

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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-35151

**AG MORTGAGE INVESTMENT TRUST, INC.**

(Exact name of registrant as specified in its charter)

**Maryland**

(State or Other Jurisdiction of  
Incorporation or Organization)

**245 Park Avenue, 26th Floor  
New York, New York**

(Address of Principal Executive Offices)

**27-5254382**

(I.R.S. Employer  
Identification No.)

**10167**

(Zip Code)

**(212) 692-2000**

(Registrant's Telephone Number, Including Area Code)

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

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)
9.500% Senior Notes due 2029	MITN	New York Stock Exchange (NYSE)
9.500% Senior Notes due 2029	MITP	New York Stock Exchange (NYSE)

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 Exchange Act).

Yes ☐ No ☒

As of August 1, 2024, there were 29,492,984 outstanding shares of common stock of AG Mortgage Investment Trust, Inc.

**AG MORTGAGE INVESTMENT TRUST, INC.**  
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**PART I**

**ITEM 1. FINANCIAL STATEMENTS**

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

	June 30, 2024	December 31, 2023
<b>Assets</b>		
Securitized residential mortgage loans, at fair value - \$675,429 and \$645,876 pledged as collateral, respectively (1)	\$ 5,791,846	\$ 5,358,281
Residential mortgage loans, at fair value - \$206,902 and \$315,225 pledged as collateral, respectively	214,386	317,631
Residential mortgage loans held for sale, at fair value - \$87,077 and \$0 pledged as collateral, respectively	87,077	—
Commercial loans, at fair value - \$66,753 and \$66,303 pledged as collateral, respectively	66,753	66,303
Real estate securities, at fair value - \$625,296 and \$155,115 pledged as collateral, respectively	689,929	162,821
Investments in debt and equity of affiliates	54,351	55,103
Cash and cash equivalents	120,912	111,534
Restricted cash	27,522	14,039
Other assets	47,325	40,716
<b>Total Assets</b>	<b>\$ 7,100,101</b>	<b>\$ 6,126,428</b>
<b>Liabilities</b>		
Securitized debt, at fair value (1)	\$ 5,117,189	\$ 4,711,623
Financing arrangements	1,235,805	767,592
Convertible senior unsecured notes	78,849	85,266
Senior unsecured notes	95,380	—
Dividend payable	5,600	1,472
Other liabilities (2)	33,776	32,107
<b>Total Liabilities</b>	<b>6,566,599</b>	<b>5,598,060</b>
<b>Commitments and Contingencies (Note 12)</b>		
<b>Stockholders' Equity</b>		
Preferred stock - \$227,991 aggregate liquidation preference	220,472	220,472
Common stock, par value \$0.01 per share; 450,000 shares of common stock authorized and 29,474 and 29,437 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	295	294
Additional paid-in capital	824,106	823,715
Retained earnings/(deficit)	(511,371)	(516,113)
<b>Total Stockholders' Equity</b>	<b>533,502</b>	<b>528,368</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 7,100,101</b>	<b>\$ 6,126,428</b>

(1) These balances relate to certain residential mortgage loans which were securitized resulting in the Company consolidating the variable interest entities that were created to facilitate these securitizations as the Company was determined to be the primary beneficiary. The "Securitized debt, at fair value" is collateralized by the "Securitized residential mortgage loans, at fair value" held within the securitization trusts. See Note 3 and Note 6 for additional details.

(2) Refer to Note 7 and Note 10 for additional details on amounts payable to affiliates.

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b>Net Interest Income</b>				
Interest income	\$ 99,815	\$ 60,788	\$ 195,387	\$ 118,591
Interest expense	83,434	49,429	161,827	95,617
Total Net Interest Income	16,381	11,359	33,560	22,974
<b>Other Income/(Loss)</b>				
Net interest component of interest rate swaps	2,367	1,784	4,267	2,804
Net realized gain/(loss)	1,963	1,944	860	2,044
Net unrealized gain/(loss)	(9,226)	(206)	788	8,511
Total Other Income/(Loss)	(4,896)	3,522	5,915	13,359
<b>Expenses</b>				
Management fee to affiliate (1)	1,753	2,061	3,494	4,136
Non-investment related expenses (1)	2,746	2,574	5,860	5,394
Investment related expenses (1)	3,491	2,232	6,774	4,558
Transaction related expenses (1)	481	396	1,480	2,103
Total Expenses	8,471	7,263	17,608	16,191
Income/(loss) before equity in earnings/(loss) from affiliates	3,014	7,618	21,867	20,142
Equity in earnings/(loss) from affiliates	911	438	2,948	454
<b>Net Income/(Loss)</b>	3,925	8,056	24,815	20,596
Dividends on preferred stock	(4,586)	(4,586)	(9,172)	(9,172)
<b>Net Income/(Loss) Available to Common Stockholders</b>	<u>\$ (661)</u>	<u>\$ 3,470</u>	<u>\$ 15,643</u>	<u>\$ 11,424</u>
<b>Earnings/(Loss) Per Share of Common Stock</b>				
Basic	\$ (0.02)	\$ 0.17	\$ 0.53	\$ 0.55
Diluted	\$ (0.02)	\$ 0.17	\$ 0.53	\$ 0.55
<b>Weighted Average Number of Shares of Common Stock Outstanding</b>				
Basic	29,474	20,249	29,463	20,655
Diluted	29,474	20,249	29,490	20,655

(1) Refer to Note 10 for additional details on related party transactions.

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

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

**For the Three Months Ended June 30, 2024 and June 30, 2023**

	<b>Common Stock</b>		<b>Preferred</b>	<b>Additional</b>	<b>Retained</b>	
	<b>Shares</b>	<b>Amount</b>	<b>Stock</b>	<b>Paid-in Capital</b>	<b>Earnings/(Deficit)</b>	<b>Total</b>
<b>Balance at April 1, 2024</b>	29,453	\$ 295	\$ 220,472	\$ 823,908	\$ (505,110)	\$ 539,565
Grant of restricted stock and amortization of equity based compensation	21	—	—	198	—	198
Common dividends declared	—	—	—	—	(5,600)	(5,600)
Preferred dividends declared	—	—	—	—	(4,586)	(4,586)
Net Income/(Loss)	—	—	—	—	3,925	3,925
<b>Balance at June 30, 2024</b>	29,474	\$ 295	\$ 220,472	\$ 824,106	\$ (511,371)	\$ 533,502
	<b>Common Stock</b>		<b>Preferred</b>	<b>Additional</b>	<b>Retained</b>	
	<b>Shares</b>	<b>Amount</b>	<b>Stock</b>	<b>Paid-in Capital</b>	<b>Earnings/(Deficit)</b>	<b>Total</b>
<b>Balance at April 1, 2023</b>	20,377	\$ 204	\$ 220,472	\$ 773,457	\$ (532,220)	\$ 461,913
Repurchase of common stock	(187)	(2)	—	(1,106)	—	(1,108)
Grant of restricted stock	15	—	—	87	—	87
Common dividends declared	—	—	—	—	(3,637)	(3,637)
Preferred dividends declared	—	—	—	—	(4,586)	(4,586)
Net Income/(Loss)	—	—	—	—	8,056	8,056
<b>Balance at June 30, 2023</b>	20,205	\$ 202	\$ 220,472	\$ 772,438	\$ (532,387)	\$ 460,725

**For the Six Months Ended June 30, 2024 and June 30, 2023**

	<b>Common Stock</b>		<b>Preferred</b>	<b>Additional</b>	<b>Retained</b>	
	<b>Shares</b>	<b>Amount</b>	<b>Stock</b>	<b>Paid-in Capital</b>	<b>Earnings/(Deficit)</b>	<b>Total</b>
<b>Balance at January 1, 2024</b>	29,437	\$ 294	\$ 220,472	\$ 823,715	\$ (516,113)	\$ 528,368
Grant of restricted stock and amortization of equity based compensation	37	1	—	391	—	392
Common dividends declared	—	—	—	—	(10,901)	(10,901)
Preferred dividends declared	—	—	—	—	(9,172)	(9,172)
Net Income/(Loss)	—	—	—	—	24,815	24,815
<b>Balance at June 30, 2024</b>	29,474	\$ 295	\$ 220,472	\$ 824,106	\$ (511,371)	\$ 533,502
	<b>Common Stock</b>		<b>Preferred</b>	<b>Additional</b>	<b>Retained</b>	
	<b>Shares</b>	<b>Amount</b>	<b>Stock</b>	<b>Paid-in Capital</b>	<b>Earnings/(Deficit)</b>	<b>Total</b>
<b>Balance at January 1, 2023</b>	21,284	\$ 212	\$ 220,472	\$ 778,606	\$ (536,490)	\$ 462,800
Repurchase of common stock	(1,110)	(11)	—	(6,341)	—	(6,352)
Grant of restricted stock	31	1	—	173	—	174
Common dividends declared	—	—	—	—	(7,321)	(7,321)
Preferred dividends declared	—	—	—	—	(9,172)	(9,172)
Net Income/(Loss)	—	—	—	—	20,596	20,596
<b>Balance at June 30, 2023</b>	20,205	\$ 202	\$ 220,472	\$ 772,438	\$ (532,387)	\$ 460,725

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

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

	Six Months Ended	
	June 30, 2024	June 30, 2023
<b>Cash Flows from Operating Activities</b>		
Net income/(loss)	\$ 24,815	\$ 20,596
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Net amortization of premium/(discount)	4,684	4,158
Net realized (gain)/loss	(860)	(2,044)
Net unrealized (gain)/loss	(788)	(8,511)
Grant of restricted stock and amortization of equity based compensation	392	174
Equity in (earnings)/loss from affiliates	(2,948)	(454)
Distributions of income from investments in debt and equity of affiliates	1,098	741
Change in operating assets/liabilities:		
Other assets	1,901	(1,804)
Other liabilities	(2,590)	2,237
Net cash provided by (used in) operating activities	25,704	15,093
<b>Cash Flows from Investing Activities</b>		
Purchases of residential mortgage loans	(713,897)	(242,757)
Purchases of real estate securities	(576,266)	(276,534)
Investments in debt and equity of affiliates	—	(4,107)
Proceeds from sales of residential mortgage loans	—	167,352
Proceeds from sales of real estate securities	39,176	—
Principal repayments on residential mortgage loans	312,147	171,344
Principal repayments on real estate securities	8,018	5,781
Distributions received in excess of income from investments in debt and equity of affiliates	3,207	7,073
Net settlement of interest rate swaps and other instruments	4,374	12,366
Net settlement of TBAs	24	(65)
Cash flows provided by other investing activities	1,701	2,788
Net cash provided by (used in) investing activities	(921,516)	(156,759)
<b>Cash Flows from Financing Activities</b>		
Repurchase of common stock	—	(6,352)
Net borrowings under (repayments of) financing arrangements	474,626	105,824
Principal repayments on fixed-rate long-term financing arrangements	(5,596)	—
Proceeds from issuance of senior unsecured notes	95,217	—
Repurchases of convertible senior unsecured notes	(7,059)	—
Deferred financing costs paid	(142)	(9)
Proceeds from issuance of securitized debt	662,024	235,709
Principal repayments on securitized debt	(284,452)	(161,369)
Net collateral received from (paid to) derivative counterparty	—	(8,874)
Dividends paid on common stock	(6,773)	(7,530)
Dividends paid on preferred stock	(9,172)	(9,172)
Net cash provided by (used in) financing activities	918,673	148,227

	Six Months Ended	
	June 30, 2024	June 30, 2023
Net change in cash and cash equivalents and restricted cash	22,861	6,561
Cash and cash equivalents and restricted cash, Beginning of Period	125,573	98,803
Cash and cash equivalents and restricted cash, End of Period	<u>\$ 148,434</u>	<u>\$ 105,364</u>

**Supplemental disclosure of cash flow information:**

Cash paid for interest on financing arrangements and securitized debt	\$ 144,252	\$ 87,632
Cash paid for income taxes	\$ 141	\$ 225

**Supplemental disclosure of non-cash financing and investing activities:**

Common stock dividends declared but not paid	\$ 5,600	\$ 3,637
Transfer from residential mortgage loans to other assets	\$ 3,313	\$ 1,353

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:

	June 30, 2024	June 30, 2023
Cash and cash equivalents	\$ 120,912	\$ 80,308
Restricted cash	27,522	25,056
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 148,434</u>	<u>\$ 105,364</u>

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

**AG Mortgage Investment Trust Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Unaudited)**  
**June 30, 2024**

**1. Organization**

AG Mortgage Investment Trust, Inc. (the "Company" or "MITT") is a residential mortgage REIT with a focus on investing in a diversified risk-adjusted portfolio of residential mortgage-related assets in the U.S. mortgage market. The Company's investment activities primarily include acquiring and securitizing newly-originated residential mortgage loans within the non-agency segment of the housing market. The Company obtains its assets through Arc Home, LLC ("Arc Home"), a residential mortgage loan originator in which the Company owns an approximate 44.6% interest, and through other third-party origination partners.

On December 6, 2023, the Company acquired Western Asset Mortgage Capital Corporation ("WMC"), an externally managed mortgage REIT that focused on investing in, financing and managing a portfolio of residential mortgage loans, real estate related securities, and commercial real estate loans. For more information, refer to the "WMC Acquisition" section below.

The Company's assets, excluding its ownership in Arc Home, include Residential Investments, Agency RMBS and Legacy WMC Commercial Investments. Currently, its Residential Investments primarily consist of newly originated Non-Agency Loans and Agency-Eligible Loans. The Company may invest in other types of residential mortgage loans and other mortgage related assets. The Company also invests in Residential Investments through its unconsolidated ownership interests in affiliates which are included in the "Investments in debt and equity of affiliates" line item on its consolidated balance sheets.

The Company's asset classes are primarily comprised of the following:

<b>Asset Class</b>	<b>Description</b>
<b>Residential Investments</b>	
Non-Agency Loans <sup>(1)</sup>	• Non-Agency Loans are loans that do not conform to the underwriting guidelines of a government-sponsored enterprise ("GSE"). Non-Agency Loans consist of Qualified mortgage loans ("QM Loans") and Non-Qualified mortgage loans ("Non-QM Loans"). QM Loans are residential mortgage loans that comply with the Ability-To-Repay rules and related guidelines of the Consumer Finance Protection Bureau.
Agency-Eligible Loans <sup>(1)</sup>	• Agency-Eligible Loans are loans that are underwritten in accordance with GSE guidelines and are primarily secured by investment properties, but are not guaranteed by a GSE. Although these loans are underwritten in accordance with GSE guidelines and can be delivered to Fannie Mae and Freddie Mac, the Company includes these loans within its Non-Agency securitizations.
Re- and Non-Performing Loans <sup>(1)</sup>	• Performing, re-performing, and non-performing loans are residential mortgage loans collateralized by a first lien mortgaged property.
Non-Agency RMBS <sup>(2)</sup>	• Non-Agency Residential Mortgage-Backed Securities ("RMBS") represent fixed- and floating-rate RMBS issued by entities other than U.S. GSEs or agencies of the U.S. government.
<b>Agency RMBS<sup>(2)</sup></b>	• Agency RMBS represent interests in pools of residential mortgage loans guaranteed by a GSE such as Fannie Mae or Freddie Mac, or an agency of the U.S. Government such as Ginnie Mae.
<b>Legacy WMC Commercial Investments<sup>(3)</sup></b>	
Commercial Loans	• Commercial loans represent first lien commercial mortgage loans participations.
CMBS <sup>(2)</sup>	• Commercial Mortgage-Backed Securities ("CMBS") represent investments of fixed-rate and floating-rate CMBS, secured by, or evidencing an ownership interest in, a single commercial mortgage loan or a pool of commercial mortgage loans.

(1) These investments are included in the "Securitized residential mortgage loans, at fair value", "Residential mortgage loans, at fair value", and "Residential mortgage loans held for sale, at fair value" line items on the consolidated balance sheets.

(2) These investments are included in the "Real estate securities, at fair value" line item on the consolidated balance sheets.



**AG Mortgage Investment Trust Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Unaudited)**  
**June 30, 2024**

- (3) The Company's investments include commercial loans, CMBS and other securities (collectively, the "Legacy WMC Commercial Investments") that were acquired in the WMC acquisition. The Company expects to either hold the Legacy WMC Commercial Investments until maturity or opportunistically exit these investments.

The Company conducts its business through one reportable segment, Loans and Securities, which reflects how the Company manages its business and analyzes and reports its results of operations.

The Company was incorporated in the state of Maryland on March 1, 2011 and commenced operations in July 2011. 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 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. ("TPG Angelo Gordon"), a diversified credit and real estate investing platform within TPG Inc. ("TPG"). The Manager has delegated to TPG Angelo Gordon the overall responsibility of its day-to-day duties and obligations arising under the management agreement.

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.

**WMC Acquisition**

On December 6, 2023 (the "Closing Date"), the Company completed its acquisition of WMC, a Delaware corporation. WMC was an externally managed mortgage REIT that focused on investing in, financing and managing a portfolio of residential mortgage loans, real estate related securities, and commercial real estate loans. On the Closing Date, WMC merged with and into AGMIT Merger Sub, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company ("Merger Sub"), with Merger Sub continuing as the surviving company (the "Merger"). As contemplated by the Agreement and Plan of Merger, dated as of August 8, 2023 (the "Merger Agreement"), the certificate of merger was filed with the Secretary of State of the State of Delaware, and the Merger was effective at 8:15 a.m., Eastern Time, on the Closing Date (the "Effective Time").

Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, at the Effective Time, each outstanding share of WMC common stock, par value \$0.01 per share ("WMC Common Stock"), was converted into the right to receive the following (the "Per Share Merger Consideration"): (i) from MITT, 1,498 shares of MITT common stock; and (ii) from the Manager, a cash amount equal to \$ 0.92 (the "Per Share Additional Manager Consideration"). No fractional shares of MITT common stock were issued in the Merger, and the value of any fractional interests to which a former holder of WMC Common Stock was otherwise entitled was paid in cash.

Pursuant to the Merger Agreement, the amount of the Per Share Additional Manager Consideration was reduced by the smallest amount (rounded to the nearest cent) necessary to cause the Per Share Additional Manager Consideration to be less than 10% of the total value of the Per Share Merger Consideration received by a holder of WMC Common Stock under the Merger Agreement. Pursuant to the previously disclosed amendment to the Company's management agreement, dated as of August 8, 2023, by and between MITT and the Manager (the "MITT Management Agreement Amendment"), which became effective on the Closing Date and amends the existing management agreement, dated as of June 29, 2011 (as amended, the "Existing MITT Management Agreement"), (i) the Manager will waive its right to seek reimbursement from MITT for any expenses otherwise reimbursable by MITT under the Existing MITT Management Agreement in an amount equal to approximately \$1.3 million, which is the excess of \$7.0 million over the aggregate Per Share Additional Manager Consideration paid by the Manager to the holders of WMC Common Stock under the Merger Agreement, and (ii) the Manager's base management fee will be reduced by \$0.6 million for the first four quarters following the Effective Time, beginning with the fiscal quarter in which the Effective Time occurred (i.e., resulting in an aggregate \$2.4 million waiver of base management fees).

Additionally, each outstanding share of WMC's restricted common stock and each WMC restricted stock unit (each, a "WMC Equity Award") vested in full immediately prior to the Effective Time and, as of the Effective Time, was considered outstanding for all purposes of the Merger Agreement, including the right to receive the Per Share Merger Consideration, except that WMC Equity Awards granted to certain members of the WMC board of directors at WMC's 2023 annual stockholders' meeting (collectively, the "2023 WMC Director Awards") were treated as follows: (i) for M. Christian Mitchell and Lisa G. Quateman, who were appointed to the MITT board of directors as of the Effective Time, the 2023 WMC Director Awards were equitably adjusted effective as of the Effective Time into awards relating to shares of MITT common stock that have the same value, vesting terms and other terms and conditions as applied to the corresponding WMC restricted stock units immediately prior to the Effective Time and (ii) for the other members of the WMC board of directors, the 2023 WMC Director Awards accelerated and vested pro-rata effective as of immediately prior to the Effective Time based on a fraction, the

**AG Mortgage Investment Trust Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Unaudited)**  
**June 30, 2024**

numerator of which was 166 (the number of days between the grant date and the Closing Date) and the denominator of which was 365, and the remaining unvested portion of such 2023 WMC Director Awards was cancelled without any consideration.

Pursuant to the Merger Agreement, approximately 9.2 million shares of MITT common stock were issued to former WMC common stockholders and, following the consummation of the Merger, former WMC common stockholders owned approximately 31% of the common equity of MITT.

*Purchase Price Allocation*

The Company completed the WMC acquisition on December 6, 2023 to support continued growth of the Company and to create efficiency and scale for stockholders. The Company accounted for this transaction in accordance with Accounting Standards Codification ("ASC") 805, "Business Combinations" using the acquisition method of accounting, which requires, among other things, that the assets acquired and liabilities assumed be recognized at fair value as of the acquisition date. The following table summarizes the allocation of the total consideration paid to acquire the assets and assume the liabilities of WMC (in thousands, except exchange ratio and per share amounts).

<b>Consideration</b>	
WMC shares outstanding at December 5, 2023 (1)	6,143
Exchange Ratio	1.498
Shares of MITT Common Stock Issued	9,202
MITT Common Stock Price as of December 5, 2023	\$ 5.56
<b>MITT Total Consideration (2)</b>	<b>\$ 51,163</b>
<b>Assets</b>	
Securitized residential mortgage loans (3)	\$ 971,781
Residential mortgage loans (3)	6,046
Commercial loans	78,459
Non-Agency RMBS	48,200
CMBS	56,301
Other securities	1,159
Agency RMBS	745
Cash and cash equivalents	5,316
Restricted cash	873
Other assets	24,654
<b>Total Assets</b>	<b>\$ 1,193,534</b>
<b>Liabilities</b>	
Securitized debt	\$ 837,317
Financing arrangements	171,170
Convertible senior unsecured notes	85,172
Other liabilities	18,522
<b>Total Liabilities</b>	<b>\$ 1,112,181</b>
<b>Net Assets Acquired</b>	<b>\$ 81,353</b>
<b>Bargain purchase gain</b>	<b>\$ 30,190</b>

(1) For time-based restricted stock units granted by WMC that fully vested as of the Closing Date, the fair value of the Company's common stock issued in the satisfaction of these units was included in equity consideration transferred as no post acquisition service was required.

(2) MITT Total Consideration does not include the Per Share Additional Manager Consideration paid by the Manager to former holders of WMC Common Stock.

(3) The unpaid principal balance of residential mortgage loans acquired in connection with the Merger was \$1.1 billion.

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The fair value of the assets acquired and liabilities assumed required the use of significant assumptions and estimates. Critical estimates included, but were not limited to, future expected cash flows related to these assets and liabilities and the applicable discount rates. These estimates were based on assumptions that management believes to be reasonable; however, actual results may differ from these estimates. The assessment of fair value is based on information that was available to management at the time the consolidated financial statements were prepared. Those estimates and assumptions are subject to change as management obtains additional information related to those estimates during the applicable measurement period. The final determination must occur within one year of the acquisition date.

Under the acquisition method of accounting, merger-related transaction costs (such as advisory, legal, valuation, and other professional fees) are not included as components of consideration transferred but are expensed in the periods in which the costs are incurred. The Company incurred transaction costs of \$6.0 million during the third and fourth quarters of 2023, which were included in the "Transaction related expenses" line item in the consolidated statements of operations.

At acquisition, the Company recognized a bargain purchase gain of \$ 30.2 million which was separately recorded in the consolidated statements of operations. The bargain purchase gain represents the amount by which the fair value of the net assets acquired in the acquisition exceeds the fair value of the shares of MITT common stock issued as consideration at the Effective Time. As a result of macroeconomic factors and interest rate volatility, the prices per share of common stock of certain companies within the mortgage REIT industry have traded at discounts to book values per share in recent periods, which contributed to the bargain purchase gain recorded on the WMC acquisition.

*Unaudited Supplemental Pro Forma Financial Information*

The following table presents unaudited pro forma combined interest income and net income/(loss) available to common stockholders for the six months ended June 30, 2023 prepared as if the Merger had been consummated on January 1, 2022 (in thousands).

	<b>Six months ended June 30, 2023</b>	
Interest income	\$	156,655
Net Income/(Loss) Available to Common Stockholders		10,229

The unaudited supplemental pro forma financial information for the six months ended June 30, 2023 includes adjustments to reflect the deconsolidation of certain variable interest entities ("VIE") held by WMC, as well as adjustments to management fees and certain other expenses. In addition, for the year ended December 31, 2022, the pro-forma financial information includes adjustments related to any bargain purchase gain and transaction related expenses. The unaudited supplemental pro forma financial information does not include any anticipated expense synergies or other anticipated benefits of the Merger and, accordingly, the unaudited supplemental pro forma financial information is not necessarily indicative of either future results of operations or results that might have been achieved had the Merger occurred on January 1, 2022.

## **2. Summary of significant accounting policies**

***Consolidation and basis of presentation***

The accompanying unaudited 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") for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments considered necessary for a fair statement of the Company's financial position, results of operations, and cash flows have been included for the interim period and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year.

***Significant accounting policies***

There have been no significant changes to the Company's accounting policies included in Note 2 to the consolidated financial statements of the Company's Form 10-K for the year ended December 31, 2023. These unaudited consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2023 included in the Company's Form 10-K.

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***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.

***Investment consolidation***

An entity is a VIE if the equity investors (i) do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support, (ii) are unable to direct the entity's activities or (iii) are not exposed to the entity's losses or entitled to its residual returns. VIEs within the scope of Accounting Standards Codification ("ASC") 810-10, "Consolidation" 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 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.

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 res securitizing 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.

The Company enters into securitization transactions collateralized by its Non-Agency Loans/Agency-Eligible Loans and re- and non-performing loans (the trusts in which these loans are deposited are referred to as "Non-Agency VIEs" and "RPL/NPL VIEs", respectively), which may result in the Company consolidating the respective VIEs that are created to facilitate these securitizations. Based on the evaluations of each VIE, the Company may conclude that the VIEs should be consolidated and, as a result, transferred assets of these VIEs would be determined to be secured borrowings. Upon consolidation, the Company elected the fair value option pursuant to ASC 825 for the assets and liabilities of the Non-Agency VIEs and RPL/NPL VIEs. 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 activities will be recorded in a similar manner. The Company applied the guidance under ASC 810-10 (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 Non-Agency VIEs and RPL/NPL VIEs are 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 Non-Agency VIEs and RPL/NPL VIEs 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 VIEs. See Note 3 for more detail regarding the Non-Agency VIEs and RPL/NPL VIEs and Note 5 for more detail related to the Company's determination of fair value for the assets and liabilities included within these VIEs.

***Debt issuance costs***

Debt issuance costs are costs incurred by the Company in connection with the issuance of Senior Unsecured Notes (as defined below) or other financing where the fair value option has not been elected. These costs may include underwriting commissions, rating agency, legal, accounting, and other fees. Debt issuance costs are included on the Company's consolidated balance sheets as a direct reduction from the related financing liability. These costs are deferred and amortized over the life of the related financing as an adjustment to interest expense using the effective interest method.

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***Recent accounting pronouncements***

*Debt with conversion and other options*

In August 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-06, "Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging- Contracts in Entity's Own Equity (Subtopic 815-40)." The amendments in this update affect entities that issue convertible instruments and/or contracts in an entity's own equity. For convertible instruments, the instruments primarily affected are those issued with beneficial conversion features or cash conversion features because the accounting models for those specific features are removed. This ASU is effective for the year ended December 31, 2024. The Company's adoption of ASU 2020-06 during the six months ended June 30, 2024 did not have a material impact on the consolidated financial statements.

*Segment reporting*

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." ASU 2023-07 intends to improve reportable segment disclosure requirements, primarily through enhanced disclosures related to significant segment expenses. In addition, this standard is expected to enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss and provides segment disclosure requirements for entities with a single reportable segment. ASU 2023-07 is effective on a retrospective basis for annual periods beginning after December 15, 2023, for interim periods within fiscal years beginning after December 15, 2024, and early adoption is permitted. The Company does not expect the adoption of the new standard to have a material effect on its consolidated financial statements.

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**3. Loans**

**Residential mortgage loans**

The tables below detail information regarding the Company's residential mortgage loan portfolio as of June 30, 2024 and December 31, 2023 (\$ in thousands). The gross unrealized gains/(losses) in the table below represent inception to date gains/(losses) since acquisition.

