or winding up, a liquidation preference of $25.00 per share, plus an amount equal to any accumulated and unpaid dividends to, but not including, the date of payment, before any distribution of assets is made to holders of our common stock or any other class or series of our stock we may issue that ranks junior to the Series B Preferred Stock as to liquidation rights.

In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series B Preferred Stock and the corresponding amounts payable on all shares of other classes or series of our capital stock that we may issue ranking on a parity with the Series B Preferred Stock in the distribution of assets, including our currently outstanding Series A Preferred Stock, then the holders of the Series B Preferred Stock and all other such classes or series of capital stock shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Holders of Series B Preferred Stock will be entitled to written notice of any such liquidation no fewer than 30 days and no more than 60 days prior to the payment date. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series B Preferred Stock will have no right or claim to any of our remaining assets. The consolidation or merger of us with or into any other corporation, trust or entity or of any other entity with or into us, or the sale, lease, transfer or conveyance of all or substantially all of our property or business, shall not be deemed to constitute a liquidation, dissolution or winding up of us (although such events may give rise to the special optional redemption and contingent conversion rights described below).

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares of our stock or otherwise, is permitted under the Maryland General Corporation Law, amounts that would be needed, if we were to be dissolved at the time of distribution, to satisfy the preferential rights upon dissolution of holders of shares of the Series B Preferred Stock will not be added to our total liabilities.

Redemption

The Series B Preferred Stock is not redeemable by us prior to September 27, 2017, except as described below under “-Special Optional Redemption” and except that, as provided in our charter, we may purchase or redeem shares of the Series B Preferred Stock prior to that date in order to preserve our qualification as a REIT for federal income tax purposes. See “Description of Common Stock-Restrictions on Ownership and Transfer” above.

Optional Redemption. On and after September 27, 2017, we may, at our option, upon not less than 30 nor more than 60 days’ written notice, redeem the Series B Preferred Stock, in whole, at any time, or in part, from time to time, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon to, but not including, the date fixed for redemption. If we elect to redeem any shares of Series B Preferred Stock as described in this paragraph, we may use any available cash to pay the redemption price, and we will not be required to pay the redemption price only out of the proceeds from the issuance of other equity securities or any other specific source.

Special Optional Redemption. Upon the occurrence of a Change of Control, we may, at our option, upon not less than 30 nor more than 60 days’ written notice, redeem the Series B Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon to, but not including, the date fixed for redemption. If, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem some or all of the shares of Series B Preferred Stock (whether pursuant to our optional redemption right described above under “-Optional Redemption” or this special optional redemption right), the holders of Series B Preferred Stock will not have the Change of Control Conversion Right (as defined below) described below under “-Conversion Rights” with respect to the shares called for redemption.

A “Change of Control” is deemed to occur when, after the original issuance of the Series B Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a “person” under Section 13(d)(3) of the Exchange Act of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of our stock entitling that person to exercise more than 50% of the total voting power of all our stock entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and
- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE Amex or Nasdaq, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or Nasdaq.

Redemption Procedures. In the event we elect to redeem Series B Preferred Stock, the notice of redemption will be mailed to each holder of record of Series B Preferred Stock called for redemption at such holder’s address as it appears on our stock transfer records and will state the following:

- the redemption date;
- the number of shares of Series B Preferred Stock to be redeemed;
- the redemption price;
- the place or places where certificates (if any) for the Series B Preferred Stock are to be surrendered for payment of the redemption price;
- that dividends on the shares to be redeemed will cease to accumulate on the redemption date;
- whether such redemption is being made pursuant to the provisions described above under “-Optional Redemption” or “-Special Optional Redemption”;
- if applicable, that such redemption is being made in connection with a Change of Control and, in that case, a brief description of the transaction or transactions constituting such Change of Control; and
- if such redemption is being made in connection with a Change of Control, that the holders of the shares of Series B Preferred Stock being so called for redemption will not be able to tender such shares of Series B Preferred Stock for conversion in connection with the Change of Control and that each share of Series B Preferred Stock tendered for conversion that is called, prior to the Change of Control Conversion Date (as defined below), for redemption will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date.

If less than all of the Series B Preferred Stock held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of shares of Series B Preferred Stock held by such holder to be redeemed. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Series B Preferred Stock except as to the holder to whom notice was defective or not given.

Holders of Series B Preferred Stock to be redeemed shall surrender the Series B Preferred Stock at the place designated in the notice of redemption and shall be entitled to the redemption price and any accumulated and unpaid dividends payable upon the redemption following the surrender. If notice of redemption of any shares of Series B Preferred Stock has been given and if we have irrevocably set apart the funds necessary for redemption in trust for the benefit of the holders of the shares of Series B Preferred Stock so called for redemption, then from and after the redemption date (unless default shall be made by us in providing for the payment of the redemption price plus accumulated and unpaid dividends, if any), dividends will cease to accrue on those shares of Series B Preferred Stock, those shares of Series B Preferred Stock shall no longer be deemed outstanding and all rights of the holders of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption. If any redemption date is not a business day, then the redemption price and accumulated and unpaid dividends, if any, payable upon redemption may be paid on the next business day and no interest, additional dividends or other sums will accrue on the amount payable for the period from and after that redemption date to that next business day. If less than all of the outstanding Series B Preferred Stock is to be redeemed, the Series B Preferred Stock to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by any other equitable method we determine but that will not result in the automatic transfer of any shares of Series B Preferred Stock to a trust as described above under “Description of Common Stock-Restrictions on Ownership and Transfer.”

Immediately prior to any redemption of Series B Preferred Stock, we shall pay, in cash, any accumulated and unpaid dividends through and including the redemption date, unless a redemption date falls after a dividend record date and prior to the corresponding dividend payment date, in which case each holder of Series B Preferred Stock at the close of business on such dividend record date shall be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares before such dividend payment date. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on shares of the Series B Preferred Stock to be redeemed.

Unless full cumulative dividends on all shares of Series B Preferred Stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for payment for all past dividend periods, no shares of Series B Preferred Stock shall be redeemed unless all outstanding shares of Series B Preferred Stock are simultaneously redeemed and we shall not purchase or otherwise acquire directly or indirectly any shares of Series B Preferred Stock (except by exchanging it for our capital stock ranking junior to the Series B Preferred Stock as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase or acquisition by us of shares of Series B Preferred Stock to preserve our REIT status for federal income tax purposes or pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series B Preferred Stock.

Notwithstanding the foregoing, subject to applicable law, we may purchase shares of Series B Preferred Stock in the open market, by tender or by private agreement. Any shares of Series B Preferred Stock that we acquire will become authorized but unissued shares of preferred stock, without designation as to class or series, and may thereafter be reissued as any class or series of preferred stock.

Conversion Rights

Upon the occurrence of a Change of Control, each holder of Series B Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem some or all of the shares of Series B Preferred Stock held by such holder as described above under "-Optional Redemption" or "-Special Optional Redemption," in which case such holder will have the right only with respect to shares of Series B Preferred Stock that are not called for redemption) to convert some or all of the Series B Preferred Stock held by such holder, or the Change of Control Conversion Right, on the Change of Control Conversion Date into a number of shares of our common stock per share of Series B Preferred Stock, or the Common Stock Conversion Consideration, equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of Series B Preferred Stock plus the amount of any accumulated and unpaid dividends thereon to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date and prior to the corresponding dividend payment date for the Series B Preferred Stock, in which case no additional amount for such accrued and unpaid dividend will be included in this sum) by (ii) the Common Stock Price, as defined below (such quotient, the Conversion Rate); and
- 2.1195, or the Share Cap, subject to certain adjustments as described below.

Anything in the articles supplementary to the contrary notwithstanding and except as otherwise required by law, the persons who are the holders of record of shares of Series B Preferred Stock at the close of business on a dividend record date will be entitled to receive the dividend payable on the corresponding dividend payment date notwithstanding the conversion of those shares after such dividend record date and on or prior to such dividend payment date and, in such case, the full amount of such dividend shall be paid on such dividend payment date to the persons who were the holders of record at the close of business on such dividend record date. Except as provided above, we will make no allowance for unpaid dividends that are not in arrears on the shares of Series B Preferred Stock to be converted.

