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, 2017

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.

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filed, 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. (Check one):

Large Accelerated filer ☐ Accelerated filer ☒ Non-Accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐ (Do not check if a smaller reporting 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 July 24, 2017, there were 27,828,441 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)

	June 30, 2017	December 31, 2016
Assets		
Real estate securities, at fair value:		
Agency - $1,266,254,543 and $972,232,174 pledged as collateral, respectively	$ 1,601,265,257	$ 1,057,663,726
Non-Agency - $1,078,998,578 and $990,985,143 pledged as collateral, respectively	1,106,818,817	1,043,017,308
ABS - $26,777,004 and $21,231,956 pledged as collateral, respectively	47,917,356	21,231,956
CMBS - $203,968,254 and $201,464,058 pledged as collateral, respectively	212,183,426	211,652,660
Residential mortgage loans, at fair value - $20,943,195 and $31,031,107 pledged as collateral, respectively	23,455,233	38,195,576
Commercial loans, at fair value - $32,800,000 pledged as collateral	57,294,106	60,068,800
Investments in debt and equity of affiliates	84,711,002	72,215,919
Excess mortgage servicing rights, at fair value	2,786,501	412,648
Cash and cash equivalents	29,150,477	52,469,891
Restricted cash	48,109,840	26,583,527
Interest receivable	10,164,621	8,570,383
Receivable on unsettled trades - $0 and $3,057,814 pledged as collateral, respectively	-	3,633,161
Receivable under reverse repurchase agreements	-	22,680,000
Derivative assets, at fair value	3,129,277	3,703,366
Other assets	3,295,079	5,600,341
Due from broker	4,233,927	945,304
Total Assets	$ 3,234,514,919	$ 2,628,644,566
Liabilities		
Repurchase agreements	$ 2,256,742,388	$ 1,900,509,806
Securitized debt, at fair value	18,778,169	21,491,710
Loan participation payable, at fair value	-	1,800,000
Obligation to return securities borrowed under reverse repurchase agreements, at fair value	-	22,365,000
Payable on unsettled trades	250,732,846	-
Interest payable	3,585,468	2,570,854
Derivative liabilities, at fair value	1,769,032	2,907,255
Dividend payable	13,205,483	13,157,573
Due to affiliates	4,300,944	3,967,622
Accrued expenses	1,007,454	1,068,779
Taxes payable	801,883	1,717,883
Due to broker	459,557	1,211,694
Total Liabilities	2,551,383,224	1,972,768,176
Stockholders' Equity		
Preferred stock - $0.01 par value; 50,000,000 shares authorized:		
8.25% Series A Cumulative Redeemable Preferred Stock, 2,070,000 shares issued and outstanding ($51,750,000 aggregate liquidation preference)	49,920,772	49,920,772
8.00% Series B Cumulative Redeemable Preferred Stock, 4,600,000 shares issued and outstanding ($115,000,000 aggregate liquidation preference)	111,293,233	111,293,233
Common stock, par value $0.01 per share; 450,000,000 shares of common stock authorized and 27,805,162 and 27,700,154 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	278,053	277,002
Additional paid-in capital	578,340,378	576,276,322
Retained earnings/(deficit)	(56,700,741)	(81,890,939)
Total Stockholders' Equity	683,131,695	655,876,390
Total Liabilities & Stockholders' Equity	$ 3,234,514,919	$ 2,628,644,566