June 30, 2024	Unpaid	Premium (Discount)	Amortized Cost	Gross Unrealized			Weighted Average		
	Principal Balance			Gains	Losses	Fair Value	Coupon	Yield	Life (Years) (1)
Securitized residential mortgage loans, at fair value (2)									
Non-Agency Loans (3)	\$ 6,004,579	\$ (14,916)	\$ 5,989,663	\$ 27,360	\$ (398,432)	\$ 5,618,591	5.44 %	5.70 %	9.01
Re- and Non-Performing Loans	207,193	(15,627)	191,566	—	(18,311)	173,255	4.00 %	6.19 %	5.74
Total Securitized residential mortgage loans, at fair value	\$ 6,211,772	\$ (30,543)	\$ 6,181,229	\$ 27,360	\$ (416,743)	\$ 5,791,846	5.39 %	5.72 %	8.90
Residential mortgage loans, at fair value									
Non-Agency Loans (4)	\$ 100,139	\$ 1,345	\$ 101,484	\$ 1,537	\$ (683)	\$ 102,338	8.26 %	7.16 %	3.28
Agency-Eligible Loans	194,047	2,540	196,587	669	(252)	197,004	7.21 %	6.75 %	4.72
Re- and Non-Performing Loans	2,271	(1,433)	838	1,283	—	2,121	N/A	127.29 %	1.53
Total Residential mortgage loans, at fair value	\$ 296,457	\$ 2,452	\$ 298,909	\$ 3,489	\$ (935)	\$ 301,463	7.57 %	7.74 %	4.21
Total as of June 30, 2024	\$ 6,508,229	\$ (28,091)	\$ 6,480,138	\$ 30,849	\$ (417,678)	\$ 6,093,309	5.49 %	5.82 %	8.69

	Unpaid			Gross Unrealized			Weighted Average		
December 31, 2023	Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years) (1)
Securitized residential mortgage loans, at fair value (2)									
Non-Agency Loans (3)	\$ 5,599,960	\$ (32,250)	\$ 5,567,710	\$ 29,603	\$ (422,144)	\$ 5,175,169	5.19 %	5.51 %	10.37
Re- and Non-Performing Loans	217,098	(17,465)	199,633	199	(16,720)	183,112	3.88 %	6.30 %	6.10
Total Securitized residential mortgage loans, at fair value	\$ 5,817,058	\$ (49,715)	\$ 5,767,343	\$ 29,802	\$ (438,864)	\$ 5,358,281	5.14 %	5.54 %	10.21
Residential mortgage loans, at fair value									
Non-Agency Loans	\$ 92,033	\$ 835	\$ 92,868	\$ 2,222	\$ (574)	\$ 94,516	8.10 %	7.29 %	3.14
Agency-Eligible Loans	212,350	3,535	215,885	4,824	—	220,709	7.94 %	7.28 %	3.37
Re- and Non-Performing Loans	2,604	(1,630)	974	1,432	—	2,406	N/A	112.97 %	1.69
Total Residential mortgage loans, at fair value	\$ 306,987	\$ 2,740	\$ 309,727	\$ 8,478	\$ (574)	\$ 317,631	7.99 %	8.08 %	3.29
Total as of December 31, 2023	\$ 6,124,045	\$ (46,975)	\$ 6,077,070	\$ 38,280	\$ (439,438)	\$ 5,675,912	5.28 %	5.68 %	9.86

- (1) This is based on projected life. Typically, actual maturities are shorter than stated contractual maturities. Maturities are affected by the lives of the underlying mortgage loans, periodic payments of principal, and prepayments of principal.
- (2) Refer to the "Variable interest entities" section below for additional details related to the assets and liabilities of VIEs consolidated on the Company's consolidated balance sheets.
- (3) Securitized Non-Agency Loans include loans that were considered to be Agency-Eligible prior to the Company's securitization.
- (4) Includes fair value of \$87.1 million of Non-Agency Loans classified as held for sale and presented in the "Residential mortgage loans held for sale, at fair value" line item on the consolidated balance sheets as of June 30, 2024.

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The following tables present information regarding credit quality of the Company's residential mortgage loans (\$ in thousands).

June 30, 2024	Unpaid Principal		Aging by Unpaid Principal Balance (1)(2)			
	Balance	Loan Count (1)	Current	30-59 Days	60-89 Days	90+ Days
<b>Securitized residential mortgage loans</b>						
Non-Agency Loans	\$ 6,004,579	14,765	\$ 5,849,173	\$ 63,462	\$ 29,557	\$ 62,387
Re- and Non-Performing Loans	207,193	1,410	151,385	14,326	5,411	36,071
Total Securitized residential mortgage loans	\$ 6,211,772	16,175	\$ 6,000,558	\$ 77,788	\$ 34,968	\$ 98,458
<b>Residential mortgage loans</b>						
Non-Agency Loans	\$ 100,139	191	\$ 91,238	\$ 2,457	\$ 590	\$ 5,854
Agency-Eligible Loans	194,047	494	191,333	2,714	—	—
Re- and Non-Performing Loans (1)	2,271	N/A	N/A	N/A	N/A	N/A
Total Residential mortgage loans	\$ 296,457	685	\$ 282,571	\$ 5,171	\$ 590	\$ 5,854
<b>Total as of June 30, 2024</b>	<b>\$ 6,508,229</b>	<b>16,860</b>	<b>\$ 6,283,129</b>	<b>\$ 82,959</b>	<b>\$ 35,558</b>	<b>\$ 104,312</b>

December 31, 2023	Unpaid Principal		Aging by Unpaid Principal Balance (1)(2)			
	Balance	Loan Count (1)	Current	30-59 Days	60-89 Days	90+ Days
<b>Securitized residential mortgage loans</b>						
Non-Agency Loans	\$ 5,599,960	13,460	\$ 5,446,631	\$ 68,242	\$ 30,873	\$ 54,214
Re- and Non-Performing Loans	217,098	1,495	154,632	17,145	4,780	40,541
Total Securitized residential mortgage loans	\$ 5,817,058	14,955	\$ 5,601,263	\$ 85,387	\$ 35,653	\$ 94,755
<b>Residential mortgage loans</b>						
Non-Agency Loans	\$ 92,033	170	\$ 83,582	\$ 1,010	\$ 615	\$ 6,826
Agency-Eligible Loans	212,350	536	211,499	851	—	—
Re- and Non-Performing Loans (1)	2,604	N/A	N/A	N/A	N/A	N/A
Total Residential mortgage loans	\$ 306,987	706	\$ 295,081	\$ 1,861	\$ 615	\$ 6,826
<b>Total as of December 31, 2023</b>	<b>\$ 6,124,045</b>	<b>15,661</b>	<b>\$ 5,896,344</b>	<b>\$ 87,248</b>	<b>\$ 36,268</b>	<b>\$ 101,581</b>

(1) Loan count and aging data exclude the Re- and Non-Performing Loans subcategory of Residential mortgage loans above as there may be limited data available regarding the underlying collateral of these residual positions.

(2) As of June 30, 2024, the Company had securitized residential mortgage loans and residential mortgage loans that were 90+ days delinquent with a fair value of \$44.1 million and loans in the process of foreclosure with a fair value of \$53.1 million. As of December 31, 2023, the Company had securitized residential mortgage loans and residential mortgage loans that were 90+ days delinquent with a fair value of \$41.7 million and loans in the process of foreclosure with a fair value of \$51.8 million.

As of June 30, 2024 and December 31, 2023, 10.6% and 12.0%, respectively, of the unpaid principal balance of the Company's securitized residential mortgage loans and residential mortgage loans were adjustable rate mortgages.

During the three and six months ended June 30, 2024 and 2023, the Company purchased residential mortgage loans, as detailed below (in thousands).

	Three Months Ended				Six Months Ended			
	June 30, 2024		June 30, 2023		June 30, 2024		June 30, 2023	
	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance	Fair Value
Non-Agency Loans	\$ 9,460	\$ 9,582	\$ 159,906	\$ 162,524	\$ 23,506	\$ 23,796	\$ 182,456	\$ 185,478
Agency-Eligible Loans	406,121	413,619	55,501	56,663	674,207	684,703	55,501	56,663
<b>Total</b>	<b>\$ 415,581</b>	<b>\$ 423,201</b>	<b>\$ 215,407</b>	<b>\$ 219,187</b>	<b>\$ 697,713</b>	<b>\$ 708,499</b>	<b>\$ 237,957</b>	<b>\$ 242,141</b>

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The Company did not sell any residential mortgage loans during the three and six months ended June 30, 2024. For the three and six months ended June 30, 2023, the Company sold residential mortgage loans as detailed below (\$ in thousands).

	Three Months Ended June 30, 2023				Six Months Ended June 30, 2023			
	Number of Loans	Proceeds	Realized Gains	Realized Losses	Number of Loans	Proceeds	Realized Gains	Realized Losses
Non-Agency Loans	165	\$ 99,871	\$ 1,051	\$ (1,400)	281	\$ 146,780	\$ 1,051	\$ (11,145)
Agency-Eligible Loans	—	—	—	—	47	18,474	69	(85)

The Company's residential mortgage loan portfolio consists of mortgage loans on residential real estate located throughout the United States. The following is a summary of the geographic concentration of credit risk as of June 30, 2024 and December 31, 2023 and includes states where the exposure is greater than 5% of the fair value of the Company's residential mortgage loan portfolio.

Geographic Concentration of Credit Risk (1)	June 30, 2024	December 31, 2023
California	36 %	38 %
New York	12 %	13 %
Florida	10 %	10 %
Texas	6 %	6 %
New Jersey	5 %	5 %

(1) Excludes the Re- and Non-Performing Loans subcategory of Residential mortgage loans above as there may be limited data available regarding the underlying collateral of these residual positions.

**Variable interest entities**

The Company enters into securitization transactions collateralized by its Non-Agency Loans/Agency-Eligible Loans and re- and non-performing loans, which are considered VIEs. The Company was determined to be the primary beneficiary of certain VIEs and, as a result, consolidated the assets and liabilities of the VIEs on its consolidated balance sheets. In a securitization transaction, a pool of loans is transferred to a wholly-owned subsidiary of the Company and the loans are deposited into a newly created securitization trust. The securitization trust issues various classes of mortgage pass-through certificates backed by the cash flows from the underlying residential mortgage loans (the "Certificates"). As the sponsor of the securitization, the Company retains certain Certificates issued by the securitization trusts in order to satisfy risk retention rules, which generally require the sponsor to retain at least 5% of the fair value of the Certificates issued in the securitization. The Company's continuing involvement in these securitizations represents its retained Certificates and the ability to purchase all of the outstanding Certificates upon the occurrence of certain events through an optional redemption right held by the Company. The Company has also engaged a related party of the Manager and direct subsidiary of TPG Angelo Gordon to act as the servicing administrator of certain securitization trusts.



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The following table details certain information related to the assets and liabilities of the Non-Agency VIEs as of June 30, 2024 and December 31, 2023 (\$ in thousands).

	June 30, 2024			December 31, 2023		
	Carrying Value	Weighted Average		Carrying Value	Weighted Average	
		Yield	Life (Years) (1)		Yield	Life (Years) (1)
Assets						
Securitized residential mortgage loans, at fair value (2)	\$ 5,618,591	5.70 %	9.01	\$ 5,175,169	5.51 %	10.37
Other assets	29,551			25,105		
Total Assets	\$ 5,648,142			\$ 5,200,274		
Liabilities						
Securitized debt, at fair value (2) (3)	\$ 5,010,811	5.19 %	6.66	\$ 4,597,490	4.94 %	7.52
Other liabilities	19,923			17,269		
Total Liabilities	\$ 5,030,734			\$ 4,614,759		
Total Equity (4)	\$ 617,408			\$ 585,515		

- (1) This is based on projected life. Typically, actual maturities 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) Securitized residential mortgage loans in Non-Agency VIEs include loans that were considered to be Agency-Eligible prior to the Company's securitization.
- (3) 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 Non-Agency VIEs.
- (4) As of June 30, 2024 and December 31, 2023, the Company had outstanding financing arrangements of \$30.3 million and \$301.2 million, respectively, collateralized by \$610.2 million and \$578.8 million of the Company's retained interests in the Non-Agency VIEs, respectively. See Note 6 for more detail regarding the Company's financing arrangements.

The following table details certain information related to the assets and liabilities of the RPL/NPL VIEs as of June 30, 2024 and December 31, 2023 (\$ in thousands).

	June 30, 2024			December 31, 2023		
	Carrying Value	Weighted Average		Carrying Value	Weighted Average	
		Yield	Life (Years) (1)		Yield	Life (Years) (1)
Assets						
Securitized residential mortgage loans, at fair value	\$ 173,255	6.19 %	5.74	\$ 183,112	6.30 %	6.10
Restricted cash	12			10		
Other assets	2,337			2,056		
Total Assets	\$ 175,604			\$ 185,178		
Liabilities						
Securitized debt, at fair value (2)	\$ 106,378	3.31 %	3.80	\$ 114,133	3.25 %	3.77
Other liabilities	314			328		
Total Liabilities	\$ 106,692			\$ 114,461		
Total Equity (3)						
	\$ 68,912			\$ 70,717		

- (1) This is based on projected life. Typically, actual maturities 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) 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 RPL/NPL VIEs.
- (3) As of June 30, 2024 and December 31, 2023, the Company had outstanding financing arrangements of \$3.0 million and \$44.9 million, respectively, collateralized by \$65.3 million and \$67.1 million of the Company's retained interests in the RPL/NPL VIEs, respectively. See Note 6 for more detail regarding the Company's financing arrangements.

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*Revolving Mortgage Investment Trust 2015-1QR2*

Revolving Mortgage Investment Trust 2015-1QR2 ("RMI 2015 Trust") was acquired in the WMC acquisition and holds Non-Agency Loans and real estate owned ("REO"). RMI 2015 Trust issued a trust certificate that is wholly-owned by the Company and represents the entire beneficial interest in Non-Agency Loans and REO held by the trust. The Company consolidates the trust since it meets the definition of a VIE and the Company was determined to be the primary beneficiary. The Company classifies the underlying Non-Agency Loans and REO owned by the trust in the "Residential mortgage loans, at fair value" and "Other assets" line items on the consolidated balance sheets, respectively, and has eliminated the intercompany trust certificate in consolidation.

As of June 30, 2024, the RMI 2015 Trust holds Non-Agency Loans with a fair value of \$ 5.4 million and REO with a carrying value of \$ 3.4 million. As of December 31, 2023, the RMI 2015 Trust held Non-Agency Loans with a fair value of \$6.6 million and REO with a carrying value of \$ 3.4 million.

**Legacy WMC Commercial loans**

The tables below detail information regarding the Company's Legacy WMC Commercial loan portfolio as of June 30, 2024 and December 31, 2023 (\$ in thousands). The gross unrealized gains/(losses) in the table below represent inception to date gains/(losses) since acquisition.

**June 30, 2024**

Loan (1)(2)(3)	Unpaid		Amortized Cost	Gross		Weighted Average		Life (Years) (4)	Maturity Date (5)	LTV (6)	Location
	Principal Balance	Premium / (Discount)		Unrealized Gains	Fair Value	Coupon	Yield				
Loan A (7)	\$ 7,259	\$ (103)	\$ 7,156	\$ 45	\$ 7,201	9.53 %	10.94 %	0.93	5/6/2025	61.63 %	IL, FL
Loan B (7)	13,206	(186)	13,020	81	13,101	9.53 %	10.94 %	0.93	5/6/2025	75.33 %	CA
Loan C (7)	24,535	(347)	24,188	150	24,338	9.53 %	10.94 %	0.93	5/6/2025	77.22 %	NY
Loan D (8)	22,204	(161)	22,043	70	22,113	8.71 %	8.91 %	1.19	8/6/2025	42.50 %	CT
Total	\$ 67,204	\$ (797)	\$ 66,407	\$ 346	\$ 66,753	9.26 %	10.27 %	1.01		63.67 %	

**December 31, 2023**

Loan (1)(2)(3)	Unpaid		Amortized Cost	Gross		Weighted Average		Life (Years) (4)	Maturity Date (5)	LTV (6)	Location
	Principal Balance	Premium / (Discount)		Unrealized Gains	Fair Value	Coupon	Yield				
Loan A (7)	\$ 7,259	\$ (137)	\$ 7,122	\$ 12	\$ 7,134	9.55 %	10.16 %	1.44	5/6/2025	61.63 %	IL, FL
Loan B (7)	13,206	(249)	12,957	22	12,979	9.55 %	10.16 %	1.44	5/6/2025	75.33 %	CA
Loan C (7)	24,535	(463)	24,072	40	24,112	9.55 %	10.16 %	1.44	5/6/2025	77.22 %	NY
Loan D (8)	22,204	(147)	22,057	21	22,078	8.72 %	8.17 %	1.69	8/6/2025	42.50 %	CT
Total	\$ 67,204	\$ (996)	\$ 66,208	\$ 95	\$ 66,303	9.27 %	9.50 %	1.52		63.61 %	

- (1) The Company has the contractual right to receive a balloon payment for each loan.
- (2) Each commercial loan investment is a first mortgage loan.
- (3) Each commercial loan has a current payment status.
- (4) Actual maturities of commercial loans may be shorter or longer than stated contractual maturities. Maturities are affected by prepayments of principal.
- (5) Represents maturity date of the last possible extension option.
- (6) Represents the LTV at acquisition.
- (7) Loans A, B, and C have a floating rate coupon equal to 4.20% plus one-month SOFR and are collateralized by hotels.
- (8) Loan D has a floating rate coupon equal to 3.38% plus one-month SOFR and is collateralized by a retail property.

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**4. Real Estate Securities**

The following tables detail the Company's real estate securities portfolio as of June 30, 2024 and December 31, 2023 (\$ in thousands). The gross unrealized gains/(losses) in the tables below represent inception to date unrealized gains/(losses) since acquisition.

June 30, 2024	Current	Premium /	Amortized	Gross Unrealized		Fair Value	Weighted Average	
	Face	(Discount)	Cost	Gains	Losses		Coupon (1)	Yield
Non-Agency RMBS								
GCAT Non-Agency RMBS (2)								
GCAT Non-Agency Securities	\$ 43,794	\$ (2,067)	\$ 41,727	\$ —	\$ (7,115)	\$ 34,612	4.68 %	6.08 %
GCAT Non-Agency RMBS Interest Only (3)	N/A	N/A	2,362	1,865	—	4,227	0.54 %	34.55 %
Total GCAT Non-Agency RMBS	43,794	(2,067)	44,089	1,865	(7,115)	38,839	2.59 %	9.18 %
Non-Agency Securities	35,912	(5,092)	30,820	1,576	(123)	32,273	5.72 %	7.43 %
Non-Agency RMBS Interest Only (3)	N/A	N/A	488	35	(7)	516	0.33 %	27.70 %
Total Non-Agency RMBS	79,706	(7,159)	75,397	3,476	(7,245)	71,628	2.51 %	8.52 %
Legacy WMC CMBS (4)	103,399	(44,809)	58,590	1,144	(7,164)	52,570	5.79 %	19.69 %
Legacy WMC Other Securities (5)	N/A	N/A	1,077	131	—	1,208	N/A	21.06 %
Agency RMBS								
30 Year Fixed Rate	540,198	3,618	543,816	460	(1,606)	542,670	5.89 %	5.78 %
Agency RMBS Interest Only (3)	N/A	N/A	21,627	864	(638)	21,853	4.02 %	10.73 %
Total Agency RMBS	540,198	3,618	565,443	1,324	(2,244)	564,523	5.57 %	5.97 %
Total as of June 30, 2024	\$ 723,303	\$ (48,350)	\$ 700,507	\$ 6,075	\$ (16,653)	\$ 689,929	5.00 %	7.30 %

December 31, 2023	Current Face	Premium /	Amortized	Gross Unrealized		Fair Value	Weighted Average		
		(Discount)	Cost	Gains	Losses		Coupon (1)	Yield	
Non-Agency RMBS									
GCAT Non-Agency RMBS (2)									
GCAT Non-Agency Securities	\$ 43,794	\$ (2,281)	\$ 41,513	\$ —	\$ (8,971)	\$ 32,542	4.67 %	5.99 %	
GCAT Non-Agency RMBS Interest Only (3)	N/A	N/A	2,541	2,450	—	4,991	— %	37.74 %	
Total GCAT Non-Agency RMBS	43,794	(2,281)	44,054	2,450	(8,971)	37,533	2.20 %	10.21 %	
Non-Agency Securities	82,390	(33,399)	48,991	2,139	(124)	51,006	4.99 %	9.11 %	
Non-Agency RMBS Interest Only (3)	N/A	N/A	1,116	1	(34)	1,083	0.35 %	16.04 %	
Total Non-Agency RMBS	126,184	(35,680)	94,161	4,590	(9,129)	89,622	2.17 %	9.66 %	
Legacy WMC CMBS	103,458	(46,925)	56,533	546	(730)	56,349	7.39 %	21.90 %	
Legacy WMC Other Securities (5)	N/A	N/A	1,174	—	(18)	1,156	N/A	18.16 %	
Agency RMBS Interest Only (3)	N/A	N/A	16,714	115	(1,135)	15,694	3.74 %	10.20 %	
Total as of December 31, 2023	\$ 229,642	\$ (82,605)	\$ 168,582	\$ 5,251	\$ (11,012)	\$ 162,821	3.54 %	14.01 %	

(1) Equity residual investments with a zero coupon rate are excluded from this calculation.

(2) GCAT Non-Agency RMBS are securities issued under Gold Creek Asset Trust ("GCAT"), which is the TPG Angelo Gordon securitization shelf under which the Company or private funds under the management of TPG Angelo Gordon securitize loans. Refer to the "Unconsolidated variable interest entities" section below for additional details on these securities.

(3) Interest Only have no principal balances and bear interest based on a notional value. The notional value is used solely to determine interest distributions on the interest only classes of securities. As of June 30, 2024, the notional values of the GCAT Non-Agency RMBS Interest Only, Non-Agency RMBS Interest Only and Agency RMBS Interest Only line items were \$89.2 million, \$56.5 million and \$112.3 million, respectively. As of December 31, 2023, the notional values of the GCAT Non-Agency RMBS Interest Only, Non-Agency RMBS Interest Only and Agency RMBS Interest Only line items were \$98.3 million, \$128.8 million and \$92.2 million, respectively.

(4) As of June 30, 2024, there are Legacy WMC CMBS with an unpaid principal balance of \$15.5 million and a fair value of \$0.8 million which are on non-accrual status.

(5) Legacy WMC Other securities include residual interests in asset-backed securities which have no principal balance.

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The following tables summarize the Company's real estate securities according to their projected weighted average life classifications as of June 30, 2024 and December 31, 2023 (\$ in thousands).

June 30, 2024	Non-Agency RMBS		Legacy WMC CMBS		Legacy WMC Other Securities		Agency RMBS	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Weighted Average Life (1)								
Less than or equal to one year	\$ —	\$ —	\$ 80	\$ —	\$ —	\$ —	\$ —	\$ —
Greater than one year and less than or equal to five years	5,343	3,442	52,490	58,590	—	—	622	657
Greater than five years and less than or equal to ten years	45,507	48,382	—	—	1,208	1,077	563,901	564,786
Greater than ten years	20,778	23,573	—	—	—	—	—	—
<b>Total as of June 30, 2024</b>	<b>\$ 71,628</b>	<b>\$ 75,397</b>	<b>\$ 52,570</b>	<b>\$ 58,590</b>	<b>\$ 1,208</b>	<b>\$ 1,077</b>	<b>\$ 564,523</b>	<b>\$ 565,443</b>

December 31, 2023	Non-Agency RMBS		Legacy WMC CMBS		Legacy WMC Other Securities		Agency RMBS	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Weighted Average Life (1)								
Less than or equal to one year	\$ —	\$ —	\$ 15,015	\$ 15,010	\$ —	\$ —	\$ —	\$ —
Greater than one year and less than or equal to five years	4,631	4,669	41,334	41,523	—	—	697	678
Greater than five years and less than or equal to ten years	38,792	40,539	—	—	1,156	1,174	14,997	16,036
Greater than ten years	46,199	48,953	—	—	—	—	—	—
<b>Total as of December 31, 2023</b>	<b>\$ 89,622</b>	<b>\$ 94,161</b>	<b>\$ 56,349</b>	<b>\$ 56,533</b>	<b>\$ 1,156</b>	<b>\$ 1,174</b>	<b>\$ 15,694</b>	<b>\$ 16,714</b>

(1) This is based on projected life. Typically, actual maturities 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.

The Company sold real estate securities during the three and six months ended June 30, 2024, as detailed below (\$ in thousands). The Company did not sell any real estate securities during the three and six months ended June 30, 2023.

	Three Months Ended				Six Months Ended			
	Number of Securities	Proceeds	Realized Gains	Realized Losses	Number of Securities	Proceeds	Realized Gains	Realized Losses
June 30, 2024	6	\$ 19,858	\$ 2,005	\$ (73)	13	\$ 39,176	\$ 3,165	\$ (482)

**Unconsolidated variable interest entities**

The Company's Non-Agency RMBS includes certain securities retained from a rated Non-QM Loan securitization the Company participated in alongside a private fund under the management of TPG Angelo Gordon and issued under the GCAT shelf. Upon evaluating its investment in the VIE, the Company determined it was not the primary beneficiary and, as a result, did not consolidate the securitization trust. The Company has a 40.9% interest in the retained subordinate tranches which represents its continuing involvement in the securitization trust.

During 2023, the Company purchased non-risk retention bonds from Mortgage Acquisition Holding I LLC ("MATH"), an entity the Company invests in alongside private funds under the management of TPG Angelo Gordon. Through its 44.6% investment in MATH, the Company participated in rated Non-QM Loan securitizations issued under the GCAT shelf. As of June 30, 2024 and December 31, 2023, the Company's Non-Agency RMBS includes the non-risk retention bonds from these securitizations acquired from MATH. Upon evaluating its investment in these VIEs, the Company determined it was not the primary beneficiary and, as a result, did not consolidate the securitization trusts sponsored by MATH. The Company has a 57.7% interest in the non-risk retention bonds recorded on its consolidated balance sheets and a 47.0% interest in the risk retention bonds through its investment in MATH which together represent its continuing involvement in the securitization trusts. See Note 10 for additional details on the MATH transaction.

During the second quarter 2024, the Company participated in a rated securitization collateralized by \$ 369.2 million of Agency-Eligible Loans. The Company entered into a co-sponsorship agreement with an unrelated third party whereby a wholly owned subsidiary of the Company acted as a sponsor of the securitization within the meaning of the U.S. credit risk retention rules

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while the securitization was issued under the third party's securitization shelf. As the co-sponsor, the Company retained an "eligible vertical interest" to comply with risk retention rules which consists of at least 5% of each class of securities issued in the securitization. The remaining tranches were sold to third parties and certain private funds under the management of TPG Angelo Gordon. Upon evaluating its investment in the VIE, the Company determined it was not the primary beneficiary and, as a result, did not consolidate the securitization trust. The Company's retained risk-retention tranches, which represent its continuing involvement in the securitization trust, are included in the Non-Agency RMBS line item.

The following table summarizes the Company's investment in unconsolidated VIEs as of June 30, 2024 and December 31, 2023 (in thousands).

	June 30, 2024		December 31, 2023	
	Current Face	Fair Value	Current Face	Fair Value
<b>Retained interest in unconsolidated VIEs</b>				
GCAT Non-Agency Securities	\$ 43,794	\$ 34,612	\$ 43,794	\$ 32,542
GCAT Non-Agency RMBS Interest Only (1)	N/A	4,227	N/A	4,991
Non-Agency Securities	18,464	18,208	—	—
Non-Agency RMBS Interest Only (1)	N/A	345	—	—
<b>Total retained interest in unconsolidated VIEs (2) (3)</b>	<b>\$ 62,258</b>	<b>\$ 57,392</b>	<b>\$ 43,794</b>	<b>\$ 37,533</b>

- (1) Interest Only have no principal balances and bear interest based on a notional value. The notional value is used solely to determine interest distributions on the Interest Only classes of securities. As of June 30, 2024 and December 31, 2023, the notional value of the GCAT Non-Agency RMBS Interest Only line item was \$89.2 million and \$98.3 million, respectively. As of June 30, 2024, the notional value of the Non-Agency RMBS Interest Only line item was \$26.6 million.
- (2) Maximum loss exposure from the Company's involvement with unconsolidated VIEs pertains to the fair value of the securities retained from these VIEs. The Company has no obligation to provide any other explicit or implicit support to the securitization trust.
- (3) As of June 30, 2024 and December 31, 2023, the Company held securities exposed to the first loss of the securitization with a fair value of \$6.6 million and \$4.1 million, respectively.

The following table summarizes information regarding the residential mortgage loans transferred to the Company's unconsolidated VIEs as of June 30, 2024 and December 31, 2023 (\$ in thousands).

<b>Assets transferred to unconsolidated VIEs:</b>	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Total unpaid principal balance of loans outstanding (1)	\$ 784,261	\$ 450,366
Weighted average coupon on loans outstanding	6.42 %	5.67 %
Percent of unpaid principal balance greater than 90 days delinquent (2)	0.93 %	1.94 %

- (1) Represents the total balance of loans as of June 30, 2024 and December 31, 2023 that were contributed to the unconsolidated securitization trusts, inclusive of loans contributed by the Company and loans contributed by other parties.
- (2) As of June 30, 2024, 0.69% of loans were 90+ days delinquent or in bankruptcy, 0.16% of loans were REO, and 0.08% of loans were in process of foreclosure. As of December 31, 2023, 0.70% of loans were 90+ days delinquent or in bankruptcy and 1.24% loans were in process of foreclosure.

## 5. Fair value measurements

The fair value of the Company's financial instruments is determined in accordance with the provisions of ASC 820, "Fair Value Measurements and Disclosures." When possible, the Company determines fair value using third-party data sources. ASC 820 establishes a hierarchy that prioritizes the inputs to valuation techniques. Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets. Level 2 inputs are observable inputs other than quoted prices and may include quoted prices for similar assets and liabilities in active markets. Level 3 inputs are 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 and 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. In certain cases, inputs used to measure fair value fall into different levels of the fair value hierarchy. In such cases, the level at which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

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The following tables present the Company's financial instruments measured at fair value on a recurring basis as of June 30, 2024 and December 31, 2023 (in thousands).