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of our common stock to existing holders of our common stock), subdivisions or combinations (in each case, a Share Split) with respect to our common stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of our common stock that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding immediately after giving effect to such Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Share Split.

For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of our common stock (or equivalent Alternative Conversion Consideration (as defined below), as applicable) issuable or deliverable, as applicable, in connection with the exercise of the Change of Control Conversion Right will not exceed 8,478,000 shares of our common stock (or equivalent Alternative Conversion Consideration, as applicable), subject to proportionate increase to the extent the underwriters' over-allotment option to purchase additional shares of Series B Preferred Stock is exercised, not to exceed 9,749,700 shares of our common stock in total (or equivalent Alternative Conversion Consideration, as applicable), or the Exchange Cap. The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap and will also be increased on a pro rata basis with respect to any additional shares of Series B Preferred Stock designated and authorized for issuance pursuant to any subsequent articles supplementary.

In the case of a Change of Control pursuant to which our common stock is or will be converted into cash, securities or other property or assets (including any combination thereof), or the Alternative Form Consideration, a holder of Series B Preferred Stock will receive upon conversion of such Series B Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of shares of our common stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control, or the Alternative Conversion Consideration; the Common Stock Conversion Consideration or the Alternative Conversion Consideration, whichever shall be applicable to a Change of Control, is referred to as the Conversion Consideration).

If the holders of our common stock have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration in respect of such Change of Control will be deemed to be the kind and amount of consideration actually received by holders of a majority of the outstanding shares of our common stock that made or voted for such an election (if electing between two types of consideration) or holders of a plurality of the outstanding shares of our common stock that made or voted for such an election (if electing between more than two types of consideration), as the case may be, and will be subject to any limitations to which all holders of our common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in such Change of Control.

We will not issue fractional shares of our common stock upon the conversion of the Series B Preferred Stock in connection with a Change of Control. Instead, we will make a cash payment equal to the value of such fractional shares based upon the Common Stock Price used in determining the Common Stock Conversion Consideration for such Change of Control.

Within 15 days following the occurrence of a Change of Control, unless we have, prior to the expiration of such 15-day period, provided notice of our election to redeem all shares of Series B Preferred Stock pursuant to the redemption provisions described above, we will provide to holders of Series B Preferred Stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right. This notice will state the following:

- the events constituting the Change of Control;
- the date of the Change of Control;
- the last date on which the holders of Series B Preferred Stock may exercise their Change of Control Conversion Right;
- the method and period for calculating the Common Stock Price;
- the Change of Control Conversion Date;
- that if, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem all or any shares of Series B Preferred Stock, holders will not be able to convert the shares of Series B Preferred Stock called for redemption and such shares will be redeemed on the related redemption date, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right;
- if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series B Preferred Stock;
- the name and address of the paying agent, transfer agent and conversion agent for the Series B Preferred Stock;
- the procedures that the holders of Series B Preferred Stock must follow to exercise the Change of Control Conversion Right (including procedures for surrendering shares for conversion through the facilities of a Depositary (as defined below)), including the form of conversion notice to be delivered by such holders as described below; and
- the last date on which holders of Series B Preferred Stock may withdraw shares surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

Under such circumstances, we will also issue a press release containing such notice for publication on Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), and post a notice on our website, in any event prior to the opening of business on the first business day following any date on which we provide the notice described above to the holders of Series B Preferred Stock.

To exercise the Change of Control Conversion Right, the holders of Series B Preferred Stock will be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) representing the shares of Series B Preferred Stock to be converted, duly endorsed for transfer (or, in the case of any shares of Series B Preferred Stock held in book-entry form through a Depositary, to deliver, on or before the close of business on the Change of Control Conversion Date, the shares of Series B Preferred Stock to be converted through the facilities of such Depositary), together with a written conversion notice in the form provided by us, duly completed, to our transfer agent. The conversion notice must state:

- the relevant Change of Control Conversion Date;
- the number of shares of Series B Preferred Stock to be converted; and
- that the Series B Preferred Stock is to be converted pursuant to the applicable provisions of the Series B Preferred Stock.

The “Change of Control Conversion Date” is the date the Series B Preferred Stock is to be converted, which will be a business day selected by us that is no fewer than 20 days nor more than 35 days after the date on which we provide the notice described above to the holders of Series B Preferred Stock.

The “Common Stock Price” is (i) if the consideration to be received in the Change of Control by the holders of our common stock is solely cash, the amount of cash consideration per share of our common stock or (ii) if the consideration to be received in the Change of Control by holders of our common stock is other than solely cash (x) the average of the closing sale prices per share of our common stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred as reported on the principal U.S. securities exchange on which our common stock is then traded, or (y) the average of the last quoted bid prices for our common stock in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred, if our common stock is not then listed for trading on a U.S. securities exchange.

Holders of Series B Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal delivered by any holder must state:

- the number of withdrawn shares of Series B Preferred Stock;
- if certificated Series B Preferred Stock has been surrendered for conversion, the certificate numbers of the withdrawn shares of Series B Preferred Stock; and
- the number of shares of Series B Preferred Stock, if any, which remain subject to the holder’s conversion notice.

Notwithstanding the foregoing, if any shares of Series B Preferred Stock are held in book-entry form through The Depository Trust Company, or DTC, or a similar depositary (each, a “Depositary”), the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures, if any, of the applicable Depositary.

Series B Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless prior to the Change of Control Conversion Date we have provided notice of our election to redeem some or all of the shares of Series B Preferred Stock, as described above under “-Optional Redemption” or “-Special Optional Redemption,” in which case only the shares of Series B Preferred Stock properly surrendered for conversion and not properly withdrawn that are not called for redemption will be converted as aforesaid. If we elect to redeem shares of Series B Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such shares of Series B Preferred Stock will not be so converted and the holders of such shares will be entitled to receive on the applicable redemption date the redemption price described above under “-Optional Redemption” or “-Special Optional Redemption,” as applicable.

We will deliver all securities, cash and any other property owing upon conversion no later than the third business day following the Change of Control Conversion Date. Notwithstanding the foregoing, the persons entitled to receive any shares of our common stock or other securities delivered on conversion will be deemed to have become the holders of record thereof as of the Change of Control Conversion Date.

In connection with the exercise of any Change of Control Conversion Right, we will comply with all federal and state securities laws and stock exchange rules in connection with any conversion of Series B Preferred Stock into shares of our common stock or other property. Notwithstanding any other provision of the Series B Preferred Stock, no holder of Series B Preferred Stock will be entitled to convert such Series B Preferred Stock into shares of our common stock to the extent that receipt of such common stock would cause such holder (or any other person) to exceed the applicable share ownership limitations contained in our charter, including the articles supplementary, unless we provide an exemption from this limitation to such holder. See “-Restrictions on Ownership and Transfer” below and “Description of Common Stock-Restrictions on Ownership and Transfers” above.

The Change of Control conversion feature may make it more difficult for a third party to acquire us or discourage a party from acquiring us. See “Risk Factors-You may not be able to exercise conversion rights upon a Change of Control. If exercisable, the

Change of Control Conversion Right may not adequately compensate you. The Change of Control Conversion Rights may also make it more difficult for a party to acquire us or discourage a party from acquiring us."

Except as provided above in connection with a Change of Control, the Series B Preferred Stock is not convertible into or exchangeable for any other securities or property.

Voting Rights

Holders of the Series B Preferred Stock will not have any voting rights, except as set forth below.