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

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net Interest Income				
Interest income	$ 31,220,535	$ 30,200,296	$ 59,180,427	$ 60,897,454
Interest expense	10,201,393	8,396,997	18,362,805	16,957,296
	21,019,142	21,803,299	40,817,622	43,940,158
Other Income				
Net realized gain/(loss)	(10,121,477)	(5,317,085)	(12,549,564)	(18,303,743)
Realized loss on periodic interest settlements of derivative instruments, net	(1,857,542)	(1,607,539)	(3,467,519)	(3,985,314)
Unrealized gain/(loss) on real estate securities and loans, net	25,546,552	10,958,117	38,297,116	19,798,887
Unrealized gain/(loss) on derivative and other instruments, net	1,927,169	202,572	1,801,297	(11,753,430)
Other income	3,845	1,995	31,882	27,386
	15,498,547	4,238,060	24,113,212	(14,216,214)
Expenses				
Management fee to affiliate	2,443,780	2,420,782	4,919,596	4,870,925
Other operating expenses	2,851,353	2,664,252	5,644,587	5,711,064
Servicing fees	86,001	106,974	162,002	237,344
Equity based compensation to affiliate	87,540	87,183	165,018	142,154
Excise tax	375,000	375,000	750,000	750,000
	5,843,674	5,654,191	11,641,203	11,711,487
Income/(loss) before equity in earnings/(loss) from affiliates	30,674,015	20,387,168	53,289,631	18,012,457
Equity in earnings/(loss) from affiliates	2,497,116	689,973	4,999,162	620,257
Net Income/(Loss)	33,171,131	21,077,141	58,288,793	18,632,714
Dividends on preferred stock	3,367,354	3,367,354	6,734,708	6,734,708
Net Income/(Loss) Available to Common Stockholders	$ 29,803,777	$ 17,709,787	$ 51,554,085	$ 11,898,006
Earnings/(Loss) Per Share of Common Stock				
Basic	$ 1.08	$ 0.63	$ 1.86	$ 0.42
Diluted	$ 1.07	$ 0.63	$ 1.86	$ 0.42
Weighted Average Number of Shares of Common Stock Outstanding				
Basic	27,724,183	28,038,953	27,713,104	28,155,441
Diluted	27,731,325	28,054,454	27,720,309	28,170,433

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

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

	Common Stock		8.25 % Series A Cumulative Redeemable	8.00 % Series B Cumulative Redeemable	Additional	Retained	
	Shares	Amount	Preferred Stock	Preferred Stock	Paid-in Capital	Earnings/(Deficit)	Total
Balance at January 1, 2016	28,286,210	$ 282,863	$ 49,920,772	$ 111,293,233	$ 584,581,995	$ (79,134,150)	$ 666,944,713
Repurchase of common stock	(432,853)	(4,329)	-	-	(5,863,449)	-	(5,867,778)
Grant of restricted stock and amortization of equity based compensation	4,636	46	-	-	202,045	-	202,091
Common dividends declared	-	-	-	-	-	(26,655,902)	(26,655,902)
Preferred Series A dividends declared	-	-	-	-	-	(2,134,708)	(2,134,708)
Preferred Series B dividends declared	-	-	-	-	-	(4,600,000)	(4,600,000)
Net Income/(Loss)	-	-	-	-	-	18,632,714	18,632,714
Balance at June 30, 2016	27,857,993	$ 278,580	$ 49,920,772	$ 111,293,233	$ 578,920,591	$ (93,892,046)	$ 646,521,130
Balance at January 1, 2017	27,700,154	$ 277,002	$ 49,920,772	$ 111,293,233	$ 576,276,322	$ (81,890,939)	$ 655,876,390
Net proceeds from issuance of common stock	99,932	1,000	-	-	1,779,185	-	1,780,185
Grant of restricted stock and amortization of equity based compensation	5,076	51	-	-	284,871	-	284,922
Common dividends declared	-	-	-	-	-	(26,363,887)	(26,363,887)
Preferred Series A dividends declared	-	-	-	-	-	(2,134,708)	(2,134,708)
Preferred Series B dividends declared	-	-	-	-	-	(4,600,000)	(4,600,000)
Net Income/(Loss)	-	-	-	-	-	58,288,793	58,288,793
Balance at June 30, 2017	27,805,162	$ 278,053	$ 49,920,772	$ 111,293,233	$ 578,340,378	$ (56,700,741)	$ 683,131,695