	Fair Value at June 30, 2024			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Securitized residential mortgage loans	\$ —	\$ —	\$ 5,791,846	\$ 5,791,846
Residential mortgage loans (1)	—	793	300,670	301,463
Legacy WMC Commercial Loans	—	—	66,753	66,753
Non-Agency RMBS	—	14,236	57,392	71,628
Legacy WMC CMBS	—	51,843	727	52,570
Legacy WMC Other Securities	—	—	1,208	1,208
Agency RMBS	—	564,523	—	564,523
Derivative assets (2)	—	12,387	446	12,833
Cash equivalents (3)	117,467	—	—	117,467
AG Arc (4)	—	—	34,954	34,954
Total Assets Measured at Fair Value	\$ 117,467	\$ 643,782	\$ 6,253,996	\$ 7,015,245
<b>Liabilities:</b>				
Securitized debt	\$ —	\$ —	\$ (5,117,189)	\$ (5,117,189)
Derivative liabilities (2)	—	(3,146)	(560)	(3,706)
Total Liabilities Measured at Fair Value	\$ —	\$ (3,146)	\$ (5,117,749)	\$ (5,120,895)

  

	Fair value at December 31, 2023			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Securitized residential mortgage loans	\$ —	\$ —	\$ 5,358,281	\$ 5,358,281
Residential mortgage loans	—	777	316,854	317,631
Legacy WMC Commercial loans	—	—	66,303	66,303
Non-Agency RMBS	—	52,089	37,533	89,622
Legacy WMC CMBS	—	50,553	5,796	56,349
Legacy WMC Other Securities	—	—	1,156	1,156
Agency RMBS	—	15,694	—	15,694
Derivative assets (2)	—	9,433	1,172	10,605
Cash equivalents (3)	95,749	—	—	95,749
AG Arc (4)	—	—	33,574	33,574
Total Assets Measured at Fair Value	\$ 95,749	\$ 128,546	\$ 5,820,669	\$ 6,044,964
<b>Liabilities:</b>				
Securitized debt	\$ —	\$ —	\$ (4,711,623)	\$ (4,711,623)
Derivative liabilities (2)	—	(7,783)	(7)	(7,790)
Total Liabilities Measured at Fair Value	\$ —	\$ (7,783)	\$ (4,711,630)	\$ (4,719,413)

- (1) As of June 30, 2024, Residential mortgage loans includes the "Residential mortgage loans, at fair value" and "Residential mortgage loans held for sale, at fair value" line items on the consolidated balance sheets.
- (2) As of June 30, 2024, the Company applied a reduction in fair value of \$12.1 million and \$3.1 million to its interest rate swap assets and liabilities, respectively, related to variation margin with a corresponding increase or decrease in restricted cash. As of December 31, 2023, the Company applied a reduction in fair value of \$9.3 million and \$7.7 million to its interest rate swap assets and liabilities, respectively, related to variation margin with a corresponding increase or decrease in restricted cash. Derivative assets and liabilities are included in the "Other assets" and "Other liabilities" line items on the consolidated balance sheets, respectively. Refer to Note 7 for more information on the Company's derivatives.
- (3) The Company classifies highly liquid investments with original maturities of three months or less from the date of purchase as cash equivalents. Cash equivalents may include cash invested in money market funds and are carried at cost, which approximates fair value.
- (4) The table above includes the Company's investment in AG Arc, which is included in its "Investments in debt and equity of affiliates" line item on the consolidated balance sheets, as the Company has chosen to elect the fair value option with respect to its investment pursuant to ASC 825.

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The valuation of the Company's residential mortgage loans, securitized debt relating to the Non-Agency VIEs and RPL/NPL VIEs, commercial loans, certain securities, and forward purchase commitments is determined by the Manager using third-party pricing services where available, valuation analyses from third-party pricing service providers, or model-based pricing. Third-party pricing 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. 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. The Company also considers 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 residential mortgage loans, securitized debt, commercial loans, certain securities, and forward purchase commitments include market-implied discount rates, projections of default rates, delinquency rates, prepayment rates, loss severity, loan-to-value ratios, recovery rates, reperformance rates, timeline to liquidation, and, for forward purchase commitments, pull-through rates. The Company and third-party pricing service providers use loan level data and macro-economic inputs to generate loss adjusted cash flows and other information in determining the fair value. Because of the inherent uncertainty of such valuation, the fair value established for mortgage loans, securitized debt, commercial loans, certain securities, and forward purchase commitments held by the Company may differ from the fair value that would have been established if a ready market existed for these mortgage loans.

Fair values for the Company's securities and derivatives may be based upon prices obtained from third-party pricing services or broker quotations. The valuation methodology of the Company's third-party pricing services incorporates commonly used market pricing methods, including a spread measurement to various indices, 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.

The Company's investment in Arc Home is evaluated on a periodic basis using a market approach. In applying the market approach, fair value is determined by multiplying Arc Home's book value by a relevant valuation multiple observed based on a range of comparable public entities or transactions, adjusted by management as appropriate for differences between the investment and the referenced comparables. The evaluation also considers the underlying financial performance of Arc Home, general economic conditions, and relevant trends within the mortgage banking industry.

Changes in the market environment and other events that may occur over the life of these investments may cause the gains or losses ultimately realized to be different than the valuations currently estimated. The significant unobservable inputs used in the fair value measurement of the Company's loans and securities are yields, 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. The significant unobservable input used in the fair value measurement of the Company's investment in Arc Home is the book value multiple. Significant increases (decreases) in the multiple applied would result in a significantly higher (lower) fair value measurement.

The Company did not have any transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy during the three and six months ended June 30, 2024 and 2023.

The Company did not have any transfers between the Levels 2 and 3 of the fair value hierarchy during the three and six months ended June 30, 2024 and 2023. 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.

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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 (in thousands).

**Three Months Ended June 30, 2024**

	Residential Mortgage Loans (1)	Legacy WMC Commercial Loans	Non-Agency RMBS	Legacy WMC CMBS	Legacy WMC Other Securities	Derivative Assets (2)	AG Arc	Securitized Debt	Derivative Liabilities (2)
Beginning balance	\$ 5,848,560	\$ 66,474	\$ 39,163	\$ 3,268	\$ 1,220	\$ 472	\$ 33,190	\$ (4,980,942)	\$ (159)
Purchases	422,580	—	18,051	—	—	—	—	—	—
Issuances of Securitized Debt	—	—	—	—	—	—	—	(294,356)	—
Capital distributions	—	—	—	—	—	—	(169)	—	—
Proceeds from sales or settlements	—	—	—	—	—	(547)	—	—	708
Principal repayments	(171,522)	—	—	—	—	—	—	159,776	—
Included in net income:									
Net premium and discount amortization (3)	4,131	140	17	—	(43)	—	—	(7,738)	—
Net realized gain/(loss)	54	—	—	—	—	547	—	—	(708)
Net unrealized gain/(loss)	(8,753)	139	161	(2,541)	31	(26)	—	6,071	(401)
Equity in earnings/(loss) from affiliates	—	—	—	—	—	—	1,933	—	—
Other (4)	(2,534)	—	—	—	—	—	—	—	—
Ending Balance	\$ 6,092,516	\$ 66,753	\$ 57,392	\$ 727	\$ 1,208	\$ 446	\$ 34,954	\$ (5,117,189)	\$ (560)

**Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of June 30, 2024**

Net premium and discount amortization (3)	4,131	140	17	—	(43)	—	—	(7,738)	—
Net unrealized gain/(loss)	(8,753)	139	161	(2,541)	31	446	—	6,071	(560)
Equity in earnings/(loss) from affiliates	—	—	—	—	—	—	1,933	—	—

**Three Months Ended June 30, 2023**

	Residential Mortgage Loans (1)	Non-Agency RMBS	Derivative assets (2)	AG Arc	Securitized debt	Derivative liabilities (2)
Beginning balance	\$ 4,098,773	\$ 15,039	\$ 2,475	\$ 37,540	\$ (3,505,529)	\$ (75)
Purchases	220,729	—	—	—	—	—
Capital distributions	—	—	—	(402)	—	—
Proceeds from sales or settlements	(99,871)	—	(2,557)	—	—	634
Principal repayments	(97,388)	—	—	—	94,399	—
Included in net income:						
Net premium and discount amortization (3)	359	(97)	—	—	(3,125)	—
Net realized gain/(loss)	(456)	—	2,557	—	—	(634)
Net unrealized gain/(loss)	(18,130)	(275)	(1,549)	—	12,195	(1,160)
Equity in earnings/(loss) from affiliates	—	—	—	309	—	—
Other (4)	(406)	—	—	—	—	—
Ending Balance	\$ 4,103,610	\$ 14,667	\$ 926	\$ 37,447	\$ (3,402,060)	\$ (1,235)

**Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of June 30, 2023**

Net premium and discount amortization (3)	395	(97)	—	—	(3,125)	—
Net unrealized gain/(loss)	(17,412)	(275)	900	—	12,195	(1,235)
Equity in earnings/(loss) from affiliates	—	—	—	309	—	—

- (1) Includes Securitized residential mortgage loans, Securitized residential mortgage loans held for sale, Residential mortgage loans, and Residential mortgage loans held for sale.
- (2) Derivative assets and derivative liabilities are included in the "Other assets" and "Other liabilities" line items, respectively, on the consolidated balance sheets.
- (3) Included in the "Interest income" and "Interest expense" line items on the consolidated statement of operations for assets and liabilities, respectively.



(4) Includes transfers of residential mortgage loans to real estate owned as well as activity related to advances.

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**Six Months Ended June 30, 2024**

	Residential Mortgage Loans (1)	Legacy WMC Commercial Loans	Non-Agency RMBS	Legacy WMC CMBS	Legacy WMC Other Securities	Derivative Assets (2)	AG Arc	Securitized Debt	Derivative Liabilities (2)
Beginning balance	\$ 5,675,135	\$ 66,303	\$ 37,533	\$ 5,796	\$ 1,156	\$ 1,172	\$ 33,574	\$ (4,711,623)	\$ (7)
Purchases	710,197	—	18,051	—	—	—	—	—	—
Issuances of Securitized Debt	—	—	—	—	—	—	—	(658,255)	—
Capital distributions	—	—	—	—	—	—	(481)	—	—
Proceeds from sales or settlements	—	—	—	—	—	(1,728)	—	—	757
Principal repayments	(312,147)	—	—	—	—	—	—	284,363	—
Included in net income:									
Net premium and discount amortization (3)	8,328	200	33	(63)	(97)	—	—	(15,316)	—
Net realized gain/(loss)	56	—	—	—	—	1,728	—	—	(757)
Net unrealized gain/(loss)	14,303	250	1,775	(5,006)	149	(726)	—	(16,358)	(553)
Equity in earnings/(loss) from affiliates	—	—	—	—	—	—	1,861	—	—
Other (4)	(3,356)	—	—	—	—	—	—	—	—
Ending Balance	\$ 6,092,516	\$ 66,753	\$ 57,392	\$ 727	\$ 1,208	\$ 446	\$ 34,954	\$ (5,117,189)	\$ (560)

**Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of June 30, 2024**

Net premium and discount amortization (3)	8,328	200	33	(63)	(97)	—	—	(15,316)	—
Net unrealized gain/(loss)	14,303	250	1,775	(5,006)	149	446	—	(16,358)	(560)
Equity in earnings/(loss) from affiliates	—	—	—	—	—	—	1,861	—	—

**Six Months Ended June 30, 2023**

	Residential Mortgage Loans (1)	Non-Agency RMBS	Derivative assets (2)	AG Arc	Securitized debt	Derivative liabilities (2)
Beginning balance	\$ 4,127,843	\$ 14,917	\$ 98	\$ 39,680	\$ (3,262,352)	\$ (9)
Purchases	243,484	—	—	—	—	—
Issuances of Securitized Debt	—	—	—	—	(234,754)	—
Capital distributions	—	—	—	(402)	—	—
Proceeds from sales or settlements	(165,254)	—	(2,557)	—	—	634
Principal repayments	(171,344)	—	—	—	161,356	—
Included in net income:						
Net premium and discount amortization (3)	1,503	(173)	—	—	(5,863)	—
Net realized gain/(loss)	(10,214)	—	2,557	—	—	(634)
Net unrealized gain/(loss)	79,081	(77)	828	—	(60,447)	(1,226)
Equity in earnings/(loss) from affiliates	—	—	—	(1,831)	—	—
Other (4)	(1,489)	—	—	—	—	—
Ending Balance	\$ 4,103,610	\$ 14,667	\$ 926	\$ 37,447	\$ (3,402,060)	\$ (1,235)

**Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of June 30, 2023**

Net premium and discount amortization (3)	1,539	(173)	—	—	(5,863)	—
Net unrealized gain/(loss)	69,267	(77)	926	—	(60,447)	(1,235)
Equity in earnings/(loss) from affiliates	—	—	—	(1,831)	—	—

- (1) Includes Securitized residential mortgage loans, Securitized residential mortgage loans held for sale, Residential mortgage loans, and Residential mortgage loans held for sale.
- (2) Derivative assets and derivative liabilities are included in the "Other assets" and "Other liabilities" line items, respectively, on the consolidated balance sheets.
- (3) Included in the "Interest income" and "Interest expense" line items on the consolidated statement of operations for assets and liabilities, respectively.
- (4) Includes transfers of residential mortgage loans to real estate owned as well as activity related to advances.



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The following table presents 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 as of June 30, 2024 and December 31, 2023 (\$ in thousands).

		June 30, 2024		December 31, 2023	
Valuation Technique	Unobservable Input	Fair Value	Range (Weighted Average) (1)	Fair Value	Range (Weighted Average) (1)
Securitized Residential Mortgage Loans					
Discounted Cash Flow	Yield		5.84% - 9.10% (6.41%)		5.67% - 9.47% (6.23%)
	Projected Collateral Prepayments	\$ 5,791,846	4.33% - 14.43% (6.42%)	\$ 5,358,281	3.02% - 10.47% (4.72%)
	Projected Collateral Losses		0.02% - 1.87% (0.16%)		0.02% - 1.88% (0.16%)
	Projected Collateral Severities		-15.98% - 26.00% (18.61%)		-13.44% - 26.00% (17.38%)
Residential Mortgage Loans (2)					
Discounted Cash Flow	Yield		6.38% - 18.75% (6.83%)		6.13% - 18.75% (6.64%)
	Projected Collateral Prepayments	\$ 300,670	3.34% - 34.99% (20.58%)	\$ 316,854	3.89% - 34.35% (24.88%)
	Projected Collateral Losses		0.00% - 20.77% (0.57%)		0.00% - 12.72% (0.15%)
	Projected Collateral Severities		-25.00% - 44.02% (9.71%)		-38.75% - 44.01% (9.62%)
Legacy WMC Commercial Loans					
Discounted Cash Flow	Yield		8.76% - 10.51% (9.93%)		8.16% - 10.13% (9.47%)
	Credit Spread	\$ 66,753	377 bps - 517 bps (471 bps)	\$ 66,303	377 bps - 556 bps (496 bps)
	Recovery Percentage (3)		100.00% - 100.00% (100.00%)		100.00% - 100.00% (100.00%)
	Loan-to-Value		42.50% - 77.22% (63.67%)		42.50% - 77.22% (63.61%)
Non-Agency RMBS					
Discounted Cash Flow	Yield		6.12% - 25.00% (8.46%)		6.23% - 14.00% (9.70%)
	Projected Collateral Prepayments	\$ 57,392	5.69% - 8.52% (6.98%)	\$ 37,533	4.55% - 5.26% (4.93%)
	Projected Collateral Losses		0.04% - 0.36% (0.21%)		0.17% - 0.28% (0.25%)
	Projected Collateral Severities		10.00% - 25.00% (14.85%)		10.00% - 10.00% (10.00%)
Legacy WMC CMBS					
Consensus Pricing	Offered Quotes	\$ 727	6.92 - 6.92 (6.92)	\$ 5,796	55.20 - 55.20 (55.20)
Legacy WMC Other Securities					
Consensus Pricing	Offered Quotes	\$ 1,208	7,128.66 - 7,128.66 (7,128.66)	\$ 1,156	6,821.32 - 6,821.32 (6,821.32)
Derivative Assets (4)					
Discounted Cash Flow	Yield		6.61% - 7.96% (6.77%)		6.29% - 8.32% (6.81%)
	Projected Collateral Prepayments	\$ 446	8.34% - 30.31% (20.19%)	\$ 1,172	18.20% - 33.78% (27.00%)
	Projected Collateral Losses		0.02% - 4.28% (0.74%)		0.00% - 0.82% (0.14%)
	Projected Collateral Severities		10.00% - 10.00% (10.00%)		10.00% - 10.00% (10.00%)
	Pull Through Percentages		60.00% - 100.00% (90.62%)		60.00% - 100.00% (92.21%)
AG Arc					
Comparable Multiple	Book Value Multiple	\$ 34,954	0.94x - 0.94x (0.94x)	\$ 33,574	0.89x - 0.89x (0.89x)
Securitized Debt					
Discounted Cash Flow	Yield		5.26% - 25.00% (5.97%)		4.92% - 15.00% (5.72%)
	Projected Collateral Prepayments	\$ (5,117,189)	4.33% - 14.43% (6.37%)	\$ (4,711,623)	3.02% - 10.47% (4.66%)
	Projected Collateral Losses		0.02% - 0.50% (0.14%)		0.02% - 0.40% (0.15%)
	Projected Collateral Severities		10.00% - 26.00% (18.97%)		3.71% - 26.00% (17.76%)
Derivative Liabilities (4)					
Discounted Cash Flow	Yield		6.61% - 8.07% (6.80%)		6.47% - 7.00% (6.51%)
	Projected Collateral Prepayments	\$ (560)	8.98% - 32.42% (26.05%)	\$ (7)	27.36% - 34.44% (34.30%)
	Projected Collateral Losses		0.01% - 2.47% (0.15%)		0.00% - 0.02% (0.00%)
	Projected Collateral Severities		10.00% - 10.00% (10.00%)		10.00% - 10.00% (10.00%)
	Pull Through Percentages		60.00% - 100.00% (83.60%)		60.00% - 100.00% (99.22%)

(1) Amounts are weighted based on fair value.

(2) As of June 30, 2024, Residential mortgage loans includes loans within the "Residential mortgage loans, at fair value" and "Residential mortgage loans held for sale, at fair value" line items on the consolidated balance sheets.

(3) Represents the proportion of the principal expected to be collected relative to the loan balances as of June 30, 2024 and December 31, 2023.

(4) Derivative assets and derivative liabilities are included in the "Other assets" and "Other liabilities" line items, respectively, on the consolidated balance sheets.



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**Other Fair Value Disclosures**

*Short-term financing arrangements*

The fair value of certain of the Company's financing arrangements approximates the carrying value due to the floating interest rates that are based on an index plus a spread, which is typically consistent with those demanded in the market, and the short-term maturities of generally one year or less. These financing agreements are classified as Level 2.

*Legacy WMC Convertible Notes, Senior Unsecured Notes, and fixed-rate long-term financing arrangements*

The following table presents the carrying value and estimated fair value of the Company's Legacy WMC Convertible Notes, Senior Unsecured Notes, and fixed-rate financing arrangements with contractual maturities of greater than one year as of June 30, 2024 and December 31, 2023 (in thousands). The fair value of the Company's Legacy WMC Convertibles Notes and Senior Unsecured Notes is based upon prices obtained from third-party pricing services or broker quotations and are classified as Level 2. The fair value of the Company's fixed-rate long-term financing arrangements is based on a discounted cash flow valuation approach using valuation analyses of the underlying collateral sourced from third-party pricing service providers and is classified as Level 3.

	June 30, 2024		December 31, 2023	
	Carrying Value (1)	Estimated Fair Value	Carrying Value (1)	Estimated Fair Value
Legacy WMC Convertible Notes	\$ 78,849	\$ 79,116	\$ 85,266	\$ 84,525
Senior Unsecured Notes	95,380	100,471	—	—
Financing arrangements	56,559	57,059	62,972	63,175

- (1) The Legacy WMC Convertible Notes, Senior Unsecured Notes, and fixed-rate long-term financing arrangements are recorded at amortized cost in the Company's consolidated balance sheets.

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**6. Financing**

The following table presents a summary of the Company's financing as of June 30, 2024 and December 31, 2023 (\$ in thousands).

	June 30, 2024						December 31,
							2023
	Financing		Stated Maturity	Weighted Average		Collateral	Financing
	Current Face	Carrying Value		Funding Cost	Life (Years)	Fair Value (1) (2)	Carrying Value
Financing Arrangements by Asset Type							
Securitized Residential Mortgage Loans (3)							
Non-Agency Loans (4)	\$ 328,652	\$ 330,291	July 2024 - July 2025	7.26 %	0.32	\$ 610,152	\$ 301,205
Re- and Non-Performing Loans	43,032	43,032	July 2024	7.28 %	0.04	65,277	44,928
Residential Mortgage Loans (5)							
Non-Agency Loans	7,576	7,576	Aug 2024 - June 2025	7.29 %	0.38	9,898	77,345
Agency-Eligible Loans	183,648	183,648	June 2025	7.20 %	0.96	197,004	200,617
Residential Mortgage Loans Held for Sale	72,129	72,129	Aug 2024 - June 2025	7.29 %	0.35	87,077	—
Legacy WMC Commercial Loans (6)	47,222	47,222	Mar 2025	8.35 %	0.73	66,753	48,032
Non-Agency RMBS	44,120	44,120	July 2024 - May 2025	6.43 %	0.19	68,199	51,251
Legacy WMC CMBS	21,889	21,889	July 2024	7.10 %	0.02	51,843	31,620
Agency RMBS	485,898	485,898	July 2024	5.49 %	0.06	505,254	12,594
Total Financing Arrangements	\$ 1,234,166	\$ 1,235,805		6.57 %	0.31	\$ 1,661,457	\$ 767,592
Securitized debt, at fair value (7)							
Non-Agency Loans (8) (9)	\$ 5,441,843	\$ 5,010,811	N/A	5.19 %	6.66	N/A	\$ 4,597,490
Re- and Non-Performing Loans (10)	118,256	106,378	N/A	3.31 %	3.80	N/A	114,133
Total Securitized Debt	\$ 5,560,099	\$ 5,117,189		5.15 %	6.61	N/A	\$ 4,711,623
Legacy WMC Convertible Notes	\$ 79,120	\$ 78,849	Sep 2024	8.42 %	0.21	N/A	\$ 85,266
Senior Unsecured Notes							
February 2029 Senior Unsecured Notes	\$ 34,500	\$ 32,890	Feb 2029	10.79 %	4.73	N/A	\$ —
May 2029 Senior Unsecured Notes	65,000	62,490	May 2029	10.52 %	4.94	N/A	—
Total Senior Unsecured Notes	\$ 99,500	\$ 95,380		10.61 %	4.87	N/A	\$ —
Total Financing	\$ 6,972,885	\$ 6,527,223		5.54 %	5.50	\$ 1,661,457	\$ 5,564,481

- (1) The Company also had \$3.4 million and \$1.7 million of cash pledged under repurchase agreements as of June 30, 2024 and December 31, 2023, respectively.
- (2) Under the terms of the Company's financing agreements, the Company's financing counterparties may, in certain cases, sell or re-hypothecate the pledged collateral.
- (3) Amounts pledged as collateral under Securitized residential mortgage loans include certain of the Company's retained interests in securitizations. Refer to Note 3 for more information on the Non-Agency VIEs and RPL/NPL VIEs.
- (4) As of June 30, 2024, the weighted average stated rate on the financing arrangements on the Company's Securitized non-agency loans was 7.78%.
- (5) The Company's Residential mortgage loan financing arrangements include a maximum uncommitted borrowing capacity of \$1.8 billion on facilities used to finance Non-Agency and Agency-Eligible Loans.
- (6) As of June 30, 2024, the weighted average stated rate on the financing arrangements on the Company's Legacy WMC Commercial Loans was 8.08%.
- (7) 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 Non-Agency VIEs and RPL/NPL VIEs.
- (8) As of June 30, 2024, the amortized cost of Securitized debt in the Company's Non-Agency VIEs was \$5.3 billion.
- (9) The current face on the Company's Securitized debt in the Company's Non-Agency VIEs excludes Interest Only classes which have no principal balances and bear interest based on a notional value. The notional value is used solely to determine interest distributions on the interest only classes of securities. As of June 30, 2024, the notional value of interest only classes of Securitized debt was \$621.6 million.
- (10) As of June 30, 2024, the amortized cost of Securitized debt in the Company's RPL/NPL VIEs was \$116.4 million.

**Legacy WMC Convertible Notes**

In connection with the WMC acquisition, the Merger Sub assumed, and the Company guaranteed, \$ 86.25 million aggregate principal of Legacy WMC Convertible Notes. The Legacy WMC Convertible Notes have an interest rate of 6.75% and interest is paid semiannually. The Legacy WMC Convertible Notes are convertible into, at the Company's election, cash, shares of the





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Company's common stock or a combination of both, subject to the satisfaction of certain conditions and during specified periods. The conversion rate is subject to further adjustment upon the occurrence of certain specified events and the holders may require the Company to repurchase all or any portion of their notes for cash equal to 100% of the principal amount of the Legacy WMC Convertible Notes, plus accrued and unpaid interest, if the Company undergoes a fundamental change as specified in the supplemental indenture for the Legacy WMC Convertible Notes. Immediately prior to the Effective Time of the WMC acquisition, holders of the Legacy WMC Convertible Notes had the right to convert each \$1,000 principal amount into 33.7952 shares of WMC common stock. As a result of the WMC acquisition, and pursuant to the terms of the Legacy WMC Convertible Notes, the conversion rate was amended whereby each holder now has the right to convert each \$1,000 principal amount of Legacy WMC Convertible Notes into 50.6252 shares of common stock, representing a total conversion price of \$19.75 per share. The total conversion price consists of common stock of \$ 19.13 per share and cash of \$0.62 per share. The Legacy WMC Convertible Notes became redeemable at the Company's option on June 15, 2024, and mature on September 15, 2024, unless earlier converted, redeemed or repurchased by the holders pursuant to their terms.

The below table details the total interest expense incurred on the Legacy WMC Convertible Notes during the three and six months ended June 30, 2024 (in thousands). There was no interest expense incurred during the three or six months ended June 30, 2023 as the Company assumed the Legacy WMC Convertible Notes in connection with the Merger in December 2023.

	<b>Three Months Ended</b>	<b>Six Months Ended</b>
	<b>June 30, 2024</b>	<b>June 30, 2024</b>
Coupon interest expense	\$ 1,335	\$ 2,708
Amortization expense	319	641
Total interest expense	\$ 1,654	\$ 3,349

During the six months ended June 30, 2024, the Company repurchased \$ 7.1 million of principal amount of its outstanding Legacy WMC Convertible Notes.

**Senior Unsecured Notes**

The Company's Senior Unsecured Notes consist of \$34.5 million principal amount 9.500% Senior Notes due February 2029 ("February 2029 Senior Unsecured Notes") and \$65.0 million principal amount 9.500% Senior Notes due May 2029 ("May 2029 Senior Unsecured Notes" and together with the February 2029 Senior Unsecured Notes, the "Senior Unsecured Notes"). The February 2029 Senior Unsecured Notes were issued on January 26, 2024 in a public offering for net proceeds of approximately \$32.8 million and the May 2029 Senior Unsecured Notes were issued on May 15, 2024 in a public offering for net proceeds of approximately \$62.4 million. The below table provides a summary of the Senior Unsecured Notes (\$ in thousands).

	<b>Principal Amount (1)</b>	<b>Carrying Value</b>	<b>First Pay Date</b>	<b>Maturity Date (2)</b>	<b>Redemption Date (3)</b>	<b>Rate (4)</b>
February 2029 Senior Unsecured Notes	\$ 34,500	\$ 32,890	May 15, 2024	February 15, 2029	February 15, 2026	9.500 %
May 2029 Senior Unsecured Notes	65,000	62,490	August 15, 2024	May 15, 2029	May 15, 2026	9.500 %

- (1) The Senior Unsecured Notes were issued at 100% of the principal amount.
- (2) The Company has the option to redeem the Senior Unsecured Notes earlier than the maturity date.
- (3) The Company may redeem the Senior Unsecured Notes in whole or in part at any time or from time to time at the Company's option on or after the redemption date, upon not less than 30 days written notice to holders prior to the redemption date, at a redemption price equal to 100% of the outstanding principal amount of the Senior Unsecured Notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date.
- (4) The Senior Unsecured Notes bear interest at a rate equal to 9.500% per year, payable in cash quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on the applicable first pay date.

The below table details the total interest expense incurred on the Senior Unsecured Notes during the three and six months ended June 30, 2024 (in thousands). There was no interest expense incurred during the three or six months ended June 30, 2023 as the Senior Unsecured Notes were issued during 2024.

	<b>Three Months Ended</b>	<b>Six Months Ended</b>
	<b>June 30, 2024</b>	<b>June 30, 2024</b>
Coupon interest expense	\$ 1,608	\$ 2,200
Amortization expense	117	164
Total interest expense	\$ 1,725	\$ 2,364

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**Contractual maturities**

The following table allocates the current face of the Company's borrowings under financing arrangements, the Legacy WMC Convertible Notes, and Senior Unsecured Notes as of June 30, 2024 by contractual maturity (in thousands). Securitized debt is excluded from the below table as it does not have a contractual maturity.

	Within 30 Days	Over 30 Days to 3 Months	Over 3 Months to 12 Months	Over 12 Months	Total
<b>Financing Arrangements by Asset Type</b>					
Securitized Residential Mortgage Loans					
Non-Agency Loans	\$ 180,309	\$ 60,122	\$ 33,300	\$ 54,921	\$ 328,652
Re- and Non-Performing Loans	43,032	—	—	—	43,032
Residential Mortgage Loans					
Non-Agency Loans	—	3,217	4,359	—	7,576
Agency-Eligible Loans	—	—	183,648	—	183,648
Residential Mortgage Loans Held for Sale	—	42,807	29,322	—	72,129
Legacy WMC Commercial Loans	—	—	47,222	—	47,222
Non-Agency RMBS	10,887	30,582	2,651	—	44,120
Legacy WMC CMBS	21,889	—	—	—	21,889
Agency RMBS	485,898	—	—	—	485,898
<b>Total Financing Arrangements</b>	<b>\$ 742,015</b>	<b>\$ 136,728</b>	<b>\$ 300,502</b>	<b>\$ 54,921</b>	<b>\$ 1,234,166</b>
<b>Legacy WMC Convertible Notes</b>	<b>\$ —</b>	<b>\$ 79,120</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 79,120</b>
<b>Senior Unsecured Notes</b>					
February 2029 Senior Unsecured Notes	\$ —	\$ —	\$ —	\$ 34,500	\$ 34,500
May 2029 Senior Unsecured Notes	—	—	—	65,000	65,000
<b>Total Senior Unsecured Notes</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 99,500</b>	<b>\$ 99,500</b>

**Counterparties**

The Company had outstanding financing arrangements with six and seven counterparties as of June 30, 2024 and December 31, 2023, respectively.