Whenever dividends on any shares of Series B Preferred Stock are in arrears for six or more quarterly dividend periods, whether or not consecutive, the number of directors constituting our board of directors will be automatically increased by two (if not already increased by two by reason of the election of directors by the holders of any other class or series of our preferred stock we have issued and may in the future issue upon which like voting rights have been conferred and are exercisable and with which the Series B Preferred Stock is entitled to vote as a class with respect to the election of those two directors, including our currently outstanding Series A Preferred Stock) and the holders of Series B Preferred Stock (voting separately as a class with all other classes or series of preferred stock we have issued and may in the future issue upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series B Preferred Stock in the election of those two directors, including our currently outstanding Series A Preferred Stock) will be entitled to vote for the election of those two additional directors at a special meeting called by us at the request of the holders of record of at least 25% of the outstanding shares of Series B Preferred Stock or by the holders of any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series B Preferred Stock in the election of those two directors (unless the request is received less than 90 days before the date fixed for the next annual or special meeting of stockholders, in which case, such vote will be held at the earlier of the next annual or special meeting of stockholders), and at each subsequent annual meeting until all dividends accumulated on the Series B Preferred Stock for all past dividend periods and the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set apart for payment. In that case, the right of holders of the Series B Preferred Stock to elect any directors will cease and, unless there are other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable, any directors elected by holders of the Series B Preferred Stock shall immediately resign and the number of directors constituting the board of directors shall be reduced accordingly. For the avoidance of doubt, in no event shall the total number of directors elected by holders of the Series B Preferred Class (voting separately as a class with all other classes or series of preferred stock we have issued and may in the future issue upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series B Preferred Stock in the election of such directors, including our currently outstanding Series A Preferred Stock) pursuant to these voting rights exceed two.

If a special meeting is not called by us within 30 days after request from the holders of Series B Preferred Stock as described above, then the holders of record of at least 25% of the outstanding Series B Preferred Stock may designate a holder to call the meeting at our expense.

On each matter on which holders of Series B Preferred Stock are entitled to vote, each share of Series B Preferred Stock will be entitled to one vote, except that when shares of any other class or series of our preferred stock have the right to vote with the Series B Preferred Stock as a single class on any matter, the Series B Preferred Stock and the shares of each such other class or series will have one vote for each $25.00 of liquidation preference (excluding accumulated dividends).

So long as any shares of Series B Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series B Preferred Stock outstanding at the time and all other classes or series of Series B Preferred Stock upon which like voting rights have been conferred and are exercisable, including our currently outstanding Series A Preferred Stock, given in person or by proxy, either in writing or at a meeting, voting together as a class, (a) authorize or create, or increase the number of authorized or issued shares of, any class or series of capital stock ranking senior to the Series B Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up or reclassify any of our authorized capital stock into shares of such class or series, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or (b) amend, alter or repeal the provisions of our charter, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series B Preferred Stock, each, an Event; provided, however, with respect to the occurrence of any Event set forth in (b) above, so long as the Series B Preferred Stock remains outstanding with the terms thereof materially unchanged, taking into account that, upon an occurrence of an Event, we may not be the surviving entity, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting power of the Series B Preferred Stock and, provided further, that any increase in the number of authorized shares of preferred stock, including the Series B Preferred Stock, or the creation or issuance of any additional Series B Preferred Stock or other class or series of preferred stock that we have and may in the future issue, or any increase in the number of authorized shares of such class or series, in each case ranking on a parity with or junior to the Series B Preferred Stock that we may issue with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers. Notwithstanding the foregoing, holders of any series of Preferred Stock ranking on a parity with the Series B Preferred Stock that we may issue shall not be entitled to vote together as a class with the holders of Series B Preferred Stock on any amendment, alteration or repeal of any provision of our charter unless such action affects the holders of the Series B Preferred Stock and such other series of Preferred Stock equally, in which event approval of any such amendment, alteration or repeal will require the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series B Preferred Stock outstanding at the time, voting separately as a series.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series B Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

Except as expressly stated in the articles supplementary, the Series B Preferred Stock will not have any relative, participating, optional or other special voting rights or powers and the consent of the holders thereof shall not be required for the taking of any corporate action.

Information Rights

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series B Preferred Stock are outstanding, we will use our best efforts to (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of Series B Preferred Stock, as their names and addresses appear on our record books and without cost to such holders, copies of the annual reports on Form 10-K and quarterly reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any holders or prospective holder of Series B Preferred Stock. We will use our best effort to post to our website or mail (or otherwise provide) the information to the holders of the Series B Preferred Stock within 15 days after the respective dates by which a report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC, if we were subject to Section 13 or 15(d) of the Exchange Act, in each case, based on the dates on which we would be required to file such periodic reports if we were a “non-accelerated filer” within the meaning of the Exchange Act.

Preemptive Rights

No holders of the Series B Preferred Stock or any other of our securities issuable upon a permitted conversion of any Series B Preferred Stock will, as holders of Series B Preferred Stock or any other of our securities issuable upon a permitted conversion of Series B Preferred Stock, have any preemptive rights to purchase or subscribe for our common stock or any other security.

Book-Entry Procedures

DTC will act as securities depositary for the Series B Preferred Stock. We will issue one or more fully registered global securities certificates in the name of DTC’s nominee, Cede & Co. These certificates will represent the total aggregate number of shares of Series B Preferred Stock. We will deposit these certificates with DTC or a custodian appointed by DTC. We will not issue certificates to you for the shares of Series B Preferred Stock that you purchase, unless DTC’s services are discontinued as described below.

Title to book-entry interests in the Series B Preferred Stock will pass by book-entry registration of the transfer within the records of DTC in accordance with its procedures. Book-entry interests in the securities may be transferred within DTC in accordance with procedures established for these purposes by DTC. Each person owning a beneficial interest in shares of the Series B Preferred Stock must rely on the procedures of DTC and the participant through which such person owns its interest to exercise its rights as a holder of the Series B Preferred Stock.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants, or Direct Participants, deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, including the underwriters, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly, or Indirect Participants. The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC.

When you purchase shares of Series B Preferred Stock within the DTC system, the purchase must be by or through a Direct Participant. The Direct Participant will receive a credit for the Series B Preferred Stock on DTC's records. You will be considered to be the "beneficial owner" of the Series B Preferred Stock. Your beneficial ownership interest will be recorded on the Direct and Indirect Participants' records, but DTC will have no knowledge of your individual ownership. DTC's records reflect only the identity of the Direct Participants to whose accounts shares of Series B Preferred Stock are credited.

You will not receive written confirmation from DTC of your purchase. The Direct or Indirect Participants through whom you purchased the Series B Preferred Stock should send you written confirmations providing details of your transactions, as well as periodic statements of your holdings. The Direct and Indirect Participants are responsible for keeping an accurate account of the holdings of their customers like you.

Transfers of ownership interests held through Direct and Indirect Participants will be accomplished by entries on the books of Direct and Indirect Participants acting on behalf of the beneficial owners.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

We understand that, under DTC's existing practices, in the event that we request any action of the holders, or an owner of a beneficial interest in a global security, such as you, desires to take any action which a holder is entitled to take under our amended and restated certificate of incorporation (including the articles supplementary classifying and designating the Series B Preferred Stock), DTC would authorize the Direct Participants holding the relevant shares to take such action, and those Direct Participants and any Indirect Participants would authorize beneficial owners owning through those Direct and Indirect Participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Any redemption notices with respect to the Series B Preferred Stock will be sent to Cede & Co. If less than all of the outstanding shares of Series B Preferred Stock are being redeemed, DTC will reduce each Direct Participant's holdings of shares of Series B Preferred Stock in accordance with its procedures.

In those instances where a vote is required, neither DTC nor Cede & Co. itself will consent or vote with respect to the shares of Series B Preferred Stock. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants whose accounts the shares of Series B Preferred Stock are credited to on the record date, which are identified in a listing attached to the omnibus proxy.

Dividends on the Series B Preferred Stock will be made directly to DTC's nominee (or its successor, if applicable). DTC's practice is to credit participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on that payment date.

Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name." These payments will be the responsibility of the participant and not of DTC, us or any agent of ours.

DTC may discontinue providing its services as securities depositary with respect to the Series B Preferred Stock at any time by giving reasonable notice to us. Additionally, we may decide to discontinue the book-entry only system of transfers with respect to the Series B Preferred Stock. In that event, we will print and deliver certificates in fully registered form for the Series B Preferred Stock. If DTC notifies us that it is unwilling to continue as securities depositary, or it is unable to continue or ceases to be a clearing agency registered under the Exchange Act and a successor depositary is not appointed by us within 90 days after receiving such notice or becoming aware that DTC is no longer so registered, we will issue the Series B Preferred Stock in definitive form, at our expense, upon registration of transfer of, or in exchange for, such global security.