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

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

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Cash Flows from Operating Activities		
Net income/(loss)	$ 58,288,793	$ 18,632,714
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Net amortization of premium	3,206,571	4,615,360
Net realized (gain)/loss	12,549,564	18,303,743
Unrealized (gains)/losses on real estate securities and loans, net	(38,297,116)	(19,798,887)
Unrealized (gains)/losses on derivative and other instruments, net	(1,801,297)	11,753,430
Equity based compensation to affiliate	165,018	142,154
Equity based compensation expense	119,904	59,937
Change in operating assets/liabilities:		
Interest receivable	(1,617,572)	1,302,352
Other assets	555,298	700,209
Due from broker	(56,819)	(63,548)
Interest payable	1,764,770	(1,335,693)
Due to affiliates	333,322	(190,708)
Accrued expenses	(23,391)	(525,734)
Taxes payable	(916,000)	(760,000)
Net cash provided by (used in) operating activities	34,271,045	32,835,329
Cash Flows from Investing Activities		
Purchase of real estate securities	(841,128,758)	(165,749,030)
Origination of commercial loans	-	(10,428,437)
Purchase of commercial loans	(10,270,833)	-
Purchase of U.S. Treasury securities	-	(358,417,649)
Purchase of excess mortgage servicing rights	(2,422,805)	-
Investments in debt and equity of affiliates	(14,471,397)	(12,906,210)
Proceeds from sales of real estate securities	260,894,043	131,005,232
Proceeds from sales of residential mortgage loans	13,760,936	23,267,693
Proceeds from sales of U.S. treasury securities	-	383,950,089
Distribution received from investments in debt and equity of affiliates	2,049,870	234,554
Principal repayments on real estate securities	213,297,512	171,006,146
Principal repayments on commercial loans	13,478,194	30,000,000
Principal repayments on residential mortgage loans	5,145,108	1,064,010
Net proceeds from/(payments made) on reverse repurchase agreements	22,680,932	(45,655,799)
Net proceeds from/(payments made) on sales of securities borrowed under reverse repurchase agreements	(22,413,242)	45,281,749
Net settlement of interest rate swaps and other instruments	(12,598,178)	(5,606,515)
Net settlement of TBAs	1,331,055	25,039
Proceeds from redemption of FHLBC Stock	-	8,013,900
Cash flows provided by/(used in) other investing activities	3,397,769	(229,607)
Restricted cash provided by/(used in) investing activities	(26,172,528)	(3,858,092)
Net cash provided by/(used in) investing activities	(393,442,322)	190,997,073
Cash Flows from Financing Activities		
Repurchase of common stock	-	(7,066,364)
Net proceeds from issuance of common stock	1,830,184	-
Borrowings under repurchase agreements	14,939,399,850	47,385,733,895
Borrowings under FHLBC advances	-	147,215,991
Repayments of repurchase agreements	(14,577,400,121)	(47,170,701,353)
Repayments of FHLBC advances	-	(544,109,991)
Proceeds from transfer of loan participation	-	1,564,266
Repayments of loan participation	(1,800,000)	-
Net collateral received from/(paid to) derivative counterparty	1,996,906	(15,111,367)
Net collateral received from/(paid to) repurchase counterparty	4,875,729	7,941,766
Dividends paid on common stock	(26,315,977)	(26,919,494)
Dividends paid on preferred stock	(6,734,708)	(6,734,708)
Net cash provided by/(used in) financing activities	335,851,863	(228,187,359)
Net change in cash and cash equivalents	(23,319,414)	(4,354,957)
Cash and cash equivalents, Beginning of Period	52,469,891	46,253,291
Cash and cash equivalents, End of Period	$ 29,150,477	$ 41,898,334
Supplemental disclosure of cash flow information:		
Cash paid for interest on repurchase agreements and FHLBC advances	$ 16,736,898	$ 15,953,483
Cash paid for income tax	$ 1,727,709	$ 1,572,625
Supplemental disclosure of non-cash financing and investing activities:		

Principal repayments on real estate securities not yet received	$	9,879,692	$	-
Principal repayments on residential mortgage loans not yet received	$	447,676	$	-
Common stock dividends declared but not paid	$	13,205,483	$	13,232,547
Repayments of repurchase agreements not yet paid	$	6,537,247	$	-
Decrease in securitized debt	$	2,747,475	$	4,194,321
Transfer from residential mortgage loans to other assets	$	2,050,070	$	1,370,872
Transfer from investments in debt and equity of affiliates to CMBS	$	-	$	3,103,111

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

1. Organization

AG Mortgage Investment Trust, Inc. (the "Company") was incorporated in the state of Maryland on March 1, 2011. The Company is focused on investing in, acquiring and managing a diversified portfolio of residential mortgage-backed securities, or RMBS, issued or guaranteed by a government-sponsored entity such as Fannie Mae or Freddie Mac (collectively, "GSEs"), or any agency of the U.S. Government such as Ginnie Mae (collectively, "Agency RMBS"), and other real estate-related securities and financial assets, including Non-Agency RMBS, ABS, CMBS and loans (as defined below).