The following table presents information as of June 30, 2024 and December 31, 2023 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	June 30, 2024			December 31, 2023		
	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
BofA Securities, Inc.	\$ 138,082	142	25.9 %	\$ 131,128	236	24.8 %
Barclays Capital Inc.	79,497	49	14.9 %	81,047	85	15.3 %
Goldman Sachs Bank USA	77,609	53	14.5 %	73,893	9	14.0 %
JP Morgan Securities, LLC	51,088	24	9.6 %	46,642	134	8.8 %
Various (1)	74,286	395	13.9 %	69,637	577	13.2 %

(1) Certain retained interests in securitizations are held in WMC RR 2023-1 Trust, a wholly owned subsidiary of the Company. WMC RR 2023-1 Trust issued certificates which were sold to various third-party investors.

**Financial Covenants**

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

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supplemental terms include requirements of minimum equity and liquidity, leverage ratios, and performance triggers. In addition, some of the financing arrangements contain cross default features, whereby default under an agreement with one lender simultaneously causes default under agreements with other lenders. To the extent that the Company fails to comply with the covenants contained in these financing arrangements or is otherwise found to be in default under the terms of such agreements, the counterparty has the right to accelerate amounts due under the associated agreement. Financings pursuant to financing arrangements are generally recourse to the Company. As of June 30, 2024, the Company is in compliance with all of its financial covenants.

## 7. 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 sheets as of June 30, 2024 and December 31, 2023 (in thousands).

	June 30, 2024	December 31, 2023
<b>Other assets</b>		
Interest receivable	\$ 35,403	\$ 30,315
Real estate owned	7,500	5,644
Derivative assets, at fair value	689	1,321
Other assets	2,621	3,187
Due from broker	1,112	249
<b>Total Other assets</b>	<b>\$ 47,325</b>	<b>\$ 40,716</b>
<b>Other liabilities</b>		
Due to affiliates (1)	\$ 4,929	\$ 3,252
Interest payable	26,015	23,715
Derivative liabilities, at fair value	560	70
Accrued expenses	2,100	4,874
Due to broker	172	196
<b>Total Other liabilities</b>	<b>\$ 33,776</b>	<b>\$ 32,107</b>

(1) Refer to Note 10 for more information.

## Derivatives

The following table presents information related to the Company's derivatives and other instruments and their balance sheet location as of June 30, 2024 and December 31, 2023 (in thousands). All notional amounts are denominated in USD.

	Balance Sheet Location	June 30, 2024		December 31, 2023	
		Notional	Fair Value	Notional	Fair Value
<b>Derivatives and Other Instruments (1)</b>					
Pay Fix/Receive Float Interest Rate Swap Agreements (2) (3)	Other assets	\$ 384,500	\$ 243	\$ 165,000	\$ 149
Pay Fix/Receive Float Interest Rate Swap Agreements (2) (3)	Other liabilities	433,500	—	338,000	—
Short TBAs	Other liabilities	—	—	9,000	(63)
Forward Purchase Commitments	Other assets	67,203	446	70,145	1,172
Forward Purchase Commitments	Other liabilities	89,583	(560)	2,566	(7)

(1) As of June 30, 2024 and December 31, 2023, no derivatives held by the Company were designated as hedges for accounting purposes.

(2) As of June 30, 2024, the Company applied a reduction in fair value of \$12.1 million and \$3.1 million to its interest rate swap assets and liabilities, respectively, related to variation margin with a corresponding increase or decrease in restricted cash. As of December 31, 2023, the Company applied a reduction in fair value of \$9.3 million and \$7.7 million to its interest rate swap assets and liabilities, respectively, related to variation margin with a corresponding increase or decrease in restricted cash.

(3) As of June 30, 2024, the Company's pay fix/receive float interest rate swaps had a weighted average pay-fixed rate of 8.95%, a weighted average receive-variable rate of 5.33%, and a weighted average years to maturity of 5.60 years. As of December 31, 2023, the Company's pay fix/receive float interest rate swaps had a weighted average pay-fixed rate of 3.65%, a weighted average receive-variable rate of 5.38%, and a weighted average years to maturity of 4.01 years.

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Derivative and other instruments eligible for offset are presented gross on the consolidated balance sheets as of June 30, 2024 and December 31, 2023, if applicable. The Company has not offset or netted any derivatives or other instruments with any financial instruments or cash collateral posted or received.

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 must post collateral. As of June 30, 2024, the Company's restricted cash balance included \$24.1 million of collateral related to certain derivatives, of which \$ 15.1 million represents cash collateral posted by the Company and \$9.0 million represents amounts related to variation margin. As of December 31, 2023, the Company's restricted cash balance included \$12.3 million of collateral related to certain derivatives, of which \$ 10.7 million represents cash collateral posted by the Company and \$1.6 million represents amounts related to variation margin.

The following table summarizes total income related to derivatives and other instruments for the three and six months ended June 30, 2024 and 2023 (in thousands).

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<u>Included within Net interest component of interest rate swaps</u>				
Interest Rate Swaps	\$ 2,367	\$ 1,784	\$ 4,267	\$ 2,804
<u>Included within Net unrealized gain/(loss)</u>				
Interest Rate Swaps	(1,719)	11,985	8,594	(9,401)
Long TBAs	—	(5)	—	—
Short TBAs	155	249	63	(650)
Forward Purchase Commitments	(427)	(2,709)	(1,279)	(398)
	(1,991)	9,520	7,378	(10,449)
<u>Included within Net realized gain/(loss)</u>				
Interest Rate Swaps	80	711	(3,061)	10,534
Long TBAs	—	5	—	5
Short TBAs	14	(249)	24	(70)
Forward Purchase Commitments	(161)	1,923	971	1,923
	(67)	2,390	(2,066)	12,392
Total income/(loss)	\$ 309	\$ 13,694	\$ 9,579	\$ 4,747

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**Derivative Activity**

The following tables present information about the Company's derivatives for the three and six months ended June 30, 2024 and 2023 (in thousands).

		Three Months Ended					
		Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Notional Amount	Derivative Asset	Derivative Liability
June 30, 2024	Short TBAs	\$ (32,000)	\$ 96,000	\$ (64,000)	\$ —	\$ —	\$ —
June 30, 2024	Interest Rate Swaps	454,250	498,000	(134,250)	818,000	243	—
June 30, 2023	Interest Rate Swaps	468,000	256,000	(117,000)	607,000	—	(41)

  

		Six Months Ended					
		Beginning Notional Amount	Buys or Covers	Sales or Shorts (1)	Ending Notional Amount	Derivative Asset	Derivative Liability
June 30, 2024	Short TBAs	\$ (9,000)	\$ 130,000	\$ (121,000)	\$ —	\$ —	\$ —
June 30, 2024	Interest Rate Swaps	503,000	717,750	(402,750)	818,000	243	—
June 30, 2023	Long TBAs	—	10,000	(10,000)	—	—	—
June 30, 2023	Short TBAs	(40,000)	100,000	(60,000)	—	—	—
June 30, 2023	Interest Rate Swaps	335,000	598,000	(326,000)	607,000	—	(41)

(1) The sales or shorts includes \$60.0 million of swaps that matured during the six months ended June 30, 2024.

**8. Earnings per share**

The following table presents a reconciliation of the earnings and shares used in calculating basic and diluted earnings per share for the three and six months ended June 30, 2024 and 2023 (in thousands, except per share data).

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b>Numerator:</b>				
Net Income/(Loss)	\$ 3,925	\$ 8,056	\$ 24,815	\$ 20,596
Dividends on preferred stock	(4,586)	(4,586)	(9,172)	(9,172)
<b>Net Income/(Loss) Available to Common Stockholders</b>	<b>\$ (661)</b>	<b>\$ 3,470</b>	<b>\$ 15,643</b>	<b>\$ 11,424</b>
<b>Denominator:</b>				
Basic weighted average common shares outstanding	29,474	20,249	29,463	20,655
Dilutive effect of restricted stock units (1)	—	—	27	—
Diluted weighted average common shares outstanding	29,474	20,249	29,490	20,655
<b>Earnings/(Loss) Per Share</b>				
Basic	\$ (0.02)	\$ 0.17	\$ 0.53	\$ 0.55
Diluted	\$ (0.02)	\$ 0.17	\$ 0.53	\$ 0.55

(1) Restricted stock units issued to certain directors of 27 thousand were excluded from the computation of diluted earnings per share because its effect would be anti-dilutive for the three months ended June 30, 2024.

For the three and six months ended June 30, 2024, the Company excluded the potential effects of the Legacy WMC Convertible Notes from the computation of diluted earnings per share because the market value per share of the Company's common stock was below the conversion price of the Legacy WMC Convertible Notes.

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**Dividends**

The following tables detail the Company's common stock dividends declared during the six months ended June 30, 2024 and 2023.

Six Months Ended June 30, 2024				Six Months Ended June 30, 2023			
Declaration Date	Record Date	Payment Date	Cash Dividend Per Share	Declaration Date	Record Date	Payment Date	Cash Dividend Per Share
3/15/2024	3/29/2024	4/30/2024	\$ 0.18	3/15/2023	3/31/2023	4/28/2023	\$ 0.18
6/13/2024	6/28/2024	7/31/2024	0.19	6/15/2023	6/30/2023	7/31/2023	0.18
<b>Total</b>			<b>\$ 0.37</b>	<b>Total</b>			<b>\$ 0.36</b>

The following tables detail the Company's preferred stock dividends declared and paid during the six months ended June 30, 2024 and 2023.

Declaration Date	Record Date	Payment Date	Cash Dividend Per Share		
			8.25% Series A	8.00% Series B	8.000% Series C
2/16/2024	2/29/2024	3/18/2024	\$ 0.51563	\$ 0.50	\$ 0.50
5/2/2024	5/31/2024	6/17/2024	0.51563	0.50	0.50
<b>Total</b>			<b>\$ 1.03126</b>	<b>\$ 1.00</b>	<b>\$ 1.00</b>

Declaration Date	Record Date	Payment Date	Cash Dividend Per Share		
			8.25% Series A	8.00% Series B	8.000% Series C
2/16/2023	2/28/2023	3/17/2023	\$ 0.51563	\$ 0.50	\$ 0.50
5/4/2023	5/31/2023	6/20/2023	0.51563	0.50	0.50
<b>Total</b>			<b>\$ 1.03126</b>	<b>\$ 1.00</b>	<b>\$ 1.00</b>

**9. Income taxes**

The Company conducts its operations to qualify and be taxed as a REIT. 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. The state and local tax jurisdictions for which the Company is subject to tax-filing obligations recognize the Company's status as a REIT, and therefore, the Company generally does not pay income tax in such jurisdictions. The Company may, however, be subject to certain minimum state and local tax filing fees as well as certain excise, franchise, or business taxes.

On December 6, 2023, the Company acquired WMC, an externally managed mortgage REIT. Refer to "WMC Acquisition" in Note 1 for additional information related to the Merger. The Merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

**Excise Tax**

Excise tax represents a non-deductible 4% 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. For the three and six months ended June 30, 2024 and 2023, the Company did not record any excise tax.

**REIT Net Operating Loss and Net Capital Loss Carryforwards**

As of June 30, 2024 and December 31, 2023, the Company had federal net operating loss ("NOL") carryforwards of \$ 2.1 million and \$2.1 million, respectively, that can be used to offset future taxable ordinary income and reduce its REIT distribution requirements. These NOL carryforwards (which exclude NOLs acquired from WMC) do not have an expiration date and can be carried forward indefinitely. In connection with the Merger, the Company obtained NOL carryforwards of

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\$321.6 million, of which \$223.8 million do not have an expiration date and can be carried forward indefinitely. However, the Company's use of these obtained NOLs is limited under Section 382 of the Internal Revenue Code.

As of June 30, 2024 and December 31, 2023, the Company had estimated net capital loss ("NCL") carryforwards of \$ 298.9 million and \$293.7 million, respectively, the majority of which were generated during the year ended December 31, 2020 and will expire in 2025. These NCL carryforwards (which exclude the NCLs acquired from WMC) can be utilized to offset future net gains from the sale of capital assets. In connection with the Merger, the Company obtained NCL carryforwards of \$143.1 million, of which a majority expire between 2027 and 2028. However, the Company's use of these obtained NCLs is limited under Sections 382 and 383 of the Internal Revenue Code.

***Taxable REIT Subsidiaries***

The Company elected to treat certain domestic subsidiaries as taxable REIT subsidiaries ("TRSs"). 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. Currently, the Company has wholly owned domestic TRSs that are taxable as corporations and subject to U.S. federal, state, and local income tax on net income at the applicable corporate rates. The federal statutory rate for the three and six months ended June 30, 2024 and 2023 was 21%. The Company's effective tax rate differs from its combined U.S. federal, state, and local corporate statutory tax rate primarily due to income earned at the REIT, which is not subject to tax, due to the deduction for qualifying distributions made by the Company, and any change in the valuation allowance as disclosed in further detail below. The tax expense attributable to its TRSs is recorded in the "Non-investment related expenses" line item on the consolidated statement of operations. The below table details the tax expense attributable to its TRSs for the three and six months ended June 30, 2024 and 2023 (in thousands).

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Income tax expense	\$ 17	\$ —	\$ 42	\$ 225

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting and tax reporting purposes at the TRS level. As of June 30, 2024 and December 31, 2023, the Company recorded a deferred tax asset of approximately \$38.0 million and \$37.3 million, respectively, relating to net operating loss carryforwards, capital loss carryforwards, and basis differences of certain investments held within TRSs. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which temporary differences become deductible. The Company concluded it is more likely than not the deferred tax asset will not be realized and established a full valuation allowance as of June 30, 2024 and December 31, 2023.

***Uncertain Income Tax Positions***

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 June 30, 2024 and December 31, 2023. The Company's federal income tax returns for the last three tax years are open to examination by the Internal Revenue Service. There are no ongoing U.S. federal, state or local tax examinations related to the Company. 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. The Company did not incur any interest or penalties during the three or six months ended June 30, 2024 and 2023.

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**10. Related party transactions**

***Manager***

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. 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 TPG Angelo Gordon. The Company does not have any employees. The Manager has delegated to TPG Angelo Gordon the overall responsibility of its day-to-day duties and obligations arising under the Company's management agreement. Below is a description of the fees and reimbursements provided in the management agreement.

On November 1, 2023, TPG completed the previously announced acquisition of TPG Angelo Gordon (the "TPG Transaction"), pursuant to which TPG Angelo Gordon, including the Manager, became indirect subsidiaries of TPG. Pursuant to the management agreement with the Manager, the closing of the TPG Transaction resulted in an assignment of the management agreement. The independent directors of the Company's Board of Directors unanimously consented to such assignment on July 31, 2023 in advance of the TPG Transaction closing. There were no changes to the management agreement in connection with the TPG Transaction and the assignment of the management agreement became effective upon the closing of the TPG Transaction.

In connection with the Merger with WMC, which was completed on December 6, 2023, and contemporaneously with the execution of the Merger Agreement, on August 8, 2023, the Company and the Manager entered into the MITT Management Agreement Amendment, pursuant to which (i) the Manager's base management fee will be reduced by \$0.6 million for the first four quarters following the Effective Time, beginning with the fiscal quarter in which the Effective Time occurs (i.e., resulting in an aggregate \$2.4 million waiver of base management fees), and (ii) the Manager will waive its right to seek reimbursement from the Company for any expenses otherwise reimbursable by the Company under the management agreement in an amount equal to approximately \$1.3 million, which is the excess of \$7.0 million over the aggregate Per Share Additional Manager Consideration paid by the Manager to the holders of WMC Common Stock under the Merger Agreement. The MITT Management Agreement Amendment became effective automatically upon the closing of the Merger.

***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 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.

The below table details the management fees incurred during the three and six months ended June 30, 2024 and 2023 (in thousands).

Consolidated statements of operations line item:	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Management fee to affiliate (1)	\$ 1,753	\$ 2,061	\$ 3,494	\$ 4,136

- (1) For the three and six months ended June 30, 2024, the Manager agreed to waive its right to receive management fees of \$0.6 million and \$1.2 million, respectively, pursuant to the MITT Management Agreement Amendment executed in connection with the Merger. Of the \$2.4 million management fee waiver agreed upon in connection with the Merger, \$0.6 million remains outstanding as of June 30, 2024.



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As of June 30, 2024 and December 31, 2023, the Company recorded management fees payable of \$ 1.7 million and \$1.5 million, respectively. The management fee payable is included within the "Due to affiliates" item within the "Other liabilities" line item on the consolidated balance sheets.

*Incentive fee*

The Manager is entitled to an annual incentive fee with respect to each applicable fiscal year, which will be equal to 15% of the amount by which the Company's cumulative adjusted net income from November 22, 2021 exceeds the cumulative hurdle amount, which represents an 8% return (cumulative, but not compounding) on an equity hurdle base consisting of the sum of (i) \$341.5 million and (ii) the gross proceeds of any subsequent public or private common stock offerings by the Company. The annual incentive fee will be payable in cash, or, at the option of the Company's Board of Directors, shares of common stock or a combination of cash and shares.

During the three and six months ended June 30, 2024 and 2023, the Company did not incur any incentive fee expense.

*Termination fee*

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 by the Company of any material term of the management agreement, the Manager will be entitled to a termination fee 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 June 30, 2024 and December 31, 2023, 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 the Company's 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.

The below table details the expense reimbursement incurred during the three and six months ended June 30, 2024 and 2023 (in thousands).

Consolidated statements of operations line item:	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Non-investment related expenses (1)	\$ 1,636	\$ 1,400	\$ 3,300	\$ 2,800
Investment related expenses	87	110	201	212
Transaction related expenses	306	318	374	381
Expense reimbursements to Manager or its affiliates	\$ 2,029	\$ 1,828	\$ 3,875	\$ 3,393

- (1) For the three and six months ended June 30, 2024, the Manager agreed to waive its right to receive expense reimbursements of \$0.3 million and \$0.6 million, respectively, pursuant to the MITT Management Agreement Amendment executed in connection with the Merger. Of the \$1.3 million expense reimbursement waiver agreed upon in connection with the Merger, \$0.5 million remains outstanding as of June 30, 2024.

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As of June 30, 2024 and December 31, 2023, the Company recorded a reimbursement payable to the Manager or its affiliates of \$ 2.9 million and \$1.5 million, respectively. The reimbursement payable to the Manager or its affiliates is included within the "Due to affiliates" line item within the "Other liabilities" line item on the consolidated balance sheets.

***Restricted stock grants***

***Equity Incentive Plans***

Effective on April 15, 2020 upon the approval of the Company's stockholders at its 2020 annual meeting of stockholders, the Company's 2020 Equity Incentive Plan (the "2020 Equity Incentive Plan") provides for a maximum of 666,666 shares of common stock to be issued. The maximum number of shares of common stock granted during a single fiscal year to any non-employee director, taken together with any cash fees paid to such non-employee director during any fiscal year, shall not exceed \$300,000 in total value (calculating the value of any such awards based on the grant date fair value). As of June 30, 2024, 426,456 shares of common stock remained available to be awarded under the 2020 Equity Incentive Plan.

Since inception of the 2020 Equity Incentive Plan and through June 30, 2024, the Company has granted an aggregate of 213,208 shares of restricted common stock to its independent directors under its 2020 Equity Incentive Plan, all of which have vested.

On December 6, 2023, in connection with the WMC acquisition, the Company granted an aggregate 25,962 restricted stock units to the Company's two independent directors added to the Company's Board of Directors who previously served on WMC's board of directors. Through June 30, 2024, the two independent directors have also been granted an aggregate of 1,040 dividend equivalent units. These restricted stock units and associated dividend equivalent units vested in full on June 23, 2024, and will be settled in shares of the Company's common stock upon each independent director's separation from service with the Company.

***Manager Equity Incentive Plans***

Following approval of the Company's stockholders at its 2021 annual meeting of stockholders, the AG Mortgage Investment Trust, Inc. 2021 Manager Equity Incentive Plan (the "2021 Manager Plan") became effective on April 7, 2021 and provides for a maximum of 573,425 shares of common stock that may be subject to awards thereunder to the Manager. As of June 30, 2024, there were no shares or awards issued under the 2021 Manager Plan. Following the execution of the Third Amendment to the management agreement in November 2021 related to the incentive fee, the Company's compensation committee no longer expects to continue its historical practice of making periodic equity grants to the Manager pursuant to the 2021 Manager Plan.

***Director compensation***

As of June 30, 2024, the Company's Board of Directors consisted of six independent directors. The annual base director's fee for each independent director is \$150,000, \$70,000 of which is payable on a quarterly basis in cash and \$ 80,000 of which is payable on a quarterly basis in shares of 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 common 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 their service as an independent member of the Company's Board of Directors.

In addition to the annual base director's fee, the non-executive chair of the Company's Board of Directors receives an annual fee of \$ 60,000, of which \$30,000 is payable in cash and \$30,000 is payable in shares of restricted common stock, the chair of the Audit Committee receives an annual fee of \$25,000, and the chairs of the Compensation and Nominating and Corporate Governance Committees each receive an annual fee of \$ 10,000.

***Investments in debt and equity of affiliates***

The Company invests in credit sensitive residential assets through affiliated entities which hold an ownership interest in the assets. The Company is one investor, amongst other investors managed by affiliates of TPG Angelo Gordon, in such entities and has applied the equity method of accounting for such investments.

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*Arc Home*

On December 9, 2015, the Company, alongside private funds managed by TPG Angelo Gordon, through AG Arc LLC, one of the Company's indirect affiliates ("AG Arc"), formed Arc Home. The Company has an approximate 44.6% interest in AG Arc. Arc Home originates residential mortgage loans and retains the mortgage servicing rights associated with certain loans it originates. Arc Home is led by an external management team. The Company has chosen to make a fair value election with respect to its investment in AG Arc pursuant to ASC 825. The Company elected to treat its investment in AG Arc as a taxable REIT subsidiary.

*MATH*

On August 29, 2017, the Company, alongside private funds managed by TPG Angelo Gordon, formed MATH to conduct a residential mortgage investment strategy. MATH in turn sponsored the formation of Mortgage Acquisition Trust I LLC ("MATT") to purchase predominantly Non-QM Loans. MATT made an election to be treated as a REIT beginning with the 2018 tax year. The Company has an approximate 47.0% interest in MATH. Refer to the "MATH Transaction" section below for additional details on the Company's increase in ownership interest during 2023. MATH, through its wholly owned subsidiary MATT, only holds risk-retention tranches from past securitizations which continue to pay down and the Company does not expect MATT to acquire additional investments.

*LOTS*

On May 15, 2019 and November 14, 2019, the Company, alongside private funds managed by TPG Angelo Gordon, formed LOT SP I LLC and LOT SP II LLC, respectively, (collectively, "LOTS"). The Company has an approximate 47.5% and 50.0% interest in LOT SP I LLC and LOT SP II LLC, respectively. LOTS were formed to originate first mortgage loans to third-party land developers and home builders for the acquisition and horizontal development of land ("Land Related Financing"). During the year ended December 31, 2023, the Land Related Financing assets held within LOTS paid off in full.

**AG Mortgage Investment Trust Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Unaudited)**  
**June 30, 2024**

*Summary of investments in debt and equity of affiliates and related earnings*

The below table summarizes the components of the "Investments in debt and equity of affiliates" line item on the Company's consolidated balance sheets as of June 30, 2024 and December 31, 2023 (in thousands).

	June 30, 2024			December 31, 2023		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
Non-QM Securities (1)	\$ 14,940	\$ —	\$ 14,940	\$ 15,257	\$ —	\$ 15,257
Re/Non-Performing Securities	7,246	(3,559)	3,687	7,569	(3,605)	3,964
Total Residential Investments	22,186	(3,559)	18,627	22,826	(3,605)	19,221
AG Arc, at fair value	34,954	—	34,954	33,574	—	33,574
Cash and Other assets/(liabilities)	809	(39)	770	2,361	(53)	2,308
Investments in debt and equity of affiliates	\$ 57,949	\$ (3,598)	\$ 54,351	\$ 58,761	\$ (3,658)	\$ 55,103

(1) MATH, through its wholly owned subsidiary MATT, only holds risk-retention tranches from past securitizations which continue to pay down and the Company does not expect MATT to acquire additional investments.

The below table reconciles the net income/(loss) to the "Equity in earnings/(loss) from affiliates" line item on the Company's consolidated statements of operations for the three and six months ended June 30, 2024 and 2023 (in thousands).

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Non-QM Securities	\$ (828)	\$ 349	\$ 1,377	\$ 1,974
Land Related Financing	—	402	—	741
Re/Non-Performing Securities	211	(281)	316	(89)
AG Arc (1)	1,528	(32)	1,255	(2,172)
Equity in earnings/(loss) from affiliates	\$ 911	\$ 438	\$ 2,948	\$ 454

(1) Earnings/(loss) recognized by AG Arc do not include the Company's portion of gains or losses recorded by Arc Home in connection with the sale of residential mortgage loans to the Company. Refer to "Transactions with Arc Home" below for more information on this accounting policy.

**Transactions with affiliates**

*Transactions with Red Creek Asset Management LLC*

In connection with the Company's investments in residential mortgage loans, the Company engages asset managers to provide advisory, consultation, asset management, and other services. The Company engaged Red Creek Asset Management LLC (the "Asset Manager"), a related party of the Manager and direct subsidiary of TPG Angelo Gordon, as the asset manager for certain of its residential mortgage loans. The Company pays the Asset Manager asset management fees which are assessed periodically by a third-party valuation firm. The below details the fees paid by the Company to the Asset Manager during the three and six months ended June 30, 2024 and 2023 (in thousands).

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Fees paid to Asset Manager	\$ 667	\$ 680	\$ 1,325	\$ 1,363

As of June 30, 2024 and December 31, 2023, the Company recorded asset management fees payable of \$ 0.3 million and \$0.2 million, respectively. Asset management fees payable are included within the "Due to affiliates" line item within the "Other liabilities" line item on the consolidated balance sheets.

**AG Mortgage Investment Trust Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Unaudited)**  
**June 30, 2024**

*Transactions with Arc Home*

Arc Home may sell loans to the Company, third-parties, or affiliates of the Manager. The below table details the unpaid principal balance of Non-Agency Loans and Agency-Eligible Loans sold to the Company and private funds under the management of TPG Angelo Gordon during the three and six months ended June 30, 2024 and 2023 (in thousands).

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Residential mortgage loans sold by Arc Home to the Company	\$ 133,591	\$ 193,207	\$ 213,382	\$ 193,207
Residential mortgage loans sold by Arc Home to private funds under the management of TPG Angelo Gordon	123,545	31,063	279,946	121,647

In connection with the sale of loans from Arc Home to the Company, the Company eliminates any intra-entity profits or losses typically recognized through the "Equity in earnings/(loss) from affiliates" line item on the Company's consolidated statement of operations and adjusts the cost basis of the underlying loans resulting in unrealized gains or losses on the underlying loans. The table below summarizes intra-entity profits eliminated during the three and six months ended June 30, 2024 and 2023 (in thousands).

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Intra-Entity Profits Eliminated	\$ 405	\$ 341	\$ 606	\$ 341

The Company enters into forward purchase commitments with Arc Home whereby the Company commits to purchase residential mortgage loans from Arc Home at a particular price on a best-efforts basis. Actual loan purchases are contingent upon successful loan closings. These commitments to purchase mortgage loans are classified as derivatives. From time to time, the Company may determine that certain loans it has previously committed to purchase will be sold to third parties and, as a result, the derivative will be settled on a net basis with Arc Home. See Note 7 and Note 12 for more detail.

*Transactions under the Company's Affiliated Transaction Policy*

The below table details transactions where the Company purchased or sold assets from or to an affiliate of the Manager (\$ in millions). The transactions were executed in accordance with the Company's Affiliated Transaction Policy. There were no purchases or sales of assets from or to an affiliate of the Manager during three and six months ended June 30, 2024. Refer to the "Transactions with Arc Home" section above for additional information related to transactions with Arc Home, which are excluded from the table below.

Date	Transaction	Fair Value (1)	Pricing Methodology
June 2023	Purchase of Real Estate Securities	\$ 0.3	Competitive bidding process (2)
November 2023	Purchase of Real Estate Securities (4)	4.8	Third party pricing vendors (3)
November 2023	Purchase of MATH (4)	0.9	Third party pricing vendors (3)

(1) As of the transaction date.

(2) The Company submitted an offer to purchase the securities from an affiliate in a competitive bidding process, which allowed the Company to confirm third-party market pricing and best execution.

(3) Pricing was based on valuations prepared by third-party pricing vendors in accordance with the Company's policy.

(4) Refer to the "MATH Transaction" below.

**AG Mortgage Investment Trust Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Unaudited)**  
**June 30, 2024**

*MATH Transaction*

In November 2023, the Company's 44.6% allocation of certain bonds retained from past securitizations and held through its investment in MATH was transferred directly to the Company and the Company purchased an additional 13.1% of these bonds from other funds managed by TPG Angelo Gordon who were invested in MATH alongside the Company. These bonds are currently recorded in the Company's "Real estate securities, at fair value" line item on the consolidated balance sheets. Additionally, the Company purchased an additional interest in MATH from other funds managed by TPG Angelo Gordon, increasing its ownership interest in MATH from 44.6% to 47.0%. Subsequent to this transaction, MATH, through its wholly owned subsidiary MATT, only holds risk-retention tranches from past securitizations which continue to pay down and the Company does not expect MATT to acquire additional investments.