According to DTC, the foregoing information with respect to DTC has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Global Clearance and Settlement Procedures

Initial settlement for the Series B Preferred Stock will be made in immediately available funds. Secondary market trading among DTC's Participants will occur in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.

DESCRIPTION OF SERIES C PREFERRED STOCK

General

Pursuant to our charter, we are currently authorized to designate and issue up to 50,000,000 shares of preferred stock, $0.01 par value per share, in one or more classes or series and, subject to the limitations prescribed by our charter and Maryland law, with such terms of each class or series of preferred stock, including preferences, conversion or other rights, voting power, restrictions, limitations as to dividends or other distributions, qualifications, and terms and conditions of redemption and the number of shares constituting any class or series, as our board of directors may determine, without any vote or action by our stockholders.

Our board of directors may, without the approval of holders of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock or our common stock, designate additional series of authorized preferred stock ranking junior to or on parity with the Series C Preferred Stock or designate additional shares of the Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock and authorize the issuance of such shares.

Listing

The Company's Series C Preferred Stock is listed on the NYSE under the symbol "MITT PrC."

Transfer Agent and Registrar

The registrar, transfer agent and dividend and redemption price disbursing agent in respect of the Series C Preferred Stock is American Stock Transfer & Trust Company, LLC.

Maturity

The Series C Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. Shares of the Series C Preferred Stock will remain outstanding indefinitely unless we decide to redeem or otherwise repurchase them or they become convertible and are converted as described below under "-Conversion Rights." We are not required to set apart for payment the funds to redeem the Series C Preferred Stock.

Ranking

The Series C Preferred Stock will rank, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up:

- senior to all classes or series of our common stock and any other Junior Stock we may issue;
- on a parity with our Series A Preferred Stock, Series B Preferred Stock and any Parity Stock we may issue;
- junior to any Senior Stock we may issue; and
- effectively junior to all of our existing and future indebtedness (including indebtedness convertible into or exchangeable for our common stock or preferred stock) and the indebtedness of our existing and future subsidiaries.

Dividends

Holders of shares of the Series C Preferred Stock are entitled to receive, when, as and if authorized by our board of directors and declared by us, out of funds legally available for the payment of dividends, cumulative cash dividends. The initial dividend rate for the Series C Preferred Stock from and including the date of original issuance to, but not including, September 17, 2024 (the "Fixed Rate Period") will be 8.000% of the $25.00 per share liquidation preference per annum (equivalent to $2.00 per annum per share). On and after September 17, 2024 (the "Floating Rate Period"), dividends on the Series C Preferred Stock will accumulate at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the Three-Month LIBOR Rate plus a spread of 6.476%. Dividends on the Series C Preferred Stock will accumulate daily and be cumulative from, and including, the date of original issue and will be payable quarterly in arrears on the 17th day of each March, June, September and December (each, as may be modified as provided below, a "dividend payment date"). If any dividend payment date is not a business day, as defined in the articles supplementary designating the Series C Preferred Stock, then the dividend which would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day with the same force and effect as if paid on such dividend payment date, and no interest, additional dividends or sums in lieu of interest will be payable for the period from and after that dividend payment date to that next succeeding business day. The first dividend on the Series C Preferred Stock is scheduled to be paid on December 17, 2019 (long first dividend period), in the amount of $0.50 per share. Dividends payable on the Series C Preferred Stock for the Fixed Rate Period, including dividends payable for any partial Dividend Period, will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on the Series C Preferred Stock for the Floating Rate Period, including dividends payable for any partial Dividend Period, will be computed based on the actual number of days in a Dividend Period and a 360-day year. Dividends will be payable to holders of record as they appear on our stock transfer records at the close of business on the applicable record date, which shall be the last business day of the preceding calendar month in which the applicable dividend payment date falls (each, a "dividend record date"). The dividends payable on any dividend payment date shall include dividends accumulated to, but not including, such dividend payment date.

For each Dividend Period during the Floating Rate Period, LIBOR (the London interbank offered rate) ("Three-Month LIBOR Rate") will be determined by us, as of the applicable Dividend Determination Date (as defined below), in accordance with the following provisions:

- LIBOR will be the rate (expressed as a percentage per year) for deposits in U.S. dollars having an index maturity of three months, in amounts of at least $1,000,000, as such rate appears on "Reuters Page LIBOR01" at approximately 11:00 a.m. (London time) on the relevant Dividend Determination Date; or
- if no such rate appears on "Reuters Page LIBOR01" or if the "Reuters Page LIBOR01" is not available at approximately 11:00 a.m. (London time) on the relevant Dividend Determination Date, then we will select four nationally-recognized banks in the London interbank market and request that the principal London offices of those four selected banks provide us with their offered quotation for deposits in U.S. dollars for a period of three months, commencing on the first day of the applicable Dividend Period, to prime banks in the London interbank market at approximately 11:00 a.m. (London time) on that Dividend Determination Date for the applicable Dividend Period. Offered quotations must be based on a principal amount equal to an amount that, in our discretion, is representative of a single transaction in U.S. dollars in the London interbank market at that time. If at least two quotations are provided, the Three-Month LIBOR Rate for such Dividend Period will be the arithmetic mean (rounded upward if necessary, to the nearest 0.00001 of 1%) of those quotations. If fewer than two quotations are provided, the Three-Month LIBOR Rate for such Dividend Period will be the arithmetic mean (rounded upward if necessary, to the nearest 0.00001 of 1%) of the rates quoted at approximately 11:00 a.m. (New York City time) on that Dividend Determination Date for such Dividend Period by three nationally-recognized banks in New York, New York selected by us, for loans in U.S. dollars to nationally-recognized European banks (as selected by us), for a period of three months commencing on the first day of such Dividend Period. The rates quoted must be based on an amount that, in our discretion, is representative of a single transaction in U.S. dollars in that market at that time. If no quotation is provided as described above, then if a Calculation Agent (as defined below) has not been appointed at such time, we will appoint a Calculation Agent who shall, after consulting such sources as it deems comparable to any of the foregoing quotations or display page, or any such source as it deems reasonable from which to estimate LIBOR or any of the foregoing lending rates, shall determine LIBOR for the second London Business Day (as defined below) immediately preceding the first day of such distribution period in its sole discretion. If the Calculation Agent is unable or unwilling to determine LIBOR as provided in the immediately preceding sentence, then LIBOR will be equal to Three-Month LIBOR Rate for the then current Dividend Period, or, in the case of the first Dividend Period in the Floating Rate Period, the most recent dividend rate that would have been determined based on the last available Reuters Page LIBOR01 had the Floating Rate Period been applicable prior to the first Dividend Period in the Floating Rate Period.

Notwithstanding the foregoing, if we determine on the relevant Dividend Determination Date that the LIBOR base rate has been discontinued, then we will appoint a Calculation Agent and the Calculation Agent will consult with an investment bank of national standing to determine whether there is an industry accepted substitute or successor base rate to Three-Month LIBOR Rate. If, after such consultation, the Calculation Agent determines that there is an industry accepted substitute or successor base rate, the Calculation Agent shall use such substitute or successor base rate. In such case, the Calculation Agent in its sole discretion may (without implying a corresponding obligation to do so) also implement changes to the business day convention, the definition of business day, the Dividend Determination Date and any method for obtaining the substitute or successor base rate if such rate is unavailable on the relevant Business Day, in a manner that is consistent with industry accepted practices for such substitute or successor base rate. Unless the Calculation Agent determines that there is an industry accepted substitute or successor base rate as so provided above, the Calculation Agent will, in consultation with us, follow the steps specified in the second bullet point in the immediately preceding paragraph in order to determine Three-Month LIBOR Rate for the applicable Dividend Period.

"Calculation Agent" shall mean a third party independent financial institution of national standing with experience providing such services, which has been selected by us.

“Dividend Determination Date” means the London Business Day (as defined below) immediately preceding the first date of the applicable Dividend Period.

“Dividend Period” means the period from, and including, a dividend payment date to, but excluding, the next succeeding dividend payment date, except for the initial Dividend Period, which will be the period from, and including, the original issue date of the Series C Preferred Stock to, but excluding, December 17, 2019.

“London Business Day” means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

“Reuters Page LIBOR01” means the display so designated on the Reuters 3000 Xtra (or such other page as may replace the LIBOR01 page on that service, or such other service as may be nominated by the ICE Benchmark Administration Limited, or ICE, or its successor, or such other entity assuming the responsibility of ICE or its successor in the event ICE or its successor no longer does so, as the successor service, for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

No dividends on shares of Series C Preferred Stock may be authorized by our board of directors or paid or set apart for payment by us at any time when the terms and provisions of any agreement of ours, including any agreement relating to our indebtedness, prohibit the authorization, payment or setting apart for payment thereof or provide that the authorization, payment or setting apart for payment thereof would constitute a breach of the agreement or a default under the agreement, or if the authorization, payment or setting apart for payment is restricted or prohibited by law. You should review the information appearing above under “Risk Factors-We may not be able to pay dividends or other distributions on the Series C Preferred Stock” for more information as to, among other things, other circumstances under which we may be unable to pay dividends on the Series C Preferred Stock.

Notwithstanding the foregoing, dividends on the Series C Preferred Stock will accumulate whether or not (i) the terms and provisions of any laws or agreements referred to in the preceding paragraph at any time prohibit the current payment of dividends, (ii) we have earnings, (iii) there are funds legally available for the payment of those dividends and (iv) those dividends are authorized and declared. No interest, or sum in lieu of interest, will be payable in respect of any dividend payment or payments on the Series C Preferred Stock which may be in arrears, and holders of Series C Preferred Stock will not be entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on the Series C Preferred Stock will first be credited against the earliest accumulated but unpaid dividend due with respect to those shares.

Future dividends on our common stock and preferred stock, including the Series C Preferred, will be at the discretion of our board of directors and will depend on, among other things, our results of operations, cash flow from operations, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Code, applicable law, any debt service requirements and any other factors our board of directors deems relevant. Accordingly, we cannot guarantee that we will be able to make cash distributions on the Series C Preferred Stock or what the actual dividends will be for any future period.

Except as noted below, unless full cumulative dividends on the Series C Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past Dividend Periods, no dividends (other than in shares of our common stock or other Junior Stock we may issue) may be declared or paid or set apart for payment upon our common stock or other Junior Stock or our Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock or other Parity Stock we may issue and no other distribution may be declared or made upon our common stock or other Junior Stock or our Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock or other Parity Stock we may issue. In addition, our common stock and other Junior Stock or Parity Stock we may issue may not be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such securities) by us (except by conversion into or exchange for shares of, or options, warrants or rights to purchase or subscribe for, our common stock or other Junior Stock we may issue or pursuant to an exchange offer made on the same terms to all holders of Series C Preferred Stock and all Parity Stock). The foregoing will not, however, prevent the redemption, purchase or acquisition by us of shares of any class or series of stock for the purpose of enforcing restrictions on transfer and ownership of our stock contained in our charter, or the redemption, purchase or acquisition by us of shares of our common stock for purposes of and in compliance with any incentive or benefit plan of ours.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and any other Parity Stock we may issue, all dividends declared upon the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and such other Parity Stock must be declared pro rata so that the amount of dividends declared per share of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and such other Parity Stock will in all cases bear to each other the same ratio that accumulated dividends per share on the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and such Parity Stock (which will not include any accrual in respect of unpaid dividends for prior Dividend Periods if such other Parity Stock do not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on the Series C Preferred Stock which may be in arrears.

Liquidation Preference

In the event of our voluntary or involuntary liquidation, dissolution or winding up, the holders of Series C Preferred Stock will be entitled to be paid out of the assets we have legally available for distribution to our stockholders, subject to the preferential rights of the holders of any Senior Stock, a liquidation preference of $25.00 per share, plus any accumulated and unpaid dividends thereon to (whether or not authorized or declared), but excluding, the payment date, before any distribution of assets is made to holders of common stock or other Junior Stock we may issue; and the holders of Series C Preferred Stock will not be entitled to any further payment.

In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and any other Parity Stock we may issue, then the holders of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and such other Parity Stock will share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Notice of any such liquidation stating the payment date or dates when, and the place or places where, the amounts distributable in each circumstance shall be payable, will be given no fewer than 30 days and no more than 60 days prior to the payment date, to each holder of record of Series C Preferred Stock at the address of such holder as it appears on our stock records. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series C Preferred Stock will have no right or claim to any of our remaining assets. The consolidation, conversion or merger of us with or into any other corporation, trust or entity or of any other entity with or into us, the sale, lease, transfer or conveyance of all or substantially all of our property or business or a statutory share exchange, will not be deemed to constitute a liquidation, dissolution or winding up of us (although such events may give rise to the special optional redemption and contingent conversion rights described below).

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares of stock or otherwise, is permitted under Maryland law with respect to any share of any class or series of our stock, amounts that would be needed, if we were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of Series C Preferred Stock will not be added to our total liabilities.

Redemption

The Series C Preferred Stock is not redeemable by us prior to September 17, 2024, except under circumstances where it is necessary to preserve our qualification as a REIT for U.S. federal income tax purposes (please see “-Restrictions on Transfer and Ownership” below) and except as described below under “-Special Optional Redemption” upon the occurrence of a Change of Control (as defined herein).

Optional Redemption. On and after September 17, 2024, we may, at our option, upon not less than 30 nor more than 60 days’ notice, redeem the Series C Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon to (whether or not authorized or declared), but excluding, the redemption date, without interest.

Special Optional Redemption. Upon the occurrence of a Change of Control, we may, at our option, upon not less than 30 nor more than 60 days’ notice, redeem the Series C Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon to (whether or not authorized or declared), but excluding, the redemption date. If, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem some or all of the shares of Series C Preferred Stock (whether pursuant to our optional redemption right described above under “-Optional Redemption” or this special optional redemption right), the holders of Series C Preferred Stock will not have the Change of Control Conversion Right (as defined below) described below under “-Conversion Rights” with respect to the shares called for redemption.

A “Change of Control” is deemed to occur when, after the original issuance of the Series C Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a “person” under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of our stock entitling that person to exercise more than

50% of the total voting power of all our stock entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE American or the Nasdaq Stock Market, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE American or the Nasdaq Stock Market.

Redemption Procedures. In the event we elect to redeem Series C Preferred Stock pursuant to our optional redemption right or our special optional redemption right, the notice of redemption will be given to each holder of record of Series C Preferred Stock called for redemption at such holder's address as it appears on our stock transfer records and will state the following:

- the redemption date;
- the number of shares of Series C Preferred Stock to be redeemed;
- the redemption price;
- the place or places where certificates (if any) for the Series C Preferred Stock are to be surrendered for payment of the redemption price;
- that dividends on the shares to be redeemed will cease to accumulate on the redemption date;
- if applicable, that such redemption is being made in connection with a Change of Control and, in that case, a brief description of the transaction or transactions constituting such Change of Control; and
- if such redemption is being made in connection with a Change of Control, that the holders of the shares of Series C Preferred Stock being so called for redemption will not be able to tender such shares of Series C Preferred Stock for conversion in connection with the Change of Control and that each share of Series C Preferred Stock tendered for conversion that is called, prior to the Change of Control Conversion Date, for redemption will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date.

If less than all of the Series C Preferred Stock held by any holder is to be redeemed, the notice given to such holder shall also specify the number of shares of Series C Preferred Stock held by such holder to be redeemed. No failure to give such notice or any defect thereto or in the giving thereof will affect the validity of the proceedings for the redemption of any shares of Series C Preferred Stock, except as to the holder to whom notice was defective or not given.