## 11. Equity

### *Stock repurchase programs*

On August 3, 2022, the Company's Board of Directors authorized a stock repurchase program (the "2022 Repurchase Program") to repurchase up to \$15.0 million of the Company's outstanding common stock. The 2022 Repurchase Program does not have an expiration date and permits the Company to repurchase its shares through various methods, including open market repurchases, privately negotiated block transactions and Rule 10b5-1 plans. The Company may repurchase shares of its common stock from time to time in compliance with SEC regulations and other legal requirements. The extent to which the Company repurchases its shares, and the timing, manner, price, and amount of any such repurchases, will depend upon a variety of factors including market conditions and other corporate considerations as determined by the Company's management, as well as the limits of the 2022 Repurchase Program and the Company's liquidity and business strategy. The 2022 Repurchase Program does not obligate the Company to acquire any particular amount of shares and may be modified or discontinued at any time. As of June 30, 2024, approximately \$1.5 million of common stock remained authorized for future share repurchases under the 2022 Repurchase Program. There were no repurchases during the three and six months ended June 30, 2024. The table below details the Company's share repurchases under the 2022 Repurchase Program during the six months June 30, 2023.

Three Months Ended (1)	Total Number of Shares Purchased	Weighted Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Approximate Dollar Value that May Yet Be Purchased Under the Program (2)
March 31, 2023	923,261	\$ 5.68	923,261	\$ 2,569,940
June 30, 2023	187,020	5.93	187,020	1,461,810
<b>Total</b>	<b>1,110,281</b>	<b>\$ 5.72</b>	<b>1,110,281</b>	<b>\$ 1,461,810</b>

(1) Based on trade date.

(2) Includes brokerage commissions and clearing fees.

On May 4, 2023, the Company's Board of Directors authorized a stock repurchase program (the "2023 Repurchase Program") to repurchase up to \$15.0 million of the Company's outstanding common stock on substantially the same terms as the 2022 Repurchase Program. As of June 30, 2024, the full \$15.0 million authorized amount remains available for repurchase under the 2023 Repurchase Program. This authorization is in addition to the amount remaining under the 2022 Repurchase Program.

On February 22, 2021, the Company's Board of Directors authorized a stock repurchase program (the "Preferred Repurchase Program") pursuant to which the Company's Board of Directors granted a repurchase authorization to acquire shares of the Company's 8.25% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock"), 8.00% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock"), and 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock ("Series C Preferred Stock") having an aggregate value of up to \$20.0 million. No share repurchases under the Preferred Repurchase Program have been made since its authorization.

Shares of stock repurchased by the Company under any repurchase program, if any, will be cancelled and, until reissued by the Company, will be deemed to be authorized but unissued shares of its stock as required by Maryland law. 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.

**AG Mortgage Investment Trust Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Unaudited)**  
**June 30, 2024**

***Equity distribution agreements***

The Company has 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 under the Securities Act of 1933. The Company did not issue any shares of common stock under the Equity Distribution Agreements during the three and six months ended June 30, 2024 and 2023. Since inception of the program, the Company has issued approximately 2.2 million shares of common stock under the Equity Distribution Agreements for gross proceeds of \$48.3 million.

***Shelf registration statement***

On March 26, 2024, the Company filed a new shelf registration statement, registering up to \$ 1.0 billion of its securities, including capital stock (the "2024 Registration Statement"). The 2024 Registration Statement was declared effective on April 9, 2024 and will generally remain effective for three years. Upon effectiveness of the 2024 Registration Statement, the Company's previous S-3 registration statement filed in 2021 was terminated.

***Preferred stock***

The Company is authorized to designate and issue up to 50.0 million shares of preferred stock, par value \$ 0.01 per share, in one or more classes or series. As of June 30, 2024 and December 31, 2023, there were 1.7 million, 3.7 million, and 3.7 million of Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock, respectively, issued and outstanding.

**AG Mortgage Investment Trust Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Unaudited)**  
**June 30, 2024**

The following table includes a summary of preferred stock issued and outstanding as of June 30, 2024 (\$ and shares in thousands).

Preferred Stock Series	Issuance Date	Shares Outstanding	Carrying Value	Aggregate Liquidation Preference (1)	Optional Redemption Date (2)	Rate (3)(4)
Series A Preferred Stock	August 3, 2012	1,663	\$ 40,110	\$ 41,580	August 3, 2017	8.25 %
Series B Preferred Stock	September 27, 2012	3,728	90,187	93,191	September 17, 2017	8.00 %
Series C Preferred Stock	September 17, 2019	3,729	90,175	93,220	September 17, 2024	8.000 %
Total		9,120	\$ 220,472	\$ 227,991		

- (1) The Company's Preferred Stock has a liquidation preference of \$25.00 per share.
- (2) Shares have no stated maturity and are not subject to any sinking fund or mandatory redemption. Shares of the Company's Preferred Stock are redeemable at \$25.00 per share plus accumulated and unpaid dividends (whether or not declared) exclusively at the Company's option. Shares of the Company's Series C Preferred Stock may be redeemable earlier than the optional redemption date under certain circumstances intended to preserve its qualification as a REIT for federal income tax purposes.
- (3) 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, is 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 were originally set to accumulate at a percentage of the \$25.00 liquidation preference equal to an annual floating rate of the then three-month LIBOR, plus a spread of 6.476%. In light of the discontinuance of the publication of three-month LIBOR after June 2023 and pursuant to the terms of the Series C Preferred Stock, the Company has appointed a calculation agent to select an industry accepted substitute or successor base rate to the three-month LIBOR rate. It is expected that such substitute or successor base rate will be the three-month CME Term SOFR (plus a tenor spread adjustment of 0.26161%). The calculation agent may also implement changes to the business day convention, the definition of business day, the dividend determination date, the interest rate spread and the method for obtaining the substitute or successor base rate, in a manner that is consistent with industry accepted practices.
- (4) Dividends are payable quarterly in arrears on the 17th day of each March, June, September, and December and holders are entitled to receive cumulative cash dividends at the respective stated rate per annum before holders of common stock are entitled to receive any cash dividends.

The Company's Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock generally do not have any voting rights, subject to an exception in the event the Company fails to pay dividends on such stock for six or more quarterly periods (whether or not consecutive). Under such circumstances, holders of the Company's Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock voting together as a single class with the holders of all other classes or series of its preferred stock upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Company's Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock will be entitled to vote to elect two additional directors to the Company's Board of Directors until all unpaid dividends have been paid or declared and set apart for payment. In addition, certain material and adverse changes to the terms of any series of the Company's Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock cannot be made without the affirmative vote of holders of at least two-thirds of the outstanding shares of the series of the Company's Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock whose terms are being changed.

## 12. Commitments and Contingencies

From time to time, the Company may become involved in various claims and legal actions arising in the ordinary course of business. As of June 30, 2024, the Company was not involved in any material legal proceedings.

The below table details the Company's outstanding commitments as of June 30, 2024 (in thousands).

Commitment type	Date of Commitment	Total Commitment	Funded Commitment	Remaining Commitment
Non-Agency and Agency-Eligible Loans (1)	Various	\$ 160,350	\$ —	\$ 160,350

- (1) The Company entered into forward purchase commitments to acquire certain Non-Agency and Agency-Eligible Loans from Arc Home which have not yet settled as of June 30, 2024. The total commitment amount represents the agreed upon purchase price of any outstanding unpaid principal balance the Company has committed to purchase. Refer to Note 10 "Transactions with affiliates" for more information.



**AG Mortgage Investment Trust Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Unaudited)**  
**June 30, 2024**

**13. Subsequent Events**

The Company announced that on August 1, 2024, its Board of Directors declared third quarter 2024 preferred stock dividends on its Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock in the amount of \$0.51563, \$0.50 and \$0.50 per share, respectively. The dividends will be paid on September 17, 2024 to holders of record on August 30, 2024.

On July 31, 2024, the Company sold Non-Agency Loans for gross proceeds of \$ 86.3 million. These loans were recorded within the "Residential mortgage loans held for sale, at fair value" line item on the consolidated balance sheets as of June 30, 2024.

On July 31, 2024, Arc Home, a residential mortgage loan originator which retains mortgage servicing rights ("MSRs") associated with certain loans it originates, sold substantially all of its MSR portfolio to an unrelated third-party consisting of \$5.8 billion of unpaid principal balance. As of June 30, 2024, the fair value of Arc Home's MSR portfolio was \$88.2 million which collateralized related financing arrangements of \$39.3 million. The Company owns an approximate 44.6% interest in Arc Home through its investment in AG Arc which is recorded within the "Investments in debt and equity of affiliates" line item on the consolidated balance sheets.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*In this quarterly report on Form 10-Q, or this "report," we refer to AG Mortgage Investment Trust, Inc. as "we," "us," the "Company," or "our," unless we specifically state otherwise or the context indicates otherwise. We refer to our external manager, AG REIT Management, LLC, as our "Manager," and we refer to the direct parent company of our Manager, Angelo, Gordon & Co., L.P., as "TPG Angelo Gordon."*

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 Item 1 of this report, as well as the information contained in our Annual Report on Form 10-K for the year ended December 31, 2023, and any subsequent filings.

## 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, yields, 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," "could," "will," "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, without limitation:

- the persistence of labor shortages, supply chain imbalances, the Israel-Hamas conflict, Russia's invasion of Ukraine, inflation, and the potential for an economic recession;
- changes in our business and investment strategy;
- our ability to predict and control costs;
- changes in interest rates and the fair value of our assets, including negative changes resulting in margin calls relating to the financing of our assets;
- changes in the yield curve;
- changes in prepayment rates on the loans we own or that underlie our investment securities;
- regulatory and structural changes in the residential loan market and its impact on non-agency mortgage markets;
- increased rates of default or delinquencies and/or decreased recovery rates on our assets;
- our ability to obtain and maintain financing arrangements on terms favorable to us or at all;
- our ability to enter into, or refinance, securitization transactions on the terms and pace anticipated or at all;
- the degree to which our hedging strategies may or may not protect us from interest rate and credit risk volatility;
- our ability to realize all of the expected benefits of the acquisition of Western Asset Mortgage Capital Corporation ("WMC") or that such benefits may take longer to realize than expected (including because we incurred significant costs associated with such acquisition);
- our ability to refinance the remaining portion of the senior convertible notes assumed in the WMC acquisition in the manner anticipated or at all;
- changes in general economic conditions, in our industry and in the finance and real estate markets, including the impact on the value of our assets;
- conditions in the market for Residential Investments and Agency RMBS;
- conditions in the market for commercial investments, including the Company's ability to successfully realize the commercial investments acquired from WMC within the timeframe anticipated or at all;
- legislative and regulatory actions by the U.S. Congress, U.S. Department of the Treasury, the Federal Reserve and other agencies and instrumentalities;
- our ability to make distributions to our stockholders in the future;
- our ability to maintain our qualification as a REIT for federal tax purposes; and
- our ability to qualify for an exemption from registration under the Investment Company Act of 1940, as amended (the "Investment Company Act").

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 our Annual Report on Form 10-K for the year ended December 31, 2023 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.

## Second Quarter 2024 Executive Summary

### Financial Highlights

- \$10.63 Book Value per share and \$10.37 Adjusted Book Value per share;
- \$(0.02) of Net Income/(Loss) Available to Common Stockholders per diluted common share and \$0.21 of Earnings Available for Distribution ("EAD") per diluted common share;
  - Refer to the "Earnings Available for Distribution" section below for further details related to our reconciliation of Net Income/(Loss) Available to Common Stockholders to EAD;
- 12.2x GAAP Leverage Ratio and 2.5x Economic Leverage Ratio; and
- \$0.19 dividend per common share declared, which represents a 5.6% increase over the prior quarter dividend of \$0.18 per common share.

### Investment Activity

- The table below summarizes the fair value of purchases and proceeds from sales of investments during the quarter ended June 30, 2024 (in thousands).

Investment	Purchases	Sales
Non-Agency Loans	\$ 9,582	\$ —
Agency-Eligible Loans	413,619	—
Agency RMBS	428,521	—
Non-Agency RMBS (1) (2)	18,051	19,858
<b>Total</b>	<b>\$ 869,773</b>	<b>\$ 19,858</b>

- (1) Includes sales of \$8.3 million of Non-Agency RMBS sold from the legacy portfolio acquired from Western Asset Mortgage Capital Corporation ("WMC").
- (2) During the quarter, we co-sponsored a rated securitization collateralized by \$369.2 million of Agency-Eligible Loans. As the co-sponsor, the Company retained an "eligible vertical interest" to comply with risk retention rules which consists of at least 5% of each class of securities issued in the securitization. Upon evaluating our retained interest in the securitization trust, we determined we were not the primary beneficiary and, as a result, did not consolidate the securitization trust and recorded an investment of \$18.1 million of Non-Agency RMBS.
- Subsequent to quarter end:
    - Sold Non-Agency Loans for gross proceeds of \$86.3 million. These loans were recorded within the "Residential mortgage loans held for sale, at fair value" line item on the consolidated balance sheets as of June 30, 2024; and
    - On July 31, 2024, Arc Home, a residential mortgage loan originator which retains mortgage servicing rights ("MSRs") associated with certain loans it originates, sold substantially all of its MSR portfolio to an unrelated third-party consisting of \$5.8 billion of unpaid principal balance. As of June 30, 2024, the fair value of Arc Home's MSR portfolio was \$88.2 million which collateralized related financing arrangements of \$39.3 million. We own an approximate 44.6% interest in Arc Home through our investment in AG Arc which is recorded within the "Investments in debt and equity of affiliates" line item on the consolidated balance sheets.

### Financing Activity

- Executed a rated securitization of Agency-Eligible Loans with a total unpaid principal balance of \$309.8 million, converting recourse financing with mark-to-market margin calls to non-recourse financing without mark-to-market margin calls; and
- Issued \$65.0 million principal amount of 9.500% senior notes due 2029 in a public offering generating net proceeds of approximately \$62.4 million.

## Our company

We are a residential mortgage REIT with a focus on investing in a diversified risk-adjusted portfolio of residential mortgage-related assets in the U.S. mortgage market. Our objective is to provide attractive risk-adjusted returns to our stockholders over the long-term, primarily through dividends and capital appreciation.

We focus our investment activities primarily on acquiring and securitizing newly-originated residential mortgage loans within the non-agency segment of the housing market. We obtain our assets through Arc Home, LLC ("Arc Home"), our residential mortgage loan originator in which we own an approximate 44.6% interest, and through other third-party origination partners. We finance our acquired loans through various financing lines on a short-term basis and utilize TPG Angelo Gordon's proprietary securitization platform to secure long-term, non-recourse, non-mark-to-market financing as market conditions permit. Through our ownership in Arc Home, we also have exposure to mortgage banking activities. Arc Home is a multi-channel licensed mortgage originator and servicer primarily engaged in the business of originating and selling residential mortgage loans while retaining the mortgage servicing rights associated with certain loans that it originates.

On December 6, 2023, we acquired Western Asset Mortgage Capital Corporation, an externally managed mortgage REIT that focused on investing in, financing and managing a portfolio of residential mortgage loans, real estate related securities, and commercial real estate loans. Through this acquisition, we increased our investment portfolio by \$1.2 billion, which primarily consisted of Securitized Non-Agency Loans. For more information, refer to the "WMC Acquisition" section below.

Our investment portfolio (which excludes our ownership in Arc Home) primarily includes Residential Investments and Agency RMBS. Currently, our Residential Investments primarily consist of newly originated Non-Agency Loans and Agency-Eligible Loans, which we refer to as our target assets. In addition, we may also invest in other types of residential mortgage loans and other mortgage related assets.

As of June 30, 2024, our investment portfolio consisted of the following Residential Investments and Agency RMBS:

Asset Class	Description
<b>Residential Investments</b>	
Non-Agency Loans <sup>(1)</sup>	• Non-Agency Loans are loans that do not conform to the underwriting guidelines of a government-sponsored enterprise ("GSE"). Non-Agency Loans consist of Qualified mortgage loans ("QM Loans") and Non-Qualified mortgage loans ("Non-QM Loans"). QM Loans are residential mortgage loans that comply with the Ability-To-Repay rules and related guidelines of the Consumer Finance Protection Bureau.
Agency-Eligible Loans <sup>(1)</sup>	• Agency-Eligible Loans are loans that are underwritten in accordance with GSE guidelines and are primarily secured by investment properties, but are not guaranteed by a GSE. Although these loans are underwritten in accordance with GSE guidelines and can be delivered to Fannie Mae and Freddie Mac, we include these loans within our Non-Agency securitizations.
Re- and Non-Performing Loans <sup>(1)</sup>	• Performing, re-performing, and non-performing loans are residential mortgage loans collateralized by a first lien mortgaged property.
Non-Agency RMBS <sup>(2)</sup>	• Non-Agency Residential Mortgage-Backed Securities ("RMBS") represent fixed- and floating- rate RMBS issued by entities other than U.S. GSEs or agencies of the U.S. government.
Agency RMBS <sup>(2)</sup>	• Agency RMBS represent interests in pools of residential mortgage loans guaranteed by a GSE such as Fannie Mae or Freddie Mac, or an agency of the U.S. Government such as Ginnie Mae.

(1) These investments are included in the "Securitized residential mortgage loans, at fair value", "Residential mortgage loans, at fair value", and "Residential mortgage loans held for sale, at fair value" line items on the consolidated balance sheets.

(2) These investments are included in the "Real estate securities, at fair value" line item on the consolidated balance sheets.

In addition, our investment portfolio includes commercial loans, commercial-mortgage backed securities ("CMBS") and other securities (collectively, the "Legacy WMC Commercial Investments") that were acquired in the WMC acquisition. The Legacy WMC commercial loans primarily include first lien commercial mortgage loan participations and are included in the "Commercial loans, at fair value" line item on the consolidated balance sheets. The Legacy WMC CMBS primarily include fixed-rate and floating-rate CMBS, secured by, or evidencing an ownership interest in, a single commercial mortgage loan or a pool of commercial mortgage loans, and are included in the "Real estate securities, at fair value" line item on the consolidated balance sheets. We expect to either hold the Legacy WMC Commercial Investments until maturity or opportunistically exit these investments.

Our primary sources of income are net interest income from our investment portfolio, changes in the fair value of our investments, and income from our investment in Arc Home. Net interest income consists of the interest income we earn on investments less the interest expense we incur on borrowed funds and any costs or benefits related to hedging. Income from our investment in Arc Home is generated through its mortgage banking activities which represents the origination and subsequent sale of residential mortgage loans and servicing income sourced from its portfolio of mortgage servicing rights.

We were incorporated in Maryland on March 1, 2011 and commenced operations in July 2011. We conduct our operations to qualify and be taxed as a 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 to our stockholders as long as we maintain our intended qualification as a REIT, with the exception of business conducted in our domestic taxable REIT subsidiaries ("TRSs") which are subject to corporate income tax. We also operate our business in a manner that permits us to maintain our exemption from registration under the Investment Company Act.

### **WMC Acquisition**

On December 6, 2023, (the "Closing Date") we completed our acquisition of WMC. On the Closing Date, WMC merged with and into AGMIT Merger Sub, LLC, a Delaware limited liability company and our wholly owned subsidiary ("Merger Sub"), with Merger Sub continuing as the surviving company (the "Merger"). As contemplated by the Agreement and Plan of Merger, dated as of August 8, 2023 (the "Merger Agreement"), the certificate of merger was filed with the Secretary of State of the State of Delaware, and the Merger was effective at 8:15 a.m., Eastern Time, on the Closing Date (the "Effective Time").

Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, at the Effective Time, each outstanding share of WMC common stock, par value \$0.01 per share ("WMC Common Stock"), was converted into the right to receive the following (the "Per Share Merger Consideration"): (i) from us, 1.498 shares of our common stock; and (ii) from our Manager, a cash amount equal to \$0.92 (the "Per Share Additional Manager Consideration"). No fractional shares of our common stock were issued in the Merger, and the value of any fractional interests to which a former holder of WMC Common Stock was otherwise entitled was paid in cash.

In addition, on August 8, 2023, we and our Manager entered into an amendment (the "MITT Management Agreement Amendment") to our existing management agreement, pursuant to which (i) the base management fee will be reduced by \$0.6 million for the first four quarters following the Effective Time, beginning with the fiscal quarter in which the Effective Time occurs (i.e., resulting in an aggregate \$2.4 million waiver of base management fees), and (ii) our Manager will waive its right to seek reimbursement from us for any expenses otherwise reimbursable by us under the management agreement in an amount equal to approximately \$1.3 million, which is the excess of \$7.0 million over the aggregate Per Share Additional Manager Consideration paid by our Manager to the holders of WMC Common Stock under the Merger Agreement.

Additionally, each outstanding share of WMC's restricted common stock and each WMC restricted stock unit (each, a "WMC Equity Award") vested in full immediately prior to the Effective Time and, as of the Effective Time, was considered outstanding for all purposes of the Merger Agreement, including the right to receive the Per Share Merger Consideration, except that WMC Equity Awards granted to certain members of the WMC board of directors at WMC's 2023 annual stockholders' meeting (collectively, the "2023 WMC Director Awards") were treated as follows: (i) for M. Christian Mitchell and Lisa G. Quateman, who were appointed to our Board of Directors as of the Effective Time, the 2023 WMC Director Awards were equitably adjusted effective as of the Effective Time into awards relating to shares of our common stock that have the same value, vesting terms and other terms and conditions as applied to the corresponding WMC restricted stock units immediately prior to the Effective Time and (ii) for the other members of the WMC board of directors, the 2023 WMC Director Awards accelerated and vested pro-rata effective as of immediately prior to the Effective Time based on a fraction, the numerator of which was 166 (the number of days between the grant date and the Closing Date) and the denominator of which was 365, and the remaining unvested portion of such 2023 WMC Director Awards was cancelled without any consideration.

The issuance of shares of our common stock to the former stockholders of WMC was registered under the Securities Act, pursuant to a registration statement on Form S-4 (File No. 333-274319), as amended, filed by MITT with the Securities and Exchange Commission (the "SEC") and declared effective on September 29, 2023 (the "Registration Statement"). The joint proxy statement/prospectus included in the Registration Statement contains additional information about the Merger, the Merger Agreement and the transactions contemplated thereby.

Pursuant to the Merger Agreement, approximately 9.2 million shares of our common stock were issued in connection with the Merger to former WMC common stockholders, and former WMC common stockholders owned approximately 31% of the common equity of MITT as the combined company following the consummation of the Merger.

### **Our Manager and TPG Angelo Gordon**

We are externally managed by AG REIT Management, LLC, a Delaware limited liability company (the "Manager"), a wholly-owned subsidiary of TPG Angelo Gordon, a diversified credit and real estate investing platform within TPG Inc. ("TPG"). TPG (Nasdaq: TPG) is a leading global alternative asset management firm.

On November 1, 2023, TPG completed the previously announced acquisition of TPG Angelo Gordon (the "TPG Transaction"), pursuant to which TPG Angelo Gordon, including our Manager, became indirect subsidiaries of TPG. Pursuant to the management agreement with our Manager, the closing of the TPG Transaction resulted in an assignment of the management agreement. The independent directors of our Board of Directors unanimously consented to such assignment on July 31, 2023 in advance of the TPG Transaction closing. There were no changes to the management agreement in connection with the TPG Transaction and the assignment of the management agreement became effective upon the closing of the TPG Transaction.

Pursuant to the terms of our management agreement, our Manager provides us with our management team, including our officers, along with appropriate support personnel. All of our officers are employees of TPG 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 has delegated to TPG Angelo Gordon the overall responsibility with respect to our Manager's day-to-day duties and obligations arising under our management agreement. TPG Angelo Gordon is a registered investment adviser under the Investment Advisers Act of 1940, as amended.

Through our relationship with our Manager, we benefit from the expertise and relationships that TPG Angelo Gordon has established which provides us with resources to generate attractive risk-adjusted returns for our stockholders. Our management has significant experience in the mortgage industry and expertise in structured credit investments. We are able to leverage our Manager, along with our ownership interest in Arc Home, a vertically integrated origination platform, to access investment opportunities in the non-agency residential mortgage loan market. This strategic advantage has enabled us to grow our investment portfolio and remain active in the securitization markets, utilizing TPG Angelo Gordon's proprietary securitization platform to deliver non-agency investments to a diverse mix of investors.

### **Market Conditions**

The second quarter of 2024 continued to experience volatility in the financial markets due to the overall market uncertainty related to inflation, the path of monetary policy and interest rates and the recent developments of the upcoming U.S. presidential election. The quarter began with the March Consumer Price Index report indicating inflation was 3.5% year over year, increasing from prior monthly readings. This report, coupled with the unemployment rate remaining low at 3.8%, resulted in the 10-year U.S. treasury yield increasing by approximately 48 basis points during April 2024 to 4.69% and the 30-year fixed rate mortgage increasing by approximately 43 basis points to 7.2%. As the quarter progressed, the May and June Consumer Price Index reports showed signs of inflation softening with the year over year Consumer Price Index declining to 3.3% and 3.0%, respectively, and the unemployment rate increasing to 4.1%. The increase in benchmark and mortgage rates experienced during April then began to reverse its course with the 10-year U.S. treasury yield decreasing 29 basis points to 4.4% and the 30-year fixed rate mortgage ending the quarter only 7 basis points higher than the start of the quarter. The quarter ended with the spread between the 2-year and 10-year U.S. treasury yields at approximately 37 basis points inverted, a slight decrease from 43 basis points inverted in March 2024. After quarter end, the Federal Reserve acknowledged at the July 2024 Federal Open Market Committee meeting that they have seen significant progress in bringing down inflation toward their target rate of 2%. Jerome Powell, the Federal Reserve Chair, noted that a broad set of indicators suggest that conditions in the labor market have returned to approximately where they were pre-pandemic. With the balance of risks moving back into equilibrium, Powell also offered that if the broad set of labor and inflation data continued to cooperate, that a reduction of the policy rate could be considered as soon as the September meeting. This was shortly followed by the July employment report issued by the U.S. Bureau of Labor Statistics noting a moderation in the labor market and the unemployment rate increasing to 4.3%, the highest level since October 2021. As a result, benchmark rates retraced at a significant rate in the first week of August 2024 and, as of August 6, 2024, market

participants are pricing in approximately 110 basis points of rate cuts before year end. Overall, the Federal Reserve continues to monitor available economic data to determine if they will initiate rate cuts and to what extent rates will decline; however, the recent economic data has been more supportive of a reduction in the Federal Funds Rate.

RMBS spreads mostly tightened during the second quarter as there continues to be a strong investor appetite for U.S. housing and mortgage credit. This theme has been well-supported by stable collateral fundamentals, sound underwriting criteria and rising home values, though pockets of weakness have been slowly emerging from specific cohorts in the Non-QM sector. Trends in credit spreads on credit risk transfer ("CRT") assets are generally utilized by market participants as a proxy for evaluating credit related assets given the observability of transactions. CRT tranches tightened by 10 to 20 basis points during the quarter ended June 30, 2024. Senior Non-QM spreads were a few basis points wider during the quarter ended June 30, 2024 while lower Non-QM tranches such as BBB- and BB-rated bonds were 10 and 45 basis points tighter, respectively.

Primary RMBS markets remained active in the second quarter, with issuances totaling nearly \$33 billion, an increase of 11% quarter-over-quarter and 73% year-over-year. Almost half of the second quarter's issuance came from Non-QM (\$10 billion) and Prime Jumbo (\$5.5 billion). In addition, market focus on second liens and Home Equity Lines of Credit has been rapidly expanding as a source of high quality, newly originated mortgage credit. During the first half of 2024, new RMBS issuance totaled \$62 billion with Non-QM and Prime Jumbo constituting approximately half of that activity.

The S&P CoreLogic Case-Shiller U.S. National Home Price Index continued to rise through May 2024. The Index was higher by 4% year-to-date and 6% year-over-year. Home prices remain varied geographically. Over the first five months of 2024, momentum in home price appreciation returned for 2022 and 2023 laggards, such as Seattle and San Francisco, while cities that had performed well in 2022 and 2023, such as New York City, Chicago and Miami, have since slowed in 2024.

Prevailing mortgage rates ended the second quarter just a few basis points higher near 6.9% but were as high as 7.2% in late April to early May, according to the Freddie Mac Primary Mortgage Market Survey. Mortgage rates have been volatile over the last year, reaching 7.8% in October and November 2023 while having been as low as 6.6% in parts of the first quarter 2024. The effective mortgage rate outstanding held steady at 3.8% as of March 2024, the latest data available, reflecting low housing turnover and limited mortgage originations. Overall, the "lock-in-effect," or disincentive for existing homeowners to sell their homes because their current mortgage rate is well below current market rates, remains a driving force of housing activity and pricing.

Total existing home listings moderately rose to 1.28 million in May 2024, the highest reading since July 2022 but still well-off pre-pandemic years. On a national level, new listings were approximately 9% higher than levels from a year ago but remain weak overall.

#### **Presentation of investment, financing and hedging activities**

In the "Investment activities," "Financing activities," "Hedging activities," and "Liquidity and capital resources" sections of this Item 2, we present information on our investment portfolio and the related financing arrangements inclusive of unconsolidated ownership interests in affiliates that are accounted for under GAAP using the equity method. Our investment portfolio excludes our investment in Arc Home.

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 team 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 10 to the "Notes to Consolidated Financial Statements (unaudited)"



for a discussion of investments in debt and equity of affiliates. See below for further terms used when describing our investment portfolio.

- Our "*Investment portfolio*" includes our Residential Investments, Agency RMBS, inclusive of TBAs, and Legacy WMC Commercial Investments.
- Our "*Residential Investments*" refer to our residential mortgage loans and Non-Agency RMBS.
  - "*Residential mortgage loans*" or "*Loans*" refer to our Non-Agency Loans, Agency-Eligible Loans, and Re/Non-Performing Loans (exclusive of retained tranches from unconsolidated securitizations).
  - "*Non-Agency RMBS*" refer to the retained tranches from unconsolidated securitizations of Non-Agency Loans and Re/Non-Performing Loans issued under the GCAT shelf, as well as Non-Agency RMBS issued by third-parties.
- "*Real estate securities*" refers to our Non-Agency RMBS and Agency RMBS, inclusive of TBAs, as well as Legacy WMC CMBS and Other Securities that were acquired in the WMC acquisition.
- Our "*Legacy WMC Commercial Investments*" refer to the commercial loans and CMBS that we acquired in the WMC acquisition. We expect to either hold the Legacy WMC Commercial Investments until maturity or opportunistically exit these investments.
- Our "*GAAP Residential Investments*" refer to our Residential Investments excluding investments held within affiliated entities.
- Our "*GAAP Investment portfolio*" includes our GAAP Residential Investments, Agency RMBS, and Legacy WMC Commercial Investments and Other Securities.