Holders of shares of Series C Preferred Stock to be redeemed must surrender such shares at the place designated in the notice of redemption and will be entitled to the redemption price and any accumulated and unpaid dividends payable upon the redemption following the surrender. If notice of redemption of any shares of Series C Preferred Stock has been given and if we have irrevocably set apart for payment the funds necessary for redemption (including any accumulated and unpaid dividends) in trust for the benefit of the holders of the shares of Series C Preferred Stock so called for redemption, then from and after the redemption date (unless we default in providing for the payment of the redemption price plus accumulated and unpaid dividends, if any), dividends will cease to accumulate on those shares of Series C Preferred Stock, those shares of Series C Preferred Stock will no longer be deemed outstanding and all rights of the holders of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption. If any redemption date is not a business day, then the redemption price and accumulated and unpaid dividends, if any, payable upon redemption may be paid on the next business day and no interest, additional dividends or other sums will accumulate on the amount payable for the period from and after that redemption date to that next business day. If less than all of the outstanding shares of Series C Preferred Stock are to be redeemed, the shares of Series C Preferred Stock to be redeemed will be selected pro rata (as nearly as may be practicable without creating fractional shares) or by lot. If such redemption is to be by lot and if, as a result of such redemption, any holder of Series C Preferred Stock would own, or be deemed by virtue of certain attribution provisions of the Code to own, in excess of 9.8% in value or in number of shares (whichever is more restrictive) of our outstanding capital stock (including the Series C Preferred Stock), or violate any other restriction or limitation of our stock set forth in our charter, then, except as otherwise permitted in our charter, we will redeem the requisite number of shares of Series C Preferred Stock of that holder such that the holder will not own or be deemed by virtue of certain attribution provisions of the Code to own, subsequent to the redemption, in excess of 9.8% in value or in number of shares (whichever is more restrictive) of any class or series of our capital stock or violate any other restriction or limitation of our stock set forth in our charter. See "-Restrictions on Transfer and Ownership" and above under the heading "Description of Common Stock-Restrictions on Ownership and Transfer."

Immediately prior to any redemption of Series C Preferred Stock, we will pay, in cash, any accumulated and unpaid dividends to, but excluding, the redemption date, unless a redemption date falls after a dividend record date and prior to the corresponding dividend payment date, in which case each holder of Series C Preferred Stock at the close of business on such dividend record date will be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares before such dividend payment date. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on shares of the Series C Preferred Stock to be redeemed.

Unless full cumulative dividends on all shares of Series C Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for payment for all past Dividend Periods, no shares of Series C Preferred Stock may be redeemed unless all outstanding shares of Series C Preferred Stock are simultaneously redeemed, and we may not purchase or otherwise acquire directly or indirectly any shares of Series C Preferred Stock (except by conversion into or exchange for shares of, or options, warrants or rights to purchase or subscribe for, our common stock or other Junior Stock we may issue or pursuant to a purchase or exchange offer made on the same terms to all holders of Series C Preferred Stock and all Parity Stock); provided, however, that the foregoing will not prevent the redemption, purchase or acquisition by us of shares of Series C Preferred Stock for the purpose of enforcing restrictions on ownership and transfer of our stock contained in our charter.

Subject to applicable law, we may purchase shares of Series C Preferred Stock in the open market, by tender or by privately negotiated transactions. Any shares of Series C Preferred Stock that we acquire, by redemption or otherwise, shall be reclassified as authorized but unissued shares of preferred stock, without designation as to class or series, and may thereafter be issued as any class or series of preferred stock.

Conversion Rights

Upon the occurrence of a Change of Control, each holder of Series C Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem some or all of the shares of Series C Preferred Stock held by such holder as described above under "-Redemption," in which case such holder will have the right only with respect to shares of Series C Preferred Stock that are not called for redemption) to convert some or all of the shares of the Series C Preferred Stock held by such holder (the "Change of Control Conversion Right") on the Change of Control Conversion Date into a number of shares of our common stock per share of Series C Preferred Stock (the "Common Stock Conversion Consideration") equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of Series C Preferred Stock, plus any accumulated and unpaid dividends thereon to, but excluding, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date and prior to the corresponding dividend payment date for the Series C Preferred Stock, in which case no additional amount for such accumulated and unpaid dividends to be paid on such dividend payment date will be included in this sum) by (ii) the Common Stock Price, as defined below (such quotient, the "Conversion Rate"); and
- 3.23206, or the "Share Cap," subject to certain adjustments as described below.

Notwithstanding anything in the articles supplementary designating the Series C Preferred Stock to the contrary and except as otherwise required by law, the persons who are the holders of record of shares of Series C Preferred Stock at the close of business on a dividend record date will be entitled to receive the dividend payable on the corresponding dividend payment date notwithstanding the conversion of those shares after such dividend record date and on or prior to such dividend payment date and, in such case, the full amount of such dividend will be paid on such dividend payment date to the persons who were the holders of record at the close of business on such dividend record date. Except as provided above, we will make no allowance for unpaid dividends that are not in arrears on the shares of Series C Preferred Stock to be converted.

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of our common stock to existing holders of our common stock), subdivisions or combinations (in each case, a "Share Split") with respect to our common stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of our common stock that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding immediately after giving effect to such Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Share Split.

For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of our common stock (or equivalent Alternative Conversion Consideration, as applicable) issuable or deliverable, as applicable, in connection with the exercise of the Change of Control Conversion Right will not exceed the product of the Share Cap times the aggregate number of shares of the Series C Preferred Stock issued and outstanding at the Change of Control Conversion Date (or equivalent Alternative Conversion Consideration, as applicable) (the "Exchange Cap"). The Exchange Cap is subject to pro rata adjustments for any share splits on the same basis as the corresponding adjustment to the Share Cap.

In the case of a Change of Control pursuant to which our common stock is or will be converted into cash, securities or other property or assets (including any combination thereof) (the “Alternative Form Consideration”), a holder of Series C Preferred Stock will receive upon conversion of such shares of the Series C Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of shares of our common stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control (the “Alternative Conversion Consideration”). The Common Stock Conversion Consideration or the Alternative Conversion Consideration, whichever shall be applicable to a Change of Control, is referred to as the “Conversion Consideration.”
If the holders of our common stock have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration in respect of such Change of Control will be deemed to be the kind and amount of consideration actually received by holders of a majority of the outstanding shares of our common stock that made or voted for such an election (if electing between two types of consideration) or holders of a plurality of the outstanding shares of our common stock that made or voted for such an election (if electing between more than two types of consideration), as the case may be, and will be subject to any limitations to which all holders of our common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in such Change of Control.

We will not issue fractional shares of our common stock upon the conversion of the Series C Preferred Stock in connection with a Change of Control. Instead, we will make a cash payment equal to the value of such fractional shares based upon the Common Stock Price used in determining the Common Stock Conversion Consideration for such Change of Control.

Within 15 days following the occurrence of a Change of Control, provided that we have not then exercised our right to redeem all shares of Series C Preferred Stock pursuant to the redemption provisions described above, we will provide to holders of Series C Preferred Stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right, which notice shall be delivered to the holders of record of the shares of Series C Preferred Stock to their addresses as they appear on our stock transfer records. No failure to give such notice or any defect thereto or in the giving thereof will affect the validity of the proceedings for the conversion of any shares of Series C Preferred Stock except as to the holder to whom notice was defective or not given. This notice will state the following:

- the events constituting the Change of Control;
- the date of the Change of Control;
- the last date on which the holders of Series C Preferred Stock may exercise their Change of Control Conversion Right;
- the method and period for calculating the Common Stock Price;
- the Change of Control Conversion Date;
- that if, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem all or any shares of Series C Preferred Stock, holders of Series C Preferred Stock that are subject to such notice of redemption will not be able to convert the shares of Series C Preferred Stock called for redemption and such shares will be redeemed on the related redemption date, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right;
- if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series C Preferred Stock;
- the name and address of the paying agent, transfer agent and conversion agent for the Series C Preferred Stock;
- the procedures that the holders of Series C Preferred Stock must follow to exercise the Change of Control Conversion Right (including procedures for surrendering shares of Series C Preferred Stock for conversion through the facilities of a Depositary (as defined below)), including the form of conversion notice to be delivered by such holders as described below; and
- the last date on which holders of Series C Preferred Stock may withdraw shares of Series C Preferred Stock surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

Under such circumstances, we also will issue a press release containing such notice for publication on the Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), and post a notice on our website (if any), in any event prior to the opening of business on the first business day following any date on which we provide the notice described above to the holders of Series C Preferred Stock.