For a reconciliation of our Investment portfolio to our GAAP Investment portfolio, see the *Investment Portfolio* section below.

#### Book value and Adjusted book value per share

The below table details book value and adjusted book value per common share. Per share amounts for book value are calculated using all outstanding common shares in accordance with GAAP as of quarter-end.

	June 30, 2024	December 31, 2023
Book value per common share	\$ 10.63	\$ 10.46
Net proceeds of preferred stock less liquidation preference of preferred stock per common share (1)	(0.26)	(0.26)
Adjusted book value per common share	\$ 10.37	\$ 10.20

- (1) Book value per common share is calculated using stockholders' equity less net proceeds of \$220.5 million on our issued and outstanding preferred stock as the numerator. Adjusted book value per common share is calculated using stockholders' equity less the liquidation preference of \$228.0 million on our issued and outstanding preferred stock as the numerator.

#### 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 investments in residential mortgage loans in the marketplace, among other things, which can be impacted by unanticipated credit events, such as defaults, liquidations or delinquencies, experienced by borrowers whose residential mortgage loans are included in our investment portfolio and other unanticipated events in our markets. Our primary source of net income or loss available to common stockholders is our net interest income, inclusive of our cost or benefit of hedging, which represents the difference between the interest earned on our investment portfolio and the costs of financing and economic hedges in place on our investment portfolio, as well as any income or losses from our equity investments in affiliates.

**Three Months Ended June 30, 2024 compared to the Three Months Ended June 30, 2023**

The table below presents certain information from our consolidated statements of operations for the three months ended June 30, 2024 and 2023 (in thousands).

	Three Months Ended		
	June 30, 2024	June 30, 2023	Increase/(Decrease)
Statement of Operations Data:			
Net Interest Income			
Interest income	\$ 99,815	\$ 60,788	\$ 39,027
Interest expense	83,434	49,429	34,005
Total Net Interest Income	16,381	11,359	5,022
Other Income/(Loss)			
Net interest component of interest rate swaps	2,367	1,784	583
Net realized gain/(loss)	1,963	1,944	19
Net unrealized gain/(loss)	(9,226)	(206)	(9,020)
Total Other Income/(Loss)	(4,896)	3,522	(8,418)
Expenses			
Management fee to affiliate	1,753	2,061	(308)
Non-investment related expenses	2,746	2,574	172
Investment related expenses	3,491	2,232	1,259
Transaction related expenses	481	396	85
Total Expenses	8,471	7,263	1,208
Income/(loss) before equity in earnings/(loss) from affiliates	3,014	7,618	(4,604)
Equity in earnings/(loss) from affiliates	911	438	473
Net Income/(Loss)	3,925	8,056	(4,131)
Dividends on preferred stock	(4,586)	(4,586)	—
Net Income/(Loss) Available to Common Stockholders	\$ (661)	\$ 3,470	\$ (4,131)

**Interest income**

Interest income is calculated using the effective interest method for our GAAP investment portfolio.

Interest income increased from the three months ended June 30, 2023 to the three months ended June 30, 2024 primarily as a result of an increased investment portfolio resulting from the WMC acquisition in December 2023 along with purchases of residential mortgage loans and Agency RMBS during the period and an increase in the weighted average yield of our investment portfolio. The following table presents a summary of the weighted average amortized cost of and the weighted average yield on our GAAP investment portfolio for the three months ended June 30, 2024 and 2023 (\$ in millions).

	Three Months Ended		Increase/(Decrease)
	June 30, 2024	June 30, 2023	
Weighted average amortized cost of our GAAP investment portfolio	\$ 6,805	\$ 4,846	\$ 1,959
Weighted average yield on our GAAP investment portfolio	5.87 %	5.02 %	0.85 %

### Interest expense

Interest expense is inclusive of our financing cost related to our financing arrangements on our GAAP investment portfolio, securitized debt, Legacy WMC Convertible Notes, and Senior Unsecured Notes.

Interest expense increased from the three months ended June 30, 2023 to the three months ended June 30, 2024 due to an increase in the GAAP financing balance outstanding resulting from the assumption of financing through the WMC acquisition in December 2023 along with the issuance of securitized debt and Senior Unsecured Notes during the period and an increase in financing arrangements. Additionally, there was an increase in the weighted average financing rate. The following table presents a summary of the weighted average financing balance and the weighted average financing rate on our GAAP investment portfolio for the three months ended June 30, 2024 and 2023 (\$ in millions).

	Three Months Ended		
	June 30, 2024	June 30, 2023	Increase/(Decrease)
Weighted average GAAP financing balance	\$ 6,419	\$ 4,469	\$ 1,950
Weighted average financing rate on our GAAP investment portfolio	5.20 %	4.42 %	0.78 %

### 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.

We recorded income on the net interest component of interest rate swaps during the three months ended June 30, 2024 and 2023 as a result of our swap portfolio being in a net receive position. Interest income increased from the three months ended June 30, 2023 to the three months ended June 30, 2024 primarily as a result of an increase in the portfolio coupled with an increase in the net weighted average receive rate during the three months ended June 30, 2024 compared with the three months ended June 30, 2023. The following table presents a summary of our interest rate swap portfolio as of June 30, 2024 and 2023 (\$ in millions).

	June 30, 2024	June 30, 2023	Increase/(Decrease)
Interest rate swap notional value	\$ 818	\$ 607	\$ 211
Weighted average receive-variable rate	5.33 %	5.09 %	0.24 %
Weighted average pay-fix rate	3.95 %	3.75 %	0.20 %
Net weighted average (pay)/receive rate	1.38 %	1.34 %	0.04 %

### Net realized gain/(loss)

The following table presents a summary of Net realized gain/(loss) for the three months ended June 30, 2024 and 2023 (in thousands). The realized gain during the three months ended June 30, 2024 was primarily driven by gains on the sale of certain Non-Agency RMBS.

	Three Months Ended	
	June 30, 2024	June 30, 2023
Sales of residential mortgage loans and loans transferred to or sold from Other assets	\$ 151	\$ (446)
Sales of real estate securities	1,879	—
Settlement of derivatives and other instruments	(67)	2,390
<b>Total Net realized gain/(loss)</b>	<b>\$ 1,963</b>	<b>\$ 1,944</b>

**Net unrealized gain/(loss)**

The following table presents a summary of Net unrealized gain/(loss) for the three months ended June 30, 2024 and 2023 (in thousands). During the three months ended June 30, 2024, there were unrealized losses on our residential mortgage loan, Legacy WMC CMBS, and interest rate swap portfolios, as well as unrealized losses from the reversal of previous unrealized gains on Non-Agency RMBS sold during the period. Unrealized losses were offset by unrealized gains on securitized debt.

	Three Months Ended	
	June 30, 2024	June 30, 2023
Residential mortgage loans	\$ (8,747)	\$ (18,096)
Commercial loans	139	—
Real estate securities	(4,698)	(3,825)
Securitized debt	6,071	12,195
Derivatives	(1,991)	9,520
<b>Total Net unrealized gain/(loss)</b>	<b>\$ (9,226)</b>	<b>\$ (206)</b>

**Management fee to affiliate**

Our management fee is based upon a percentage of our Stockholders' Equity. See the "Contractual obligations" section of this Item 2 for further detail on the calculation of our management fee and for the definition of Stockholders' Equity. In connection with the WMC acquisition, we and our Manager entered into the MITT Management Agreement Amendment pursuant to which the base management fee will be reduced by \$0.6 million for the first four quarters following the transaction closing, beginning with the fiscal quarter in which the transaction closing occurs (i.e., resulting in an aggregate \$2.4 million waiver of base management fees). During the three months ended June 30, 2024, the base management fee was reduced by \$0.6 million. This was offset by an increase in stockholders' equity as calculated pursuant to the management agreement as a result of the WMC acquisition.

**Non-investment related expenses**

Non-investment related expenses are primarily comprised of professional fees, directors' and officers' ("D&O") insurance, directors' compensation, and certain non-investment related expenses reimbursable to our Manager or its affiliates. We are required to reimburse our Manager or its affiliates for operating expenses incurred by our Manager or its affiliates on our behalf, including certain compensation expenses and other expenses relating to legal, accounting, and other services. Refer to the "Contractual obligations" section below for more detail on certain expenses reimbursable to our Manager or its affiliates. The following table presents a summary of our non-investment related expenses for the three months ended June 30, 2024 and 2023 (in thousands).

	Three Months Ended	
	June 30, 2024	June 30, 2023
Affiliate reimbursement (1)	\$ 1,636	\$ 1,400
Professional Fees	225	510
D&O insurance	334	273
Directors' compensation	326	177
Other	225	214
<b>Total Non-investment related expenses</b>	<b>\$ 2,746</b>	<b>\$ 2,574</b>

- (1) For the three months ended June 30, 2024, the Manager agreed to waive its right to receive expense reimbursements of \$0.3 million pursuant to the MITT Management Agreement Amendment executed in connection with the Merger. Of the \$1.3 million expense reimbursement waiver agreed upon in connection with the Merger, \$0.5 million remains outstanding as of June 30, 2024.

### Investment related expenses

Investment related expenses are primarily comprised of servicing fees, asset management fees, trustee fees, and certain investment related expenses reimbursable to the Manager or its affiliates. We are required to reimburse our Manager or its affiliates for operating expenses incurred by our Manager or its affiliates on our behalf associated with our investment portfolio. The following table presents a summary of our investment related expenses for the three months ended June 30, 2024 and 2023 (in thousands).

	Three Months Ended	
	June 30, 2024	June 30, 2023
Affiliate reimbursement	\$ 87	\$ 110
Servicing fees (1)	1,903	995
Residential mortgage loan asset management fees	719	654
Trustee and bank fees	530	367
Other	252	106
<b>Total investment related expenses</b>	<b>\$ 3,491</b>	<b>\$ 2,232</b>

- (1) The WMC acquisition in December 2023 resulted in an increase in our residential mortgage loan portfolio of \$1.1 billion of unpaid principal balance, which contributed to an increase in servicing fees and other residential loan related expenses.

### Transaction related expenses

Historically, transaction related expenses have included expenses primarily associated with purchasing and securitizing residential mortgage loans as well as certain other transaction and performance related fees associated with assets we invest in. Transaction related expenses increased from the three months ended June 30, 2023 to the three months ended June 30, 2024 primarily due to more upfront expenses associated with securitizations, offset by the release of a previously accrued deal related reserve.

### 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. Substantially all of these investments are comprised of real estate securities, loans, and our investment in AG Arc which holds our investment in Arc Home. The below tables summarize the components of the "Equity in earnings/(loss) from affiliates" line item on our consolidated statements of operations (in thousands).

	Three Months Ended	
	June 30, 2024	June 30, 2023
MATT Non-QM Securities (1)	\$ (828)	\$ 349
Land Related Financing	—	402
Re/Non-Performing Securities	211	(281)
AG Arc (2)	1,528	(32)
<b>Equity in earnings/(loss) from affiliates</b>	<b>\$ 911</b>	<b>\$ 438</b>

- (1) For the three months ended June 30, 2024, the earnings/(loss) generated from our investment in MATT Non-QM Securities consisted of interest income of \$0.8 million and net unrealized losses of \$(1.6) million. For the three months ended June 30, 2023, the earnings/(loss) generated from our investment in MATT Non-QM Securities consisted of net interest income of \$0.9 million, net unrealized losses of \$(0.5) million, and other expenses of \$(0.1) million.
- (2) Refer to the table below for additional detail on the earnings/(loss) generated from our investment in AG Arc.

The below table further disaggregates our "Equity in earnings/(loss) from affiliates" line item on our consolidated statements of operations (in thousands).

	Three Months Ended	
	June 30, 2024	June 30, 2023
Interest income	\$ 1,050	\$ 1,753
Interest expense	72	249
Total Net Interest Income	978	1,504
Net unrealized gain/(loss)	(1,548)	(879)
After-tax earnings/(loss) at AG Arc (1)	278	309
Net unrealized gain/(loss) on investment in AG Arc (2)	1,655	—
Elimination of gains on loans sold to MITT (3)	(405)	(341)
Total AG Arc Earnings/(Loss)	1,528	(32)
Other operating expenses	47	155
Equity in earnings/(loss) from affiliates	\$ 911	\$ 438

- (1) The earnings/(loss) at AG Arc during the three months ended June 30, 2024 were primarily the result of \$0.6 million related to changes in the fair value of the MSR portfolio held by Arc Home, offset by \$(0.3) million of losses related to Arc Home's lending and servicing operations. The earnings/(loss) at AG Arc during the three months ended June 30, 2023 were primarily the result of \$0.4 million related to changes in the fair value of the MSR portfolio held by Arc Home, offset by \$(0.1) million of losses related to Arc Home's lending and servicing operations.
- (2) During the three months ended June 30, 2024, the valuation multiple of AG Arc increased from 0.89x of book value as of March 31, 2024 to 0.94x of book as of June 30, 2024.
- (3) The earnings recognized by AG Arc do not include our portion of gains recorded by Arc Home in connection with the sale of residential mortgage loans to us. Refer to Note 10 to the "Notes to Consolidated Financial Statements (unaudited)" for more information on this accounting policy.

**Six Months Ended June 30, 2024 compared to the Six Months Ended June 30, 2023**

The table below presents certain information from our consolidated statements of operations for the six months ended June 30, 2024 and 2023 (in thousands).

	Six Months Ended		
	June 30, 2024	June 30, 2023	Increase/(Decrease)
Statement of Operations Data:			
Net Interest Income			
Interest income	\$ 195,387	\$ 118,591	\$ 76,796
Interest expense	161,827	95,617	66,210
Total Net Interest Income	33,560	22,974	10,586
Other Income/(Loss)			
Net interest component of interest rate swaps	4,267	2,804	1,463
Net realized gain/(loss)	860	2,044	(1,184)
Net unrealized gain/(loss)	788	8,511	(7,723)
Total Other Income/(Loss)	5,915	13,359	(7,444)
Expenses			
Management fee to affiliate	3,494	4,136	(642)
Non-investment related expenses	5,860	5,394	466
Investment related expenses	6,774	4,558	2,216
Transaction related expenses	1,480	2,103	(623)
Total Expenses	17,608	16,191	1,417
Income/(loss) before equity in earnings/(loss) from affiliates	21,867	20,142	1,725
Equity in earnings/(loss) from affiliates	2,948	454	2,494
Net Income/(Loss)	24,815	20,596	4,219
Dividends on preferred stock	(9,172)	(9,172)	—
Net Income/(Loss) Available to Common Stockholders	\$ 15,643	\$ 11,424	\$ 4,219

**Interest income**

Interest income increased from the six months ended June 30, 2023 to the six months ended June 30, 2024 primarily as a result of an increased investment portfolio resulting from the WMC acquisition in December 2023 along with purchases of residential mortgage loans and Agency RMBS during the period and an increase in the weighted average yield of our investment portfolio. The following table presents a summary of the weighted average amortized cost of and the weighted average yield on our GAAP investment portfolio for the six months ended June 30, 2024 and 2023 (\$ in millions).

	Six Months Ended		Increase/(Decrease)
	June 30, 2024	June 30, 2023	
Weighted average amortized cost of our GAAP investment portfolio	\$ 6,631	\$ 4,770	\$ 1,861
Weighted average yield on our GAAP investment portfolio	5.89 %	4.97 %	0.92 %

### Interest expense

Interest expense increased from the six months ended June 30, 2023 to the six months ended June 30, 2024 due to an increase in the GAAP financing balance outstanding resulting from the assumption of financing through the WMC acquisition in December 2023 along with the issuance of securitized debt and Senior Unsecured Notes during the period and an increase in our financing arrangements. Additionally, there was an increase in the weighted average financing rate. The following table presents a summary of the weighted average financing balance and the weighted average financing rate on our GAAP investment portfolio for the six months ended June 30, 2024 and 2023 (\$ in millions).

	Six Months Ended		
	June 30, 2024	June 30, 2023	Increase/(Decrease)
Weighted average GAAP financing balance	\$ 6,220	\$ 4,379	\$ 1,841
Weighted average financing rate on our GAAP investment portfolio	5.20 %	4.37 %	0.83 %

### Net interest component of interest rate swaps

We recorded income on the net interest component of interest rate swaps during the six months ended June 30, 2024 and 2023 as a result of our swap portfolio being in a net receive position. Interest income increased from the six months ended June 30, 2023 to the six months ended June 30, 2024 primarily as a result of an increase in the portfolio coupled with an increase in the net weighted average receive rate during the six months ended June 30, 2024 compared with the six months ended June 30, 2023. The following table presents a summary of our interest rate swap portfolio as of June 30, 2024 and 2023 (\$ in millions).

	June 30, 2024	June 30, 2023	Increase/(Decrease)
Interest rate swap notional value	\$ 818	\$ 607	\$ 211
Weighted average receive-variable rate	5.33 %	5.09 %	0.24 %
Weighted average pay-fix rate	3.95 %	3.75 %	0.20 %
Net weighted average (pay)/receive rate	1.38 %	1.34 %	0.04 %

### Net realized gain/(loss)

The following table presents a summary of Net realized gain/(loss) for the six months ended June 30, 2024 and 2023 (in thousands). The realized gain during the six months ended June 30, 2024 was primarily driven by gains on the sale of certain Non-Agency RMBS offset by losses from unwinding pay-fix, receive-variable interest rate swaps which were held at unrealized losses.

	Six Months Ended	
	June 30, 2024	June 30, 2023
Sales of residential mortgage loans and loans transferred to or sold from Other assets	\$ 199	\$ (10,348)
Sales of real estate securities	2,727	—
Settlement of derivatives and other instruments	(2,066)	12,392
<b>Total Net realized gain/(loss)</b>	<b>\$ 860</b>	<b>\$ 2,044</b>

### Net unrealized gain/(loss)

The following table presents a summary of Net unrealized gain/(loss) for the six months ended June 30, 2024 and 2023 (in thousands). During the six months ended June 30, 2024, there were unrealized gains on residential mortgage loans and interest rate swaps offset by unrealized losses on our Legacy WMC CMBS portfolio and securitized debt.

	Six Months Ended	
	June 30, 2024	June 30, 2023
Residential mortgage loans	\$ 14,332	\$ 79,105
Commercial loans	250	—
Real estate securities	(4,814)	302
Securitized debt	(16,358)	(60,447)
Derivatives	7,378	(10,449)
<b>Total Net unrealized gain/(loss)</b>	<b>\$ 788</b>	<b>\$ 8,511</b>



### Management fee to affiliate

Our management fee is based upon a percentage of our Stockholders' Equity. See the "Contractual obligations" section of this Item 2 for further detail on the calculation of our management fee and for the definition of Stockholders' Equity. During the six months ended June 30, 2024, the base management fee was reduced by \$1.2 million in connection with the WMC acquisition. This was offset by an increase in stockholders' equity as calculated pursuant to the management agreement as a result of the WMC acquisition.

### Non-investment related expenses

The following table presents a summary of our non-investment related expenses for the six months ended June 30, 2024 and 2023 (in thousands).

	Six Months Ended	
	June 30, 2024	June 30, 2023
Affiliate reimbursement (1)	\$ 3,300	\$ 2,800
Professional Fees	772	1,062
D&O insurance	668	545
Directors' compensation	644	353
Other	476	634
<b>Total Non-investment related expenses</b>	<b>\$ 5,860</b>	<b>\$ 5,394</b>

- (1) For the six months ended June 30, 2024, the Manager agreed to waive its right to receive expense reimbursements of \$0.6 million pursuant to the MITT Management Agreement Amendment executed in connection with the Merger. Of the \$1.3 million expense reimbursement waiver agreed upon in connection with the Merger, \$0.5 million remains outstanding as of June 30, 2024.

### Investment related expenses

The following table presents a summary of our investment related expenses for the six months ended June 30, 2024 and 2023 (in thousands).

	Six Months Ended	
	June 30, 2024	June 30, 2023
Affiliate reimbursement	\$ 201	\$ 212
Servicing fees (1)	3,774	2,045
Residential mortgage loan asset management fees	1,334	1,289
Trustee and bank fees	1,046	742
Other	419	270
<b>Total Investment related expenses</b>	<b>\$ 6,774</b>	<b>\$ 4,558</b>

- (1) The WMC acquisition in December 2023 resulted in an increase in our residential mortgage loan portfolio of \$1.1 billion of unpaid principal balance, which contributed to an increase in servicing fees and other residential loan related expenses.

### Transaction related expenses

Transaction related expenses decreased from the six months ended June 30, 2023 to the six months ended June 30, 2024 primarily due to less upfront expenses associated with securitizations, coupled with the release of a previously accrued deal related reserve.

### Equity in earnings/(loss) from affiliates

The below tables summarize the components of the "Equity in earnings/(loss) from affiliates" line item on our consolidated statements of operations (in thousands).

	Six Months Ended	
	June 30, 2024	June 30, 2023
MATT Non-QM Securities (1)	\$ 1,377	\$ 1,974
Land Related Financing (2)	—	741
Re/Non-Performing Securities	316	(89)
AG Arc (3)	1,255	(2,172)
<b>Equity in earnings/(loss) from affiliates</b>	<b>\$ 2,948</b>	<b>\$ 454</b>

- (1) For the six months ended June 30, 2024, the earnings/(loss) generated from our investment in MATT Non-QM Securities consisted of interest income of \$1.6 million, net unrealized losses of \$(0.1) million, and other expenses of \$(0.1) million. For the six months ended June 30, 2023, the earnings/(loss) generated from our investment in MATT Non-QM Securities consisted of net interest income of \$1.8 million, net unrealized gains of \$0.3 million, and other expenses of \$(0.1) million.
- (2) Decrease in Land Related Financing as assets held within LOTS paid off in full during 2023.
- (3) Refer to the table below for additional detail on the earnings/(loss) generated from our investment in AG Arc.

The below table further disaggregates our "Equity in earnings/(loss) from affiliates" line item on our consolidated statements of operations (in thousands).

	Six Months Ended	
	June 30, 2024	June 30, 2023
Interest income	\$ 2,131	\$ 3,513
Interest expense	144	513
Total Net Interest Income	1,987	3,000
Net unrealized gain/(loss)	(178)	(85)
After-tax earnings/(loss) at AG Arc (1)	162	(2,006)
Net unrealized gain/(loss) on investment in AG Arc (2)	1,699	175
Elimination of gains on loans sold to MITT (3)	(606)	(341)
Total AG Arc Earnings/(Loss)	1,255	(2,172)
Other operating expenses	116	289
Equity in earnings/(loss) from affiliates	\$ 2,948	\$ 454

- (1) The earnings/(loss) at AG Arc during the six months ended June 30, 2024 were primarily the result of \$0.7 million related to changes in the fair value of the MSR portfolio held by Arc Home, offset by \$(0.5) million of losses related to Arc Home's lending and servicing operations. The earnings/(loss) at AG Arc during the six months ended June 30, 2023 were primarily the result of \$(1.2) million related to changes in the fair value of the MSR portfolio held by Arc Home, along with \$(0.8) million of losses related to Arc Home's lending and servicing operations.
- (2) During the six months ended June 30, 2024, the valuation multiple of AG Arc increased from 0.89x of book value as of December 31, 2023 to 0.94x of book as of June 30, 2024.
- (3) The earnings recognized by AG Arc do not include our portion of gains recorded by Arc Home in connection with the sale of residential mortgage loans to us. Refer to Note 10 to the "Notes to Consolidated Financial Statements (unaudited)" for more information on this accounting policy.

#### Earnings Available for Distribution

One of our objectives is to generate net income from net interest margin on the portfolio, and management uses EAD, as one of several metrics, to help measure our performance against this objective. Management believes that this non-GAAP measure, when considered with our GAAP financial statements, provides supplemental information useful for investors to help evaluate our financial performance. However, management also believes that our definition of EAD has important limitations as it does not include certain earnings or losses our management team considers in evaluating our financial performance. Our presentation of EAD 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, Net Income/(loss) available to common stockholders or Net income/(loss) per diluted common share calculated in accordance with GAAP. Our GAAP financial results and the reconciliations from these results should be carefully evaluated.

We define EAD, a non-GAAP financial measure, as Net Income/(loss) available to common stockholders excluding (i) (a) unrealized gains/(losses) on loans, real estate securities, derivatives and other investments, inclusive of our investment in AG Arc, and (b) net realized gains/(losses) on the sale or termination of such instruments, (ii) any transaction related expenses incurred in connection with the acquisition, disposition, or securitization of our investments as well as transaction related expenses incurred in connection with the WMC acquisition, (iii) accrued deal-related performance fees payable to third party operators to the extent the primary component of the accrual relates to items that are excluded from EAD, such as unrealized and realized gains/(losses), (iv) realized and unrealized changes in the fair value of Arc Home's net mortgage servicing rights and the derivatives intended to offset changes in the fair value of those net mortgage servicing rights, (v) deferred taxes recognized at our taxable REIT subsidiaries, if any, (vi) any bargain purchase gains recognized, and (vii) certain other nonrecurring gains or losses.

Items (i) through (vii) above include any amount related to those items held in affiliated entities. Transaction related expenses referenced in (ii) above are primarily comprised of costs incurred prior to or at the time of executing our securitizations and acquiring or disposing of residential mortgage loans. These costs are nonrecurring and may include underwriting fees, legal fees, diligence fees, and other similar transaction related expenses. Recurring expenses, such as servicing fees, custodial fees, trustee fees and other similar ongoing fees are not excluded from earnings available for distribution. Management considers the transaction related expenses to be similar to realized losses incurred at the acquisition, disposition, or securitization 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 EAD on the remainder of its portfolio. Management excludes all deferred taxes because it believes deferred taxes are not representative of current operations. EAD includes the net interest income and other income earned on our investments on a yield adjusted basis, including TBA dollar roll income/(loss) or any other investment activity that may earn or pay net interest or its economic equivalent.

A reconciliation of "Net Income/(loss) available to common stockholders" to EAD for the three and six months ended June 30, 2024 and 2023 is set forth below (in thousands, except per share data).

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net Income/(loss) available to common stockholders	\$ (661)	\$ 3,470	\$ 15,643	\$ 11,424
Add (Deduct):				
Net realized (gain)/loss	(1,963)	(1,944)	(860)	(2,044)
Net unrealized (gain)/loss	9,226	206	(788)	(8,511)
Transaction related expenses and deal related performance fees (1)	503	452	1,526	2,252
Equity in (earnings)/loss from affiliates	(911)	(438)	(2,948)	(454)
EAD from equity method investments (2)(3)	82	(94)	(172)	(433)
Earnings available for distribution	\$ 6,276	\$ 1,652	\$ 12,401	\$ 2,234
Earnings available for distribution, per Diluted Share	\$ 0.21	\$ 0.08	\$ 0.42	\$ 0.11

- (1) For the three months ended June 30, 2024 and 2023, total transaction related expenses and deal related performance fees included \$0.5 million and \$0.4 million, respectively, recorded within the "Transaction related expenses" line item and \$22 thousand and \$0.1 million, respectively, recorded within the "Interest expense" line item, which relates to the amortization of deferred financing costs. For the six months ended June 30, 2024 and 2023, total transaction related expenses and deal related performance fees included \$1.5 million and \$2.1 million, respectively, recorded within the "Transaction related expenses" line item and \$46 thousand and \$0.2 million, respectively, recorded within the "Interest expense" line item, which relates to the amortization of deferred financing costs.
- (2) For the three months ended June 30, 2024 and 2023, \$0.7 million or \$0.02 per share and \$1.4 million or \$0.07 per share, respectively; and for the six months ended June 30, 2024 and 2023, \$1.6 million or \$0.05 per share and \$0.8 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, and other asset impairments were excluded from EAD, net of deferred tax expense or benefit. Additionally, for the three months ended June 30, 2024 and 2023, \$1.7 million or \$0.06 per share and \$0.0 million or \$0.00 per share, respectively; and for the six months ended June 30, 2024 and 2023, \$1.7 million or \$0.06 per share and \$0.2 million or \$0.01 per share, respectively, of unrealized changes in the fair value of our investment in Arc Home were excluded from EAD.
- (3) EAD recognized by AG Arc does not include our portion of gains recorded by Arc Home in connection with the sale of residential mortgage loans to us. For the three months ended June 30, 2024 and 2023, we eliminated \$0.4 million or \$0.01 per share and \$0.3 million or \$0.02 per share, respectively, of intra-entity profits recognized by Arc Home, and also decreased the cost basis of the underlying loans we purchased by the same amount. For the six months ended June 30, 2024 and 2023, we eliminated \$0.6 million or \$0.02 per share and \$0.3 million or \$0.02 per share, respectively, of intra-entity profits recognized by Arc Home, and also decreased the cost basis of the underlying loans we purchased by the same amount. Refer to Note 10 to the "Notes to Consolidated Financial Statements (unaudited)" for more information on this accounting policy.

## Investment activities

### Investment activities

We aim to allocate capital to investment opportunities with attractive risk/return profiles in our target asset classes. Our investment activities primarily include acquiring and securitizing newly-originated residential mortgage loans. We finance our acquired loans through various financing lines on a short-term basis and securitize the loans to obtain long-term, non-recourse, non-mark-to-market financing as market conditions permit. We may also invest in Agency RMBS to utilize excess liquidity. Our investment and capital allocation decisions depend on prevailing market conditions and compliance with Investment Company Act and REIT tests, among other factors, and may change over time in response to opportunities available in different economic and capital market environments. As a result, in reacting to market conditions and taking into account a variety of other factors,

including liquidity, duration, and interest rate expectations, the mix of our assets changes over time as we deploy capital. We actively evaluate our investments based on factors including, among others, the characteristics of the underlying collateral, geography, expected return, expected future prepayment trends, supply of and demand for our investments, 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.