To exercise the Change of Control Conversion Right, the holders of Series C Preferred Stock will be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) representing the shares of Series C Preferred Stock to be converted, duly endorsed for transfer (or, in the case of any shares of Series C Preferred Stock held in book-entry form through a Depositary or shares directly registered with the transfer agent, therefor, to deliver, on or before the close of business on the Change of Control Conversion Date, the shares of Series C Preferred Stock to be converted through the facilities of such Depositary or through such transfer agent, respectively), together with a written conversion notice in the form provided by us, duly completed, to our transfer agent. The conversion notice must state:

- the relevant Change of Control Conversion Date;
- the number of shares of Series C Preferred Stock to be converted; and
- that the shares of the Series C Preferred Stock are to be converted pursuant to the applicable provisions of the articles supplementary designating the Series C Preferred Stock.

The "Change of Control Conversion Date" is the date the Series C Preferred Stock is to be converted, which will be a business day selected by us that is neither fewer than 20 days nor more than 35 days after the date on which we provide the notice described above to the holders of Series C Preferred Stock.

The "Common Stock Price" is (i) if the consideration to be received in the Change of Control by the holders of our common stock is solely cash, the amount of cash consideration per share of our common stock or (ii) if the consideration to be received in the Change of Control by holders of our common stock is other than solely cash (x) the average of the closing sale prices per share of our common stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred as reported on the principal U.S. securities exchange on which our common stock is then traded, or (y) if our common stock is not then listed for trading on a U.S. securities exchange, the average of the last quoted bid prices for our common stock in the over-the-counter market as reported by OTC Markets Group or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred.

Holders of Series C Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal delivered by any holder must state:

- the number of withdrawn shares of Series C Preferred Stock;
- if certificated shares of Series C Preferred Stock have been surrendered for conversion, the certificate numbers of the withdrawn shares of Series C Preferred Stock; and
- the number of shares of Series C Preferred Stock, if any, which remain subject to the holder's conversion notice.

Notwithstanding the foregoing, if any shares of Series C Preferred Stock are held in book-entry form through The Depository Trust Company ("DTC") or a similar depositary (each, a "Depositary"), the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures, if any, of the applicable Depositary.

Shares of Series C Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless prior to the Change of Control Conversion Date we have provided notice of our election to redeem some or all of the shares of Series C Preferred Stock, as described above under "-Redemption," in which case only the shares of Series C Preferred Stock properly surrendered for conversion and not properly withdrawn that are not called for redemption will be converted as aforesaid. If we elect to redeem shares of Series C Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such shares of Series C Preferred Stock will not be so converted and the holders of such shares will be entitled to receive on the applicable redemption date the redemption price described above under "-Redemption-Optional Redemption" or "-Redemption-Special Optional Redemption," as applicable.

We will deliver all securities, cash and any other property owing upon conversion no later than the third business day following the Change of Control Conversion Date. Notwithstanding the foregoing, the persons entitled to receive any shares of our common stock or other securities delivered on conversion will be deemed to have become the holders of record thereof as of the Change of Control Conversion Date.

In connection with the exercise of any Change of Control Conversion Right, we will comply with all applicable federal and state securities laws and stock exchange rules in connection with any conversion of shares of the Series C Preferred Stock into shares of our common stock or other property. Notwithstanding any other provision of the Series C Preferred Stock, no holder of Series C Preferred Stock will be entitled to convert such shares of the Series C Preferred Stock into shares of our common stock to the extent that receipt of such shares of common stock would cause such holder (or any other person) to violate the applicable restrictions on transfer and ownership of our stock contained in our charter, unless we provide an exemption from this limitation to such holder.

Please see the sections entitled “-Restrictions on Transfer and Ownership” below and “Description of Common Stock-Restrictions on Ownership and Transfer” above.

The Change of Control conversion feature may make it more difficult for a third party to acquire us or discourage a party from acquiring us. See “Risk Factors-You may not be able to exercise conversion rights upon a Change of Control. If exercisable, the change of control conversion rights may not adequately compensate you. These change of control conversion rights may also make it more difficult for a party to acquire us or discourage a party from acquiring us.”

Except as provided above in connection with a Change of Control, the Series C Preferred Stock is not convertible into or exchangeable for any other securities or property.

Voting Rights

Holders of Series C Preferred Stock will not have any voting rights, except as set forth below.

Whenever dividends on any shares of Series C Preferred Stock are in arrears for six or more full quarterly Dividend Periods, whether or not consecutive, the number of directors constituting our board of directors will be automatically increased by two (if not already increased by two by reason of the election of directors by the holders of any other class or series of preferred stock we may issue and upon which like voting rights have been conferred and are exercisable, including the Series A Preferred Stock and Series B Preferred Stock) and the holders of Series C Preferred Stock, voting as a single class with holders of the Series A Preferred Stock, Series B Preferred Stock, and all other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable, will be entitled to vote for the election of those two additional directors at a special meeting called by us at the request of the holders of record of at least 25% of the outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and all other classes or series of preferred stock we may issue and upon which like voting rights have been conferred and are exercisable to be held no later than 90 days after our receipt of such request (unless the request is received less than 90 days before the date fixed for the next annual or special meeting of our stockholders, in which case, such vote will be held at the earlier of the next annual or special meeting of the stockholders to the extent permitted by applicable law), and at each subsequent annual meeting until all dividends accumulated on the Series C Preferred Stock for all past Dividend Periods and the then current Dividend Period will have been fully paid. In that case, the right of holders of Series C Preferred Stock to elect any directors will cease and, unless there are other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable, the term of office of any directors elected by holders of Series C Preferred Stock will immediately terminate and the number of directors constituting the board of directors will be reduced accordingly. For the avoidance of doubt, in no event will the total number of directors elected by holders of Series C Preferred Stock (voting together as a single class with the Series A Preferred Stock, Series B Preferred Stock and all other classes or series of preferred stock we may issue and upon which like voting rights have been conferred and are exercisable) pursuant to these voting rights exceed two. The directors elected by the holders of the Series C Preferred Stock and the holders of the Series A Preferred Stock, Series B Preferred Stock and all other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable will be elected by a plurality of the votes cast by the holders of the outstanding shares of Series C Preferred Stock when they have the voting rights described in this paragraph, the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and any other classes or series of preferred stock we may issue and upon which like voting rights have been conferred and are exercisable (voting together as a single class) to serve until our next annual meeting of stockholders and until their successors are duly elected and qualified or until such directors’ right to hold the office terminates as described above, whichever occurs earlier.

On each matter on which holders of Series C Preferred Stock are entitled to vote, each share of Series C Preferred Stock will be entitled to one vote, except that when shares of any other class or series of preferred stock we may issue, including the Series A Preferred Stock and the Series B Preferred Stock, have the right to vote with the Series C Preferred Stock as a single class on any matter, the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock and each such other class or series of stock will have one vote for each $25.00 of liquidation preference (excluding accumulated dividends). If a special meeting is not called by the Corporation within 30 days after request from the holders of Series C Preferred Stock as described in the previous paragraph, then the holders of record of at least 25% of the outstanding Series C Preferred Stock may designate a holder to call the meeting at the expense of the Corporation and such meeting may be called by the holder so designated upon notice similar to that required for annual meetings of stockholders and shall be held at the place designated by the holder calling such meeting.

Any director elected by holders of shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and any class or series of preferred stock we may issue upon which like voting rights have been conferred and are exercisable may be removed at any time, with or without cause, by the vote of, and may not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and any class or series of preferred stock we may issue when they have the voting rights described above (voting as a single class with all other classes or series of preferred stock we may issue upon which like voting rights have been conferred and are exercisable).

So long as any shares of Series C Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of Series C Preferred Stock outstanding at the time, voting together as a single class with the Series A Preferred Stock, Series B Preferred Stock and all other classes or series of Parity Stock we may issue and upon which like voting rights have been conferred and are exercisable, (i) authorize, create, or increase the authorized or issued amount of, any class or series of Senior Stock or reclassify any of our authorized stock into such shares, or create or authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares or (ii) amend, alter or repeal the provisions of our charter, whether by merger, conversion, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series C Preferred Stock (each, an "Event"); provided, however, with respect to the occurrence of any Event set forth in clause (ii) above, so long as the Series C Preferred Stock remains outstanding with the terms thereof materially unchanged or the holders of Series C Preferred Stock receive shares of stock or other equity interests with rights, preferences, privileges and voting powers substantially the same as those of the Series C Preferred Stock, taking into account that upon the occurrence of an Event we may not be the successor entity, the occurrence of any such Event will not be deemed to materially and adversely affect the rights, preferences, privileges or voting power of holders of Series C Preferred Stock; and, provided further, that any increase in the amount of the authorized or issued Series C Preferred Stock or the creation or issuance, or any increase in the amounts authorized of any Parity Stock or Junior Stock will not be deemed to materially and adversely affect the rights, preferences, privileges or voting powers of holders of Series C Preferred Stock. Notwithstanding the foregoing, if any amendment, alteration or repeal of any provision of our charter would materially and adversely affect the rights, preferences, privileges or voting rights of the Series C Preferred Stock disproportionately relative to other classes or series of Parity Stock, then the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series C Preferred Stock (voting as a separate class) shall also be required.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series C Preferred Stock have been redeemed or called for redemption upon proper notice and sufficient funds have been irrevocably set apart to effect such redemption.

Except as expressly stated in the articles supplementary designating the Series C Preferred Stock, the Series C Preferred Stock will not have any relative, participating, optional or other special voting rights or powers and the consent of the holders thereof will not be required for the taking of any corporate action. The holders of Series C Preferred Stock will have exclusive voting rights on any amendment to our charter that would alter the contract rights, as expressly set forth in the charter, of only the Series C Preferred Stock.

Information Rights

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series C Preferred Stock are outstanding, we will use our best efforts to (i) transmit through our website at http://www.agmit.com (or other permissible means under the Exchange Act) copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required). We will use our best efforts to provide such reports on our website within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act and we were a "non-accelerated filer" within the meaning of the Exchange Act.

Restrictions on Transfer and Ownership

In order to ensure that we remain qualified as a REIT for U.S. federal income tax purposes, among other purposes, our charter, including the articles supplementary setting forth the terms of the Series C Preferred Stock, provides that, subject to exceptions, no person may beneficially or constructively own (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. In addition, our charter, subject to exceptions, prohibits, among other things, any person from beneficially owning our shares of capital stock to the extent that such ownership of shares would result in us failing to qualify as a REIT. These provisions may restrict the ability of a holder of Series C Preferred Stock to convert such stock into our common stock as described above under "-Conversion Rights." Our board of directors may, in its sole discretion, exempt a person from the 9.8% ownership limit under certain circumstances as described under "Description of Common Stock-Restrictions on Ownership and Transfer" above.

Preemptive Rights

No holders of Series C Preferred Stock will, as holders of Series C Preferred Stock, have any preemptive rights to purchase or subscribe for our common stock or any of our other securities.

Book-Entry Procedures

DTC will act as securities depositary for the Series C Preferred Stock, which will only be issued in the form of global securities held in book-entry form. We will not issue certificates to you for the shares of Series C Preferred Stock that you purchase, unless DTC's services are discontinued as described below.

Title to book-entry interests in the Series C Preferred Stock will pass by book-entry registration of the transfer within the records of DTC in accordance with its procedures. Book-entry interests in the securities may be transferred within DTC in accordance with procedures established for these purposes by DTC. Each person owning a beneficial interest in shares of the Series C Preferred Stock must rely on the procedures of DTC and the participant through which such person owns its interest to exercise its rights as a holder of the Series C Preferred Stock.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, including the underwriters, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC.

When you purchase shares of Series C Preferred Stock within the DTC system, the purchase must be by or through a Direct Participant. The Direct Participant will receive a credit for the Series C Preferred Stock on DTC's records. You will be considered to be the "beneficial owner" of the Series C Preferred Stock. Your beneficial ownership interest will be recorded on the Direct and Indirect Participants' records, but DTC will have no knowledge of your individual ownership. DTC's records reflect only the identity of the Direct Participants to whose accounts shares of Series C Preferred Stock are credited.

You will not receive written confirmation from DTC of your purchase. The Direct or Indirect Participants through whom you purchased the Series C Preferred Stock should send you written confirmations providing details of your transactions, as well as periodic statements of your holdings. The Direct and Indirect Participants are responsible for keeping an accurate account of the holdings of their customers like you.

Transfers of ownership interests held through Direct and Indirect Participants will be accomplished by entries on the books of Direct and Indirect Participants acting on behalf of the beneficial owners.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

We understand that, under DTC's existing practices, in the event that we request any action of the holders, or an owner of a beneficial interest in a global security, such as you, desires to take any action which a holder is entitled to take under our charter (including the articles supplementary designating the Series C Preferred Stock), DTC would authorize the Direct Participants holding the relevant shares to take such action, and those Direct Participants and any Indirect Participants would authorize beneficial owners owning through those Direct and Indirect Participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Any redemption notices with respect to the Series C Preferred Stock will be sent to Cede & Co. If less than all of the outstanding shares of Series C Preferred Stock are being redeemed, DTC will reduce each Direct Participant's holdings of shares of Series C Preferred Stock in accordance with its procedures.

In those instances where a vote is required, neither DTC nor Cede & Co. itself will consent or vote with respect to the shares of Series C Preferred Stock. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants whose accounts the shares of Series C Preferred Stock are credited to on the record date, which are identified in a listing attached to the omnibus proxy.

Dividends on the Series C Preferred Stock will be made directly to DTC's nominee (or its successor, if applicable). DTC's practice is to credit participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on that payment date.

Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name." These payments will be the responsibility of the participant and not of DTC, us or any agent of ours.
DTC may discontinue providing its services as securities depositary with respect to the Series C Preferred Stock at any time by giving reasonable notice to us. Additionally, we may decide to discontinue the book-entry only system of transfers with respect to the Series C Preferred Stock. In that event, we will print and deliver certificates in fully registered form for the Series C Preferred Stock. If DTC notifies us that it is unwilling to continue as securities depositary, or it is unable to continue or ceases to be a clearing agency registered under the Exchange Act and a successor depositary is not appointed by us within 90 days after receiving such notice or becoming aware that DTC is no longer so registered, we will issue the Series C Preferred Stock in definitive form, at our expense, upon registration of transfer of, or in exchange for, such global security.

According to DTC, the foregoing information with respect to DTC has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Global Clearance and Settlement Procedures

Initial settlement for the Series C Preferred Stock will be made in immediately available funds. Secondary market trading among DTC's Participants will occur in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.

Exhibit 21.1

AG Mortgage Investment Trust, Inc. Significant Subsidiaries

	Subsidiary	State of Incorporation
1.	AG MIT, LLC	Delaware
2.	AG MIT CMO, LLC	Delaware
3.	AG MIT ARC, 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. 333-224629) and Form S-8 (No. 333-175354) of AG Mortgage Investment Trust, Inc. of our report dated February 28, 2020 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

February 28, 2020

Exhibit 31.1

CERTIFICATION

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) and 15d-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 control 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: February 28, 2020

/s/ David N. Roberts

David N. Roberts

Chief Executive Officer

Exhibit 31.2

CERTIFICATION

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) and 15d-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 control 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: February 28, 2020

/s/ Brian C. Sigman

Brian C. Sigman

Chief Financial 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, 2019 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, 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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

February 28, 2020

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, 2019 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, 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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.1

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
February 28, 2020