In December 2023, through our acquisition of WMC, we increased our investment portfolio by \$1.2 billion, which primarily consisted of Securitized Non-Agency Loans. For more information on the WMC acquisition, refer to "WMC Acquisition" above and the section entitled "WMC Acquisition" in Note 1 to the "Notes to Consolidated Financial Statements (unaudited)."

#### *Net interest margin and leverage ratio*

Net interest margin and leverage ratio are metrics that management believes should be considered when evaluating the performance of our investment portfolio. Net interest margin provides investors visibility into our profitability of interest income versus interest expense including the net effect of our interest rate swaps for insight into earnings available for distribution.

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 and our investment portfolio, respectively. The weighted average yield represents an effective interest rate on our cost basis, which utilizes all estimates of future cash flows and adjusts for actual prepayment and cash flow activity as of quarter-end. The calculation of weighted average yield is weighted on fair value at quarter-end. The weighted average cost of funds is the sum of the weighted average funding costs on total financing arrangements outstanding at quarter-end, including all non-recourse financing arrangements, and our weighted average hedging cost or benefit, which is the weighted average of the net pay or receive rates on our interest rate swaps. GAAP and non-GAAP cost of funds are weighted by the outstanding financing arrangements on our GAAP investment portfolio and our investment portfolio, respectively, and the fair value of securitized debt at quarter-end.

Our leverage ratio is determined by our portfolio mix as well as many additional factors, including the liquidity of our portfolio, the availability and price of our financing, the available capacity to finance our assets, and anticipated regulatory developments. See the "Financing activities" section below for more detail on our leverage ratio.

## Investment portfolio

The following tables present a summary of our Investment Portfolio, inclusive of net interest margin and leverage ratios, as of June 30, 2024 and a reconciliation of these metrics on our Investment Portfolio to their respective metrics on our GAAP Investment Portfolio (\$ in thousands).

	June 30, 2024									
	Investment			Securitized Debt						
Instrument	Amortized	Fair Value	Yield (a)	Amortized	Fair Value	Financing Arrangements	Cost of Funds (b)	Allocated Equity (c)	Net Interest Margin	Leverage Ratio (d)
	Cost			Cost						
Residential Investments										
Securitized Non-Agency Loans	\$ 5,989,663	\$ 5,618,591	5.70 %	\$ 5,299,497	\$ 5,010,811	\$ 330,291	5.26 %	\$ 277,489	0.44 %	1.0x
Securitized Re/Non-Performing Loans	191,566	173,255	6.19 %	116,443	106,378	43,032	4.45 %	23,845	1.74 %	1.8x
Non-Agency Loans	101,484	102,338	7.16 %	—	—	79,705	6.26 %	22,633	0.90 %	3.5x
Agency-Eligible Loans	196,587	197,004	6.75 %	—	—	183,648	6.16 %	13,356	0.59 %	13.8x
Residential Whole Loans	838	2,121	127.29 %	—	—	—	— %	2,121	127.29 %	N/A
Non-Agency RMBS	92,383	93,814	13.97 %	—	—	47,679	5.85 %	46,135	8.12 %	1.0x
Total Residential Investments	6,572,521	6,187,123	5.94 %	5,415,940	5,117,189	684,355	5.28 %	385,579	0.66 %	1.6x
Agency RMBS										
Agency RMBS	565,443	564,523	5.97 %	—	—	485,898	4.44 %	78,625	1.53 %	6.1x
Legacy WMC Commercial Investments (e)										
Commercial Loans	66,407	66,753	10.27 %	—	—	47,222	8.35 %	19,531	1.92 %	2.4x
CMBS (f)	58,590	52,570	19.69 %	—	—	21,889	7.10 %	30,681	12.59 %	0.7x
Total Legacy WMC Commercial Investments	124,997	119,323	14.42 %	—	—	69,111	7.95 %	50,212	6.47 %	1.4x
Other Securities	1,077	1,208	21.06 %	—	—	—	— %	1,208	21.06 %	N/A
Total Investment Portfolio	\$ 7,264,038	\$ 6,872,177	6.09 %	\$ 5,415,940	\$ 5,117,189	\$ 1,239,364	5.25 %	\$ 515,624	0.84 %	2.3x
Cash and Cash Equivalents (g)								120,912	5.20 %	
Interest Rate Swaps (h)								24,120	1.38 %	
Arc Home								34,954		
Convertible Senior Unsecured Notes								(78,849)	(8.42)%	
Senior Unsecured Notes								(95,380)	(10.61)%	
Non-Interest Earning Assets, net								12,121		
Total Stockholders' Equity								\$ 533,502		2.5x
	Investment			Securitized Debt						
	Amortized	Fair Value	Yield (a)	Amortized	Fair Value	Financing Arrangements	Cost of Funds (b)	Allocated Equity (c)	Net Interest Margin	Leverage Ratio (d)
	Cost			Cost						
Total Investment Portfolio	\$ 7,264,038	\$ 6,872,177	6.09 %	\$ 5,415,940	\$ 5,117,189	\$ 1,239,364	5.25 %	\$ 515,624	0.84 %	2.3x
Investments in Debt and Equity of										
Affiliates	16,986	22,186	31.54 %	—	—	3,559	7.98 %	18,627	23.56 %	(i)
GAAP Investment Portfolio	\$ 7,247,052	\$ 6,849,991	6.01 %	\$ 5,415,940	\$ 5,117,189	\$ 1,235,805	5.25 %	\$ 496,997	0.76 %	12.2x

(a) Excludes any net TBA positions.

(b) Includes the cost (interest expense) or benefit (interest income) from our interest rate swap hedges. The benefit of hedging as of June 30, 2024 was 0.17%.

(c) Allocated equity represents the investment fair value less the associated securitized debt at fair value and financing arrangements, where applicable.

(d) The leverage ratio on each asset class and 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 less any cash posted as collateral by its equity invested inclusive of any cash collateral posted on financing arrangements. The Economic Leverage Ratio excludes any fully non-recourse financing arrangements and includes any net receivables or payables on TBAs. The leverage ratio on our GAAP Investment Portfolio represents GAAP leverage as defined below in the "Financing Activities" section.

(e) We expect to either hold the Legacy WMC Commercial Investments until maturity or opportunistically exit these investments.

(f) As of June 30, 2024, there are Legacy WMC CMBS with an unpaid principal balance of \$15.5 million and a fair value of \$0.8 million which are on non-accrual status.

(g) Cash and cash equivalents may include a portion of cash invested in money market funds. The yield represents the interest earned on money market funds as of period end.

(h) Interest rate swaps represents the sum of the net fair value of interest rate swaps and the margin posted on interest rate swaps as of period end. Yield on interest rate swaps represents the weighted average net receive/(pay) rate as of period end. The impact of the net interest component of interest rate swaps on the cost of funds is included within the respective investment portfolio asset line items.

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



The following table presents a reconciliation of our Investment Portfolio to our GAAP Investment Portfolio as of June 30, 2024 and December 31, 2023 (\$ in thousands).

Instrument	June 30, 2024							December 31, 2023
	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value (1)	Weighted Average Coupon (2)	Weighted Average Yield	Weighted Average Life (Years) (3)	Fair Value (1)
<b>Residential Investments</b>								
Residential Mortgage Loans								
Securitized Non-Agency Loans (4)	\$ 6,004,579	\$ 5,989,663	\$ (371,072)	\$ 5,618,591	5.44 %	5.70 %	9.01	\$ 5,175,169
Securitized Re- and Non-Performing Loans	207,193	191,566	(18,311)	173,255	4.00 %	6.19 %	5.74	183,112
Non-Agency Loans	100,139	101,484	854	102,338	8.26 %	7.16 %	3.28	94,516
Agency-Eligible Loans	194,047	196,587	417	197,004	7.21 %	6.75 %	4.72	220,709
Re- and Non-Performing Loans	2,271	838	1,283	2,121	N/A	127.29 %	1.53	2,406
Total Residential Mortgage Loans	6,508,229	6,480,138	(386,829)	6,093,309	5.49 %	5.82 %	8.69	5,675,912
Non-Agency RMBS								
GCAT Non-Agency RMBS (5)								
GCAT Non-Agency Securities	43,794	41,727	(7,115)	34,612	4.68 %	6.08 %	8.92	32,542
GCAT Non-Agency RMBS Interest Only (6)	N/A	2,362	1,865	4,227	0.54 %	34.55 %	4.62	4,991
MATT Non-QM Securities (6)	4,497	9,692	5,248	14,940	0.63 %	39.70 %	3.33	15,257
Re/Non-Performing Securities (6)	5,516	7,294	(48)	7,246	0.98 %	14.71 %	0.41	7,569
Total GCAT Non-Agency RMBS	53,807	61,075	(50)	61,025	1.32 %	17.31 %	3.95	60,359
Non-Agency Securities	35,912	30,820	1,453	32,273	5.72 %	7.43 %	11.16	51,006
Non-Agency RMBS Interest Only (6)	N/A	488	28	516	0.33 %	27.70 %	5.96	1,083
Total Non-Agency RMBS	89,719	92,383	1,431	93,814	1.61 %	13.97 %	4.63	112,448
<b>Total Residential Investments</b>	<b>6,597,948</b>	<b>6,572,521</b>	<b>(385,398)</b>	<b>6,187,123</b>	<b>5.28 %</b>	<b>5.94 %</b>	<b>8.37</b>	<b>5,788,360</b>
<b>Agency RMBS</b>								
30 Year Fixed Rate	540,198	543,816	(1,146)	542,670	5.89 %	5.78 %	8.36	—
Agency RMBS Interest Only (6)	N/A	21,627	226	21,853	4.02 %	10.73 %	6.75	15,694
<b>Total Agency RMBS</b>	<b>540,198</b>	<b>565,443</b>	<b>(920)</b>	<b>564,523</b>	<b>5.57 %</b>	<b>5.97 %</b>	<b>8.08</b>	<b>15,694</b>
<b>Legacy WMC Commercial Investments (7)</b>								
Commercial Loans	67,204	66,407	346	66,753	9.26 %	10.27 %	1.01	66,303
CMBS (8)	103,399	58,590	(6,020)	52,570	5.79 %	19.69 %	2.20	56,349
<b>Total Legacy WMC Commercial Investments</b>	<b>170,603</b>	<b>124,997</b>	<b>(5,674)</b>	<b>119,323</b>	<b>7.16 %</b>	<b>14.42 %</b>	<b>1.73</b>	<b>122,652</b>
<b>Other Securities (9)</b>	<b>N/A</b>	<b>1,077</b>	<b>131</b>	<b>1,208</b>	<b>N/A</b>	<b>21.06 %</b>	<b>7.19</b>	<b>1,156</b>
<b>Total: Investment Portfolio</b>	<b>\$ 7,308,749</b>	<b>\$ 7,264,038</b>	<b>\$ (391,861)</b>	<b>\$ 6,872,177</b>	<b>5.35 %</b>	<b>6.09 %</b>	<b>8.20</b>	<b>\$ 5,927,862</b>
Less: Investments in Debt and Equity of Affiliates								
Non-Agency RMBS	\$ 10,013	\$ 16,986	\$ 5,200	\$ 22,186	0.69 %	31.54 %	3.08	\$ 22,826
<b>Total: GAAP Investment Portfolio</b>	<b>\$ 7,298,736</b>	<b>\$ 7,247,052</b>	<b>\$ (397,061)</b>	<b>\$ 6,849,991</b>	<b>5.46 %</b>	<b>6.01 %</b>	<b>8.42</b>	<b>\$ 5,905,036</b>

(1) Refer to Note 10 to the "Notes of the Consolidated Financial Statements (unaudited)" for more detail on what is included in our "Investments in debt and equity of affiliates" line item on our consolidated balance sheets. Our assets held through Investments in debt and equity of affiliates are included in the "MATT Non-QM Securities" and "Re/Non-Performing Securities" line items above.

(2) Equity residuals with a zero coupon rate are excluded from this calculation.

(3) Weighted average life is based on projected life. Typically, actual maturities 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) Securitized Non-Agency Loans include loans that were considered to be Agency-Eligible prior to our securitization.

(5) GCAT Non-Agency RMBS are securities issued under Gold Creek Asset Trust ("GCAT"), which is the TPG Angelo Gordon securitization shelf under which we or private funds under the management of TPG Angelo Gordon securitize loans.

(6) Interest Only have no principal balances and bear interest based on a notional value. The notional value is used solely to determine interest distributions on the interest only classes of securities. The GCAT Non-Agency RMBS Interest Only, MATT Non-QM Securities, Re/Non-Performing Securities, Non-Agency RMBS Interest Only, and Agency RMBS Interest Only line items include interest only classes with notional values of \$89.2 million, \$287.7 million, \$22.4 million, \$56.5 million, and \$112.3 million, respectively.

(7) We expect to either hold the Legacy WMC Commercial Investments until maturity or opportunistically exit these investments.





- (8) As of June 30, 2024, there are Legacy WMC CMBS with an unpaid principal balance of \$15.5 million and a fair value of \$0.8 million which are on non-accrual status.
- (9) Other securities include residual interests in asset-backed securities which have no principal balance.

#### *Securitized Non-Agency Loans*

As noted above, our investment activities primarily include acquiring and securitizing newly-originated residential mortgage loans. These securitization trusts ("Non-Agency VIEs") are collateralized by Non-Agency and Agency-Eligible Loans.

In each securitization transaction, we transfer a pool of loans to a wholly-owned subsidiary and the loans are deposited into a newly created securitization trust. The securitization trust issues various classes of mortgage pass-through certificates backed by the cash flows from the underlying residential mortgage loans (the "Certificates"). When we sponsor a residential mortgage loan securitization, we are generally required to retain at least 5% of the fair value of the Certificates issued in the securitization ("Risk Retention Rules"). We can retain either an "eligible vertical interest" (which consists of at least 5% of each class of securities issued in the securitization), an "eligible horizontal residual interest" (which is the most subordinate class of securities with a fair value of at least 5% of the aggregate credit risk) or a combination of both totaling 5% (the "Required Credit Risk"). In order to comply with the Risk Retention Rules in each securitization transaction, we generally purchase the most subordinated classes of Certificates and the excess cash flow Certificates. We also purchase the Certificates entitled to excess servicing fees and may purchase other Certificates issued by the securitization trust, while typically selling the senior classes of Certificates to unrelated third parties.

If we are determined to be the primary beneficiary of these securitization transactions, we consolidate the respective VIE created to facilitate the transaction and record "Securitized residential mortgage loans" and "Securitized debt" on the consolidated balance sheets in accordance with U.S. GAAP. However, as noted above, our equity at risk represents certain Certificates from each securitization which we retain.

The following table summarizes our Securitized residential mortgage loans and Securitized debt, as well as the economic interest on retained Certificates related to our Non-Agency VIEs (in thousands).

	June 30, 2024	
	Unpaid Principal Balance	Fair Value
Securitized residential mortgage loans in Non-Agency VIEs	\$ 6,004,579	\$ 5,618,591
Securitized debt in Non-Agency VIEs (1)	5,441,843	5,010,811
Other assets (2)	N/A	2,372
Retained Certificates from Non-Agency VIEs (3)(4)(5)(6)		\$ 610,152
Retained interests in Non-Agency VIEs	Current Face	Fair Value
Senior Bonds	\$ 43,560	\$ 43,600
Mezzanine Bonds	23,348	21,440
Subordinate Bonds	497,345	361,068
Interest Only / Excess Servicing Bonds (1)(7)	N/A	184,044
Retained Certificates from Non-Agency VIEs (3)(4)(5)(6)		\$ 610,152
Financing arrangements on retained Certificates from Non-Agency VIEs		330,291
Retained Certificates from Non-Agency VIEs, net of financing arrangements		\$ 279,861

- (1) Interest Only have no principal balances and bear interest based on a notional value. The notional value is used solely to determine interest distributions on the interest only classes of securities. As of June 30, 2024, the Securitized debt in Non-Agency VIEs line item includes interest only classes with notional values of \$621.6 million. As of June 30, 2024, the notional values of Interest Only / Excess Servicing Bonds was \$11.7 billion.
- (2) Represents the fair value of real estate owned within Non-Agency VIEs. We record real estate owned at the lower of cost or fair value less estimated costs to sell. As of June 30, 2024, we recorded real estate owned within our Non-Agency VIEs at \$2.4 million.
- (3) Maximum loss exposure from our involvement with VIEs pertains to the fair value of the Certificates retained from the VIEs. We have no obligation to provide any other explicit or implicit support to the securitization trusts.
- (4) As of June 30, 2024, our equity at risk included bonds with a fair value of \$404.3 million held in order to comply with Risk Retention Rules. We are generally required to hold the Required Credit Risk until the later of (i) the fifth anniversary of the securitization closing date and (ii) the date on which the aggregate unpaid principal balance of the mortgage loans has been reduced to 25% of the aggregate unpaid principal balance of the mortgage loans as of the securitization closing date, but no longer than the seventh anniversary of the closing date.
- (5) As of June 30, 2024, a portion of our equity at risk included bonds exposed to the first loss of the securitization with a fair value of \$117.6 million.
- (6) Excludes net other asset/(liabilities) held within the VIEs of \$7.3 million as of June 30, 2024.
- (7) As the sponsor and depositor of each securitization, we may purchase all of the outstanding Certificates (an "Optional Redemption") following the earlier of (1) an applicable anniversary date (typically two or three years) of the respective securitization or (2) the date at which the unpaid principal balance of the applicable collateral has declined below a certain percentage (typically 10% to 30%) of the principal balance originally contributed to the securitization. As of June 30, 2024, there were three securitizations with an unpaid principal balance of \$0.4 billion that met the criteria for an Optional Redemption.

*Securitized residential mortgage loans and Residential mortgage loans*

The following table presents information regarding the original LTV and Current FICO scores of our residential mortgage loans as of June 30, 2024 (in thousands).

	Unpaid Principal		Weighted Average (1)(2)	
June 30, 2024	Balance	Loan Count (1)	Original LTV Ratio (3)	Current FICO (4)
Securitized residential mortgage loans				
Non-Agency Loans	\$ 6,004,579	14,765	67.35 %	747
Re- and Non-Performing Loans	207,193	1,410	79.85 %	656
Total Securitized residential mortgage loans	\$ 6,211,772	16,175	67.77 %	744
Residential mortgage loans				
Non-Agency Loans	\$ 100,139	191	74.39 %	719
Agency-Eligible Loans	194,047	494	72.96 %	774
Re- and Non-Performing Loans (1)	2,271	N/A	N/A	N/A
Total Residential mortgage loans	\$ 296,457	685	73.45 %	756
Total as of June 30, 2024	\$ 6,508,229	16,860	68.03 %	745

- (1) Loan count and weighted average excludes the Re- and Non-Performing Loans subcategory of Residential mortgage loans above as there may be limited data available regarding the underlying collateral of these residual positions.
- (2) Amounts are weighted based on unpaid principal balance.
- (3) Represents the original LTV or, for Re- and Non-Performing Loans and Non-Agency Loans acquired from WMC, the LTV at acquisition.
- (4) Weighted average current FICO excludes borrowers where FICO scores were not available. Data is based on the latest available information, which is primarily as of May 31, 2024.

See Note 3 to the "Notes to Consolidated Financial Statements (unaudited)" for additional information on credit quality and a breakout of geographic concentration of credit risk within loans we include in the "Securitized residential mortgage loans, at fair value" and "Residential mortgage loans, at fair value" line items on our consolidated balance sheets.

*Legacy WMC Commercial loans*

See Note 3 to the "Notes to Consolidated Financial Statements (unaudited)" for information on the geographic concentration, collateral characteristics, LTV, and maturities of the loans we include in the "Commercial loans, at fair value" line item on our consolidated balance sheets.

Non-Agency RMBS and Legacy WMC CMBS & Other Securities

The following table presents the fair value of our Non-Agency RMBS and Legacy WMC CMBS and Other Securities by credit rating as of June 30, 2024 (in thousands).

Credit Rating (1)	Non-Agency RMBS	Legacy WMC	
		CMBS	Other Securities
AAA	\$ 15,823	\$ —	\$ —
AA	1,924	—	—
A	4,458	—	—
BBB	9,284	4,700	—
BB	12,297	—	—
B	7,657	20,639	—
Below B	—	11,984	—
Not Rated	42,371	15,247	1,208
<b>Total: Non-Agency RMBS</b>	<b>\$ 93,814</b>	<b>\$ 52,570</b>	<b>\$ 1,208</b>
Less: Investments in Debt and Equity of Affiliates	\$ 22,186	\$ —	\$ —
<b>Total: GAAP Basis</b>	<b>\$ 71,628</b>	<b>\$ 52,570</b>	<b>\$ 1,208</b>

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

The following table presents certain characteristics of our Non-Agency RMBS and Legacy WMC CMBS portfolio as of June 30, 2024 (in thousands).

Instrument	Current Face	Fair Value	Weighted Average Life (Years) (1)
<b>Non-Agency RMBS</b>			
Non-QM Loans (2)	\$ 54,013	\$ 58,557	4.27
Re- and Non-Performing Loans (2)	5,516	7,246	0.41
Prime (2)	28,190	25,828	7.82
Credit Risk Transfer	2,000	2,183	5.67
<b>Total Non-Agency RMBS</b>	<b>\$ 89,719</b>	<b>\$ 93,814</b>	<b>4.63</b>
<b>Legacy WMC CMBS</b>			
Single-Asset/Single-Borrower - Fixed Rate	\$ 53,900	\$ 23,462	2.65
Single-Asset/Single-Borrower - Floating Rate	34,450	19,069	1.34
Conduit - Fixed Rate	15,049	10,039	2.53
<b>Total Legacy WMC CMBS</b>	<b>\$ 103,399</b>	<b>\$ 52,570</b>	<b>2.20</b>

(1) Weighted average life is based on projected life. Typically, actual maturities 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) The current face on our Non-Agency RMBS excludes interest only classes which have no principal balances and bear interest based on a notional value. The notional value is used solely to determine interest distributions on the interest only classes of securities. As of June 30, 2024, the notional value of interest only classes included in the Non-QM Loans, Re-and Non-Performing Loans, and Prime line items was \$376.9 million, \$22.4 million, and \$56.5 million, respectively.

The following table presents the geographic concentration of the underlying collateral for our Non-Agency RMBS and Legacy WMC CMBS portfolios as of June 30, 2024 (\$ in thousands).

Non-Agency RMBS			Legacy WMC CMBS		
Geographic Location	Concentration	Fair Value	Geographic Location	Concentration	Fair Value
California	41.3 %	\$ 38,731	California	38.1 %	\$ 20,038
New York	14.4 %	13,530	Bahamas	27.5 %	14,456
Florida	7.0 %	6,555	Minnesota	11.0 %	5,781
Texas	4.1 %	3,880	Texas	5.4 %	2,843
New Jersey	3.0 %	2,816	New York	2.9 %	1,514
Other	30.2 %	28,302	Other	15.1 %	7,938
<b>Total</b>	<b>100.0 %</b>	<b>\$ 93,814</b>	<b>Total</b>	<b>100.0 %</b>	<b>\$ 52,570</b>

#### Agency RMBS

Although our investment activities primarily include acquiring and securitizing newly-originated residential mortgage loans, from time to time we invest excess liquidity into Agency RMBS. The following table presents the fair value and the Constant Prepayment Rate ("CPR") experienced on our Agency RMBS portfolio as of June 30, 2024 (\$ in thousands).

	Fair Value	CPR (1)
30 Year Fixed Rate	\$ 542,670	7.4 %
Agency RMBS Interest Only	21,853	3.6 %
<b>Total/Weighted Average</b>	<b>\$ 564,523</b>	<b>7.1 %</b>

(1) Represents the weighted average monthly CPRs published during the period for our in-place portfolio.

#### Financing activities

In December 2023, through our acquisition of WMC, we assumed liabilities of \$1.1 billion, which primarily consisted of securitized debt, financing arrangements, and convertible senior unsecured notes. For more information on the acquisition of WMC, refer to "WMC Acquisition" above and the section entitled "WMC Acquisition" in Note 1 to the "Notes to Consolidated Financial Statements (unaudited)."

#### Financing Arrangements

We use leverage to finance the purchase of our investment portfolio. Our leverage has primarily been in the form of repurchase agreements and similar financing arrangements (which we refer to collectively as financing arrangements), 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. Interest rates for our financing arrangements are determined based on prevailing rates (typically a spread over a base rate) corresponding to the terms of the borrowings, and interest is paid on a monthly basis or, for shorter term arrangements, at the end of the term. Repurchase agreements typically have a term of up to one year for loans and a term of 30 to 90 days for securities. Repurchase agreements are generally mark-to-market with respect to margin calls and recourse to us. We had outstanding financing arrangements with six and seven counterparties as of June 30, 2024 and December 31, 2023, respectively.

Our 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 and liquidity, leverage ratios, and performance triggers. In addition, some of the financing arrangements contain cross default features, whereby default under an agreement with one lender simultaneously causes default under agreements with other lenders. To the extent that we fail to comply with the covenants contained in these financing arrangements or are otherwise found to be in default under the terms of such agreements, the counterparty has the right to accelerate amounts due under the associated agreement. As of June 30, 2024, we are in compliance with all of our financial covenants.

We also use securitized debt to finance our loan portfolio. Securitized debt is generally non-mark-to-market with respect to margin calls and non-recourse to us.

#### *Legacy WMC Convertible Notes*

Through our acquisition of WMC, we assumed the Legacy WMC Convertible Notes. See Note 6 to the "Notes to Consolidated Financial Statements (unaudited)" for additional information on the Legacy WMC Convertible Notes.

#### *Senior Unsecured Notes*

On January 26, 2024, we issued \$34.5 million principal amount of 9.500% senior notes due 2029.

On May 15, 2024, we issued \$65.0 million principal amount of 9.500% senior notes due 2029.

See Note 6 to the "Notes to Consolidated Financial Statements (unaudited)" for additional information on the Senior Unsecured Notes.

#### *Recourse and non-recourse financing*

The below table provides detail on the breakout between recourse and non-recourse financing as of June 30, 2024 and December 31, 2023 (in thousands).

	June 30, 2024	December 31, 2023
Recourse financing - Financing arrangements, including those in Investments in Debt and Equity of Affiliates	\$ 1,182,805	\$ 708,225
Recourse Financing - Legacy WMC Convertible Notes	78,849	85,266
Recourse Financing - Senior Unsecured Notes	95,380	—
Non-recourse financing - Securitized debt, at fair value	5,117,189	4,711,623
Non-recourse financing - Financing arrangements	56,559	62,972
Total Financing	6,530,782	5,568,086
Less:		
Recourse financing - Financing arrangements included in Investments in Debt and Equity of Affiliates	3,559	3,605
Total Financing in Investments in Debt and Equity of Affiliates	3,559	3,605
Total Financing: GAAP Basis	\$ 6,527,223	\$ 5,564,481

#### *Leverage*

We use leverage to increase potential returns to our stockholders and to fund the acquisition of our investment portfolio. Our financing strategy is designed to increase the size of our investment portfolio by borrowing against the fair value of the assets in our portfolio. When acquiring residential mortgage loans and other assets, we finance our investments using repurchase agreements or similar financing arrangements, which we refer to collectively as "financing arrangements." Upon accumulating a targeted amount of residential mortgage loans, we finance these assets utilizing long-term, non-recourse, non-mark-to-market securitizations as market conditions permit. Financing arrangements are generally recourse to the Company whereas securitized debt used to finance our Non-Agency VIEs and RPL/NPL VIEs is generally non-recourse to the Company. In addition to disclosing GAAP leverage, we also disclose Economic Leverage, which excludes non-recourse financing. Management believes that this non-GAAP measure, when considered with our GAAP financial statements, provides supplemental information useful for investors to help evaluate our use of leverage and the related risk associated with our leverage profile. Our presentation of Economic Leverage 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, GAAP leverage calculated in accordance with GAAP. Our GAAP financial results and the reconciliations from these results should be carefully evaluated.

We define GAAP leverage as the sum of (1) GAAP Securitized debt, at fair value, (2) GAAP Financing arrangements, net of any restricted cash posted on such financing arrangements, (3) Legacy WMC Convertible Notes, (4) Senior Unsecured Notes, and (5) the amount payable on purchases that have not yet settled less the financing remaining on sales that have not yet settled. We

define Economic Leverage, a non-GAAP metric, as the sum of: (i) our GAAP leverage, exclusive of any fully non-recourse financing arrangements, (ii) financing arrangements held through affiliated entities, net of any restricted cash posted on such financing arrangements, exclusive of any financing utilized through AG Arc, inclusive of any adjustment related to unsettled trades as described in (5) in the previous sentence, and exclusive of any non-recourse financing arrangements and (iii) our net TBA position (at cost), if any.

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 to GAAP Leverage (\$ in thousands).

<b>June 30, 2024</b>	<b>Leverage</b>	<b>Stockholders' Equity</b>	<b>Leverage Ratio</b>
Securitized debt, at fair value	\$ 5,117,189		
GAAP Financing arrangements	1,235,805		
Convertible senior unsecured notes	78,849		
Senior Unsecured Notes	95,380		
Restricted cash posted on financing arrangements	(3,369)		
GAAP Leverage	\$ 6,523,854	\$ 533,502	12.2x
Financing arrangements through affiliated entities	3,559		
Non-recourse financing arrangements (1)	(5,173,748)		
Economic Leverage	\$ 1,353,665	\$ 533,502	2.5x

(1) Non-recourse financing arrangements include securitized debt and other non-recourse financing arrangements.

<b>December 31, 2023</b>	<b>Leverage</b>	<b>Stockholders' Equity</b>	<b>Leverage Ratio</b>
Securitized debt, at fair value	\$ 4,711,623		
GAAP Financing arrangements	767,592		
Convertible senior unsecured notes	85,266		
Restricted cash posted on financing arrangements	(1,696)		
GAAP Leverage	\$ 5,562,785	\$ 528,368	10.5x
Financing arrangements through affiliated entities	3,605		
Non-recourse financing arrangements (1)	(4,774,595)		
Net TBA (receivable)/payable adjustment	(9,163)		
Economic Leverage	\$ 782,632	\$ 528,368	1.5x

(1) Non-recourse financing arrangements include securitized debt and other non-recourse financing arrangements.

### 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. 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. We may utilize interest rate swaps, swaption agreements, and other financial instruments such as short positions in to-be-announced securities. 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. See Note 7 in the "Notes to Consolidated Financial Statements (unaudited)" for more information.

### Dividends

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 required 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.

As described above, our distribution requirements are based on taxable income rather than GAAP net income. 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) differences between GAAP income or losses in our TRSs and taxable income resulting from dividend distributions to the REIT from our TRSs. Undistributed taxable income is based on current estimates and is not finalized until we file our annual tax return for that tax year, typically in October of the following year. We did not have any undistributed taxable income as of June 30, 2024.

During the six months ended June 30, 2024, the Company declared common stock dividends of \$0.37. During the same period, the Company declared and paid preferred stock dividends on its 8.25% Series A Preferred Stock, 8.00% Series B Preferred Stock, and 8.000% Series C Preferred Stock of \$1.03126, \$1.00, and \$1.00, respectively.

### **Liquidity and capital resources**

Our liquidity determines our ability to meet our cash obligations, including distributions to our stockholders, payment of our expenses, financing our investments and satisfying other general business needs.

Our principal sources of cash consist of borrowings under financing arrangements, principal and interest payments we receive on our investment 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 loans, real estate securities, and other real estate related assets, to make dividend payments on our capital stock, to repurchase our capital stock, and to fund our operations. We may also generate liquidity when restricted cash that was pledged as collateral for clearing and executing trades, derivatives, and financing arrangements becomes unrestricted when the related collateral requirements are exceeded or at the maturity of the derivative or financing arrangement. Refer to "—Margin requirements" below discussing instances where we may use liquidity to meet margin requirements. At June 30, 2024, we had \$180.2 million of liquidity, which consisted of \$120.9 million of cash and cash equivalents and \$59.3 million of unencumbered Agency RMBS available to support our liquidity needs. Refer to the "Contractual obligations" section of this Item 2 for additional obligations that could impact our liquidity.

#### *Margin requirements*

The fair value of our loans and real estate securities 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 transactions 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 effectively manage the margin requirements established by our lenders, we maintain a position of cash and, when owned, unpledged Agency RMBS. We refer to this position as our "liquidity." The level of liquidity we maintain to meet margin calls is directly affected by our leverage levels, our haircuts and the price changes on our assets. Typically, if interest rates increase or if credit spreads widen, then the prices of our collateral (and our unpledged Agency RMBS that constitute a portion of 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 on existing financing arrangements increase, our liquidity will proportionately decrease. We intend to maintain a level of liquidity in relation to our borrowings that enables us to meet reasonably anticipated margin calls but that also allows us to be substantially invested in the residential mortgage market. 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.

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 value declines. 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 assets, 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 Item 3 below for a further discussion on margin.

#### Cash flows

The below details changes to our cash, cash equivalents, and restricted cash for the six months ended June 30, 2024 and 2023 (\$ in thousands).

	Six Months Ended		
	June 30, 2024	June 30, 2023	Change
Cash and cash equivalents and restricted cash, Beginning of Period	\$ 125,573	\$ 98,803	\$ 26,770
Net cash provided by (used in) operating activities (1)	25,704	15,093	10,611
Net cash provided by (used in) investing activities (2)	(921,516)	(156,759)	(764,757)
Net cash provided by (used in) financing activities (3)	918,673	148,227	770,446
Net change in cash and cash equivalents and restricted cash	22,861	6,561	16,300
Cash and cash equivalents and restricted cash, End of Period	\$ 148,434	\$ 105,364	\$ 43,070

- (1) Cash provided by operating activities is primarily attributable to net interest income less operating expenses for the six months ended June 30, 2024.
- (2) Cash used in investing activities for the six months ended June 30, 2024 was primarily attributable to purchases of investments, offset by principal repayments on investments and sales of investments.
- (3) Cash provided by financing activities for the six months ended June 30, 2024 was primarily attributable to proceeds from the issuance of securitized debt and our Senior Unsecured Notes, offset by principal repayments on securitized debt, net repayments of financing arrangements, repurchases of the Convertible Senior Unsecured Notes, and dividend payments.

#### Stock repurchase programs

On August 3, 2022, our Board of Directors authorized a stock repurchase program (the "2022 Repurchase Program") to repurchase up to \$15.0 million of our outstanding common stock. The 2022 Repurchase Program does not have an expiration date and permits us to repurchase our shares through various methods, including open market repurchases, privately negotiated block transactions and Rule 10b5-1 plans. We may repurchase shares of our common stock from time to time in compliance with SEC regulations and other legal requirements. The extent to which we repurchase our shares, and the timing, manner, price, and amount of any such repurchases, will depend upon a variety of factors including market conditions and other corporate considerations as determined by management, as well as the limits of the 2022 Repurchase Program and our liquidity and business strategy. The 2022 Repurchase Program does not obligate us to acquire any particular amount of shares and may be modified or discontinued at any time. As of the date of this filing, approximately \$1.5 million of common stock remained authorized for future share repurchases under the 2022 Repurchase Program. See Note 11 in the "Notes to Consolidated Financial Statements (unaudited)" for additional details on the shares repurchased under the 2022 Repurchase Program during the three and six months ended June 30, 2024 and 2023.

On May 4, 2023, our Board of Directors authorized a stock repurchase program (the "2023 Repurchase Program") to repurchase up to \$15.0 million of our outstanding common stock on substantially the same terms as the 2022 Repurchase Program. As of the date of this filing, the full \$15.0 million authorized amount remains available for repurchase under the 2023 Repurchase Program. This authorization is in addition to the amount remaining under the 2022 Repurchase Program.

On February 22, 2021, our Board of Directors authorized a stock repurchase program (the "Preferred Repurchase Program") pursuant to which our Board of Directors granted a repurchase authorization to acquire shares of our Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock having an aggregate value of up to \$20.0 million. No share repurchases under the Preferred Repurchase Program have been made since its authorization.

Shares of stock repurchased by us under any repurchase program, if any, will be cancelled and, until reissued by us, will be deemed to be authorized but unissued shares of its stock as required by Maryland law. The cost of the acquisition by us of shares of our 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.

#### *Equity distribution agreements*

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, under the Securities Act of 1933. We did not issue any shares of common stock under the Equity Distribution Agreements during the three and six months ended June 30, 2024. Since inception of the program, we have issued approximately 2.2 million shares of common stock under the Equity Distribution Agreements for gross proceeds of \$48.3 million.

#### *Forward-looking statements regarding liquidity*

Based upon our current portfolio, leverage and available borrowing arrangements, we believe the net proceeds of our common equity offerings, preferred equity offerings, senior unsecured note issuances, and private placements, combined with cash flow from operating activities, financing activities, 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, funding financing maturities, and paying general corporate expenses.

#### **Contractual obligations**

##### *Management agreement*

The management agreement, as amended, provides for payment to the Manager of a management fee, an incentive fee, and reimbursements of certain expenses incurred by the Manager or its affiliates on behalf of us. Pursuant to our management agreement, the closing of the TPG Transaction resulted in an assignment of the management agreement. Our independent directors unanimously consented to such assignment on July 31, 2023 in advance of the TPG Transaction closing. There were no changes to the management agreement in connection with the TPG Transaction and the assignment of the management agreement became effective upon the closing of the TPG Transaction.

In connection with the Merger with WMC, which was completed on December 6, 2023, and contemporaneously with the execution of the Merger Agreement, on August 8, 2023, we and our Manager entered into the MITT Management Agreement Amendment, pursuant to which (i) our Manager's base management fee will be reduced by \$0.6 million for the first four quarters following the Effective Time, beginning with the fiscal quarter in which the Effective Time occurs (i.e., resulting in an aggregate \$2.4 million waiver of base management fees), and (ii) our Manager will waive its right to seek reimbursement from us for any expenses otherwise reimbursable by us under the management agreement in an amount equal to approximately \$1.3 million, which is the excess of \$7.0 million over the aggregate Per Share Additional Merger Consideration paid by our Manager to the holders of WMC Common Stock under the Merger Agreement. The MITT Management Agreement Amendment became effective automatically upon the closing of the Merger.

### Management fee

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. The below table details the management fees incurred during the three and six months ended June 30, 2024 and 2023 (in thousands).

Consolidated statements of operations line item:	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Management fee to affiliate (1)	\$ 1,753	\$ 2,061	\$ 3,494	\$ 4,136

(1) For the three and six months ended June 30, 2024, the Manager agreed to waive its right to receive management fees of \$0.6 million and \$1.2 million, respectively, pursuant to the MITT Management Agreement Amendment executed in connection with the Merger. Of the \$2.4 million management fee waiver agreed upon in connection with the Merger, \$0.6 million remains outstanding as of June 30, 2024.

As of June 30, 2024 and December 31, 2023, we have recorded management fees payable of \$1.7 million and \$1.5 million, respectively. The management fee payable is included within the "Due to affiliates" line item within the "Other liabilities" line item on the consolidated balance sheets.

### Incentive fee

The Manager is entitled to an annual incentive fee with respect to each applicable fiscal year, which will be equal to 15% of the amount by which our cumulative adjusted net income from November 22, 2021 exceeds the cumulative hurdle amount, which represents an 8% return (cumulative, but not compounding) on an equity hurdle base consisting of the sum of (i) \$341.5 million and (ii) the gross proceeds of any subsequent public or private common stock offerings by us. The annual incentive fee will be payable in cash, or, at the option of our Board of Directors, shares of common stock or a combination of cash and shares.

During the three and six months ended June 30, 2024 and 2023, we did not incur any incentive fee expense.

### Termination fee

Upon the occurrence of (i) our termination of the management agreement without cause or (ii) the Manager's termination of the management agreement upon a breach by the Company of any material term of the management agreement, the Manager will be entitled to a termination fee 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 June 30, 2024 and December 31, 2023, no event of termination of the management agreement had occurred.

### Expense reimbursement

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 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, reimbursements are 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.

The below table details the expense reimbursement incurred during the three and six months ended June 30, 2024 and 2023 (in thousands).

Consolidated statements of operations line item:	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Non-investment related expenses (1)	\$ 1,636	\$ 1,400	\$ 3,300	\$ 2,800
Investment related expenses	87	110	201	212
Transaction related expenses	306	318	374	381
Expense reimbursements to Manager or its affiliates	\$ 2,029	\$ 1,828	\$ 3,875	\$ 3,393

(1) For the three and six months ended June 30, 2024, the Manager agreed to waive its right to receive expense reimbursements of \$0.3 million and \$0.6 million, respectively, pursuant to the MITT Management Agreement Amendment executed in connection with the Merger. Of the \$1.3 million expense reimbursement waiver agreed upon in connection with the Merger, \$0.5 million remains outstanding as of June 30, 2024.

As of June 30, 2024 and December 31, 2023, we recorded a reimbursement payable to our Manager or its affiliates of \$2.9 million and \$1.5 million, respectively. The reimbursement payable to the Manager or its affiliates is included within the "Due to affiliates" line item within the "Other liabilities" line item on the consolidated balance sheets.

#### *Share-based compensation*

The AG Mortgage Investment Trust, Inc. 2020 Equity Incentive Plan, which became effective on April 15, 2020 following the approval of our stockholders at our 2020 annual meeting of stockholders, provides for a maximum of 666,666 shares of common stock that may be issued under the plan. The maximum number of shares of common stock granted during a single fiscal year to any non-employee director, taken together with any cash fees paid to such non-employee director during any fiscal year, shall not exceed \$300,000 in total value (calculating the value of any such awards based on the grant date fair value). As of June 30, 2024, 426,456 shares of common stock remained available to be awarded under the 2020 Equity Incentive Plan.

Since inception of the 2020 Equity Incentive Plan and through June 30, 2024, we have granted an aggregate of 213,208 shares of restricted common stock to our independent directors under our 2020 Equity Incentive Plan, all of which have vested.

On December 6, 2023, in connection with the WMC acquisition, we granted an aggregate 25,962 restricted stock units to the two independent directors added to our Board of Directors who previously served on WMC's board of directors. Through June 30, 2024, the two independent directors have also been granted an aggregate of 1,040 dividend equivalent units. These restricted stock units and associated dividend equivalent units vested in full on June 23, 2024, and will be settled in shares of our common stock upon each independent director's separation from service with our Board of Directors.

The AG Mortgage Investment Trust, Inc. 2021 Manager Equity Incentive Plan (the "2021 Manager Plan"), which became effective on April 7, 2021 following the approval of our stockholders at our 2021 annual meeting of stockholders, provides for a maximum of 573,425 shares of common stock that may be subject to awards thereunder to our Manager. As of June 30, 2024, there were no shares or awards issued under the 2021 Manager Plan. Following the execution of the Third Amendment to our management agreement in November 2021 related to the incentive fee, our compensation committee no longer expects to continue its historical practice of making periodic equity grants to the Manager pursuant to the 2021 Manager Plan.

#### *Unfunded commitments*

See Note 12 of the "Notes to Consolidated Financial Statements (unaudited)" for detail on our commitments as of June 30, 2024.

#### **Off-balance sheet arrangements**

Our investments in debt and equity of affiliates primarily consist of real estate securities and our interest in AG Arc. Investments in debt and equity of affiliates are accounted for using the equity method of accounting. Certain of our investments in debt and equity of affiliates securitize residential mortgage loans and retain interests in the subordinated tranches of the transferred assets. These retained interests are included in the MATT Non-QM Securities and Re/Non-Performing Securities line items of our investment portfolio. See Note 10 to the "Notes to Consolidated Financial Statements (unaudited)" for a discussion of investments in debt and equity of affiliates.

We record TBA purchases and sales on the trade date and present the purchase or receipt net of the corresponding payable or receivable until the settlement date of the transaction. Refer to Note 7 to the "Notes to Consolidated Financial Statements (unaudited)" for additional detail on TBAs as of June 30, 2024, if applicable.

For additional information on our commitments as of June 30, 2024, refer to Note 12 of the "Notes to Consolidated Financial Statements (unaudited)." We do not expect these commitments, taken as a whole, to be significant to, or to have a material impact on, our overall liquidity or capital resources or our operations.

### **Critical accounting policies and estimates**

We prepare our consolidated financial statements in conformity with GAAP, which requires the use of estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. These estimates are based, in part, on our judgment and assumptions regarding various economic conditions that we believe are reasonable based on facts and circumstances existing at the time of reporting. We believe that the estimates, judgments and assumptions utilized in the preparation of our consolidated financial statements are prudent and reasonable. Although our estimates contemplate conditions as of June 30, 2024 and how we expect them to change in the future, it is reasonably possible that actual conditions could be different than anticipated in arriving at those estimates, which could materially affect reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the periods presented.

Our most critical accounting policies include (i) Valuation of financial instruments, (ii) Accounting for loans, (iii) Accounting for real estate securities, (iv) Interest income recognition, (v) Financing arrangements, (vi) Investment consolidation, and (vii) Accounting for business combinations. Our critical accounting estimates are those which require assumptions to be made about matters that are highly uncertain and include (i), (iv), and (vi) above. A discussion of critical accounting policies and estimates is included in our Form 10-K. Our critical accounting policies and estimates have not materially changed since December 31, 2023.

### **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 (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.

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.

Conducting our operations so as not to be considered an investment company under the Investment Company Act and the rules and regulations promulgated under the Investment Company Act and SEC staff interpretive guidance limits our ability to make

certain investments. For example, these restrictions limit our and our subsidiaries' ability to invest directly in Agency RMBS mortgage-related securities that represent less than the entire ownership in a pool of mortgage loans or debt and equity tranches of Non-Agency RMBS (in each case to the extent such interest are not retained interest in securitizations consisting of mortgage loans that were owned by us and such securitizations were not sponsored by us in order to obtain financing to acquire additional mortgage loans), certain real estate companies and assets not related to real estate.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary components of our market risk relate to interest rates, liquidity, real estate, credit, prepayment rates, basis, and capital markets risk. While we do not seek to avoid risk completely, we seek to assume risk that can be reasonably 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. Many of these risks have become particularly heightened due to sustained inflation, rising mortgage rates, the Federal Reserve's monetary policy actions, and market uncertainty from geopolitical risks.

#### 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 investment portfolio 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 investment portfolio and borrowings. Our hedging techniques can be highly complex, and the value of our investment portfolio 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, exclusive of our residential mortgage loans financed through securitized debt. Repurchase agreements financing our securities portfolio or retained interests from our securitizations typically have an initial term between 30 and 90 days while repurchase agreements financing our residential mortgage loans prior to securitization have an initial term of one year. 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.

In an attempt to offset the increase in funding costs related to rising interest rates, our Manager may cause us to enter 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 loan and real estate securities 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 represent 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 an instantaneous 100 basis point parallel shift in the yield curve while assuming all other market risk factors remain constant. 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 our portfolio value. We estimate duration based on third-party models. Different models and methodologies can produce different effective duration estimates for the same assets. 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 June 30, 2024.

Duration (1)(2)	Years
Agency RMBS	0.68
Agency Hedges	(1.20)
<b>Agency RMBS subtotal</b>	<b>(0.52)</b>
Securitized Residential Mortgage Loans	2.86
Real Estate Securities and Legacy WMC Commercial Loans	0.10
Hedges on securitized products	(0.39)
<b>Securitized products subtotal</b>	<b>2.57</b>
Residential Mortgage Loans (3)	0.68
Hedges on Residential Mortgage Loans	(0.52)
<b>Residential Mortgage Loans subtotal</b>	<b>0.16</b>
<b>Legacy WMC Convertible Notes and Senior Unsecured Notes</b>	<b>(0.20)</b>
<b>Total</b>	<b>2.01</b>

(1) Duration related to financing arrangements is netted within its respective line items.

(2) Duration does not include our investment in AG Arc LLC.

(3) Residential Mortgage Loans are inclusive of forward purchase commitments to acquire Non-Agency Loans and Agency-Eligible Loans as of June 30, 2024.

The following table quantifies the estimated percent change 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 GAAP equity, assets, and projected net interest income from our base interest rate scenario. The base interest rate scenario assumes spot and forward interest rates existing as of June 30, 2024. Actual results could differ materially from these estimates.

Agency RMBS and Agency-Eligible Loan 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 result in percentage changes 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 June 30, 2024, 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)	Change in Fair Value as a Percentage of GAAP Equity (2)(3)			Change in Fair Value as a Percentage of Assets (2)(3)			Percentage Change in Projected Net Interest Income (4)	
75	(5.7)	%		(0.4)	%		(0.7)	%
50	(3.7)	%		(0.3)	%		(0.5)	%
25	(1.8)	%		(0.1)	%		(0.2)	%
(25)	1.7	%		0.1	%		(0.1)	%
(50)	3.4	%		0.3	%		(0.8)	%
(75)	5.0	%		0.4	%		(1.7)	%

(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 are inclusive of forward purchase commitments to acquire Non-Agency Loans and Agency-Eligible Loans as of June 30, 2024.

(4) Interest income includes trades settled as of June 30, 2024.



The information set forth in the interest rate sensitivity table 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 financings 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 reasonable 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) maintaining relationships with a carefully selected group of financing counterparties and (ii) monitoring the ongoing financial stability and future business plans of our financing counterparties.

#### *Liquidity risk – financing arrangements*

We pledge mortgage loans or real estate securities and cash as collateral to secure our financing arrangements. Should the fair value of our mortgage loans or real estate securities 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 mortgage loans or real estate securities 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 2007-2008, 2009 and more recently in March 2020, our financing arrangement counterparties may increase our margin requirements on new financings, including repurchase transactions that we roll at maturity with the same counterparty. This 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 require us to post collateral in the form of cash or Agency RMBS to our counterparties to satisfy two types of margin requirements: variation margin and initial margin.

We and our swap counterparties are both required to post variation margin to each other depending upon the daily moves in prevailing benchmark interest rates. The amount of this variation margin is derived from the mark to market valuation of our swaps. Hence, as our swaps lose value in a falling interest rate environment, we are required to post additional variation margin to our counterparties on a daily basis; conversely, as our swaps gain value in a rising interest rate environment, we are able to recall variation margin from our counterparties. By recalling variation margin from our swaps 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 and our counterparties were forced to unwind the swap. 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 discussed above.

### **Real estate value risk**

Residential 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), natural disasters, the effects of climate change (including flooding, drought, and severe weather) and other natural events, 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 investment portfolio 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**

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. 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.

The potential effects of sustained inflation, elevated mortgage rates and the Federal Reserve's monetary policy actions may cause an increase in credit risk of our credit sensitive assets. Any future period of payment deferrals, forbearance, delinquencies, defaults, foreclosures or losses will likely adversely affect our net interest income from residential loans and RMBS investments, the fair value of these assets, our ability to liquidate the collateral that may underlie these investments and obtain additional financing and the future profitability of our investments. Further, in the event of delinquencies, defaults and foreclosure, regulatory changes and policies designed to protect borrowers and renters may slow or prevent us from taking remediation actions.

### **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 or discounts on our assets are amortized or accreted 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. An increase in the prepayment rate will similarly accelerate the accretion of purchase discounts, conversely increasing the yield or interest income earned on such assets. A decrease in the prepayment rate will have a directionally opposite impact on the yield or interest income.

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 and interest-only securities) and mortgage loans accounted for under ASC 310-10.

In addition, our interest rate hedges are structured in part based upon assumed levels of future prepayments within our mortgage loan or real estate securities 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.

### **Basis risk**

Basis risk refers to the possible decline in book value triggered by the risk of incurring losses on the fair value of Agency RMBS as a result of widening market spreads between the yields on Agency RMBS and the yields on comparable duration Treasury securities. The basis risk associated with fluctuations in fair value of 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.

## Capital Market Risk

We are exposed to risks related to the equity capital markets, and our related ability to raise capital through the issuance of our common stock, preferred stock or other equity instruments. We are also exposed to risks related to the debt capital markets, and our related ability to finance our business through revolving facilities or other debt instruments. As a REIT, we are required to distribute a significant portion of our taxable income annually, which constrains our ability to accumulate operating cash flow and therefore may require us to utilize debt or equity capital to finance our business. We seek to mitigate these risks by monitoring the debt and equity capital markets to inform our decisions on the amount, timing, and terms of capital we raise.

## ITEM 4. CONTROLS AND PROCEDURES

### *(a) Evaluation of Disclosure Controls and Procedures*

Our management is responsible for establishing and maintaining disclosure controls and procedures that are designed to ensure that information the Company is required to disclose in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that the Company's management, including its principal executive officer and principal financial officer, as appropriate, allow for timely decisions regarding required disclosure.

We have evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures as of June 30, 2024. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow for timely decisions regarding required disclosure.

### *(b) Changes in Internal Control over Financial Reporting*

No change occurred in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the period covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II — OTHER INFORMATION**

### **ITEM 1. 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 1A. RISK FACTORS.**

Refer to the risks identified under the caption "Risk Factors", in our Annual Report on Form 10-K for the year ended December 31, 2023 and our subsequent filings, which are available on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov), and in the "Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections herein.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

None.

### **ITEM 5. OTHER INFORMATION.**

None.

ITEM 6. EXHIBITS.

Exhibit No.	Description
<a href="#"><u>3.1</u></a>	<a href="#"><u>Articles of Amendment and Restatement of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of Amendment No. 2 to the Company's Registration Statement on Form S-11, filed with the Securities and Exchange Commission on April 18, 2011 ("Pre-Effective Amendment No. 2").</u></a>
<a href="#"><u>3.2</u></a>	<a href="#"><u>Articles of Amendment to Articles of Amendment and Restatement of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 8, 2017.</u></a>
<a href="#"><u>3.3</u></a>	<a href="#"><u>Amended and Restated Bylaws of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.3 of the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on November 8, 2022.</u></a>
<a href="#"><u>3.4</u></a>	<a href="#"><u>Articles Supplementary of 8.25% Series A Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 2, 2012.</u></a>
<a href="#"><u>3.5</u></a>	<a href="#"><u>Articles Supplementary of 8.00% Series B Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 24, 2012.</u></a>
<a href="#"><u>3.6</u></a>	<a href="#"><u>Articles Supplementary of 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.5 of the Company's Registration Statement on Form 8-A12B, filed with the Securities and Exchange Commission on September 16, 2019.</u></a>
<a href="#"><u>3.7</u></a>	<a href="#"><u>Articles of Amendment of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 27, 2021.</u></a>
<a href="#"><u>3.8</u></a>	<a href="#"><u>Articles of Amendment of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 27, 2021.</u></a>
<a href="#"><u>4.1</u></a>	<a href="#"><u>Specimen Common Stock Certificate of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 4.1 on Form 10-Q filed with the Securities and Exchange Commission on May 7, 2021.</u></a>
<a href="#"><u>4.2</u></a>	<a href="#"><u>Specimen 8.25% Series A Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 2, 2012.</u></a>
<a href="#"><u>4.3</u></a>	<a href="#"><u>Specimen 8.00% Series B Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 24, 2012.</u></a>
<a href="#"><u>4.4</u></a>	<a href="#"><u>Specimen 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 3.9 of the Company's Registration Statement on Form 8-A12B, filed with the Securities and Exchange Commission on September 16, 2019.</u></a>
<a href="#"><u>4.5</u></a>	<a href="#"><u>Indenture, dated as of October 2, 2017, by and between Western Asset Mortgage Capital Corporation and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 4.1 of Western Asset Mortgage Capital Corporation's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 3, 2017.</u></a>
<a href="#"><u>4.6</u></a>	<a href="#"><u>Second Supplemental Indenture, dated as of September 14, 2021, by and between Western Asset Mortgage Capital Corporation and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 4.2 of Western Asset Mortgage Capital Corporation's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 14, 2021.</u></a>

<a href="#"><u>4.7</u></a>	<a href="#"><u>Third Supplemental Indenture, dated as of December 6, 2023, by and among AG Mortgage Investment Trust, Inc., AGMIT Merger Sub, LLC, Western Asset Mortgage Capital Corporation and Computershare Trust Company, National Association, as successor to Wells Fargo Bank, National Association, incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 6, 2023.</u></a>
<a href="#"><u>4.8</u></a>	<a href="#"><u>Form of 6.75% Convertible Senior Notes due 2024, attached as Exhibit A to the Second Supplemental Indenture filed as Exhibit 4.6 hereto, incorporated by reference to Western Asset Mortgage Capital Corporation's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 14, 2021.</u></a>
<a href="#"><u>4.9</u></a>	<a href="#"><u>Indenture, dated January 26, 2024, between AG Mortgage Investment Trust, Inc. and U.S. Bank Trust Company, National Association, as Trustee, incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form 8-A12B, filed with the Securities and Exchange Commission on January 26, 2024.</u></a>
<a href="#"><u>4.10</u></a>	<a href="#"><u>First Supplemental Indenture, dated January 26, 2024, between AG Mortgage Investment Trust, Inc. and U.S. Bank Trust Company, National Association, as Trustee, incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form 8-A12B, filed with the Securities and Exchange Commission on January 26, 2024.</u></a>
<a href="#"><u>4.11</u></a>	<a href="#"><u>Second Supplemental Indenture, dated May 15, 2024, between AG Mortgage Investment Trust, Inc. and U.S. Bank Trust Company, National Association, as Trustee, incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form 8-A12B, filed with the Securities and Exchange Commission on May 15, 2024.</u></a>
<a href="#"><u>4.12</u></a>	<a href="#"><u>Form of 9.500% Senior Notes Due 2029 of AG Mortgage Investment Trust, Inc. (attached as Exhibit A to the First Supplemental Indenture, incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form 8-A12B, filed with the Securities and Exchange Commission on January 26, 2024).</u></a>
<a href="#"><u>4.13</u></a>	<a href="#"><u>Form of 9.500% Senior Notes Due 2029 of AG Mortgage Investment Trust, Inc. (attached as Exhibit A to the Second Supplemental Indenture, incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form 8-A12B, filed with the Securities and Exchange Commission on May 15, 2024).</u></a>
<a href="#"><u>31.1*</u></a>	<a href="#"><u>Certification of Thomas J. Durkin pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>31.2*</u></a>	<a href="#"><u>Certification of Anthony W. Rossiello pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>32.1*</u></a>	<a href="#"><u>Certification of Thomas J. Durkin 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.</u></a>
<a href="#"><u>32.2*</u></a>	<a href="#"><u>Certification of Anthony W. Rossiello 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.</u></a>
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

104 Cover Page Interactive Data File (formatted as Inline XBRL)

\* Filed herewith.

## 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.

August 6, 2024

By: /s/ THOMAS J. DURKIN

Thomas J. Durkin

Chief Executive Officer and President (principal executive officer)

August 6, 2024

By: /s/ ANTHONY W. ROSSIELLO

Anthony W. Rossiello

Chief Financial Officer (principal financial officer and principal accounting officer)



**CERTIFICATION**

I, Thomas J. Durkin, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 6, 2024

/s/ Thomas J. Durkin

Thomas J. Durkin

Chief Executive Officer & President

## CERTIFICATION

I, Anthony W. Rossiello, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 6, 2024

/s/ Anthony W. Rossiello

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Anthony W. Rossiello  
Chief Financial Officer

**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 Quarterly Report on Form 10-Q of AG Mortgage Investment Trust, Inc. (the "Company") for the quarterly period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas J. Durkin, 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.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

/s/ Thomas J. Durkin

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Thomas J. Durkin  
Chief Executive Officer & President  
August 6, 2024

**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 Quarterly Report on Form 10-Q of AG Mortgage Investment Trust, Inc. (the "Company") for the quarterly period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony W. Rossiello, 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.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

/s/ Anthony W. Rossiello

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Anthony W. Rossiello

Chief Financial Officer

August 6, 2024