Non-Agency RMBS represent fixed- and floating-rate RMBS issued by entities or organizations other than a U.S. government-sponsored entity or agency of the U.S. government, including investment grade (AAA through BBB) and non-investment grade classes (BB and below). The mortgage loan collateral for Non-Agency RMBS consists of residential mortgage loans that do not generally conform to underwriting guidelines issued by U.S. government agencies or U.S. government-sponsored entities.

Asset Backed Securities ("ABS") are securitized investments similar to the aforementioned investments except the underlying assets are diverse, not only representing real estate related assets.

Commercial Mortgage Backed Securities ("CMBS") represent investments of fixed- and floating-rate CMBS, including investment grade (AAA through BBB) and non-investment grade classes (BB and below) secured by, or evidence an ownership interest in, a single commercial mortgage loan or a pool of commercial mortgage loans.

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

Commercial loans are secured by an interest in commercial real estate and represent a contractual right to receive money on demand or on fixed or determinable dates. Residential mortgage loans refer to performing, re-performing and non-performing loans secured by a first lien mortgage on residential mortgaged property located in any of the 50 states of the United States or in the District of Columbia. The Company refers to its residential and commercial mortgage loans as "mortgage loans" or "loans."

The Company is externally managed by AG REIT Management, LLC, a Delaware limited liability company (the "Manager"), a wholly-owned subsidiary of Angelo, Gordon & Co., L.P. ("Angelo, Gordon"), a privately-held, SEC-registered investment adviser, pursuant to a management agreement. The Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility of its day-to-day duties and obligations arising under the management agreement.

The Company conducts its operations to qualify and be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code").

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

2. Summary of significant accounting policies

The accompanying 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. Certain prior period amounts have been reclassified to conform to the current period's presentation. In the opinion of management, all adjustments considered necessary for a fair statement for the interim period of the Company's financial position, results of operations and cash flows have been included 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.

Cash and cash equivalents

Cash is comprised of cash on deposit with financial institutions. The Company classifies highly liquid investments with original maturities of three months or less from the date of purchase as cash equivalents. As of June 30, 2017 and December 31, 2016, the Company held no cash equivalents. The Company places its cash with high credit quality institutions to minimize credit risk exposure. Cash pledged to the Company as collateral is unrestricted in use and, accordingly, is included as a component of "Cash and cash equivalents" on the consolidated balance sheets. Any cash held by the Company as collateral is included in the "Due to broker" line item on the consolidated balance sheets and in cash flows from financing activities on the consolidated statement of cash flows. Any cash due to the Company in the form of principal payments is included in the "Due from broker" line item on the consolidated balance sheets and in cash flows from operating activities on the consolidated statement of cash flows.

Restricted cash

Restricted cash includes cash pledged as collateral for clearing and executing trades, derivatives and repurchase agreements and is not available to the Company for general corporate purposes. Restricted cash may be returned to the Company when the related collateral requirements are exceeded or at the maturity of the derivative or repurchase agreement. Restricted cash is carried at cost, which approximates fair value. Restricted cash does not include variation margin on centrally cleared derivatives. See Note 7 for more detail.

Offering costs

The Company incurred offering costs in connection with common stock offerings. The offering costs were paid out of the proceeds of the respective offerings. Offering costs in connection with common stock offerings have been accounted for as a reduction of additional paid-in capital.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates.

Earnings/(Loss) per share

In accordance with the provisions of Accounting Standards Codification ("ASC") 260, "Earnings per Share," the Company calculates basic income/(loss) per share by dividing net income/(loss) available to common stockholders for the period by weighted-average shares of the Company's common stock outstanding for that period. Diluted income per share takes into account the effect of dilutive instruments, such as stock options, warrants, unvested restricted stock and unvested restricted stock units but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding. In periods in which the Company records a loss, potentially dilutive securities are excluded from the diluted loss per share calculation, as their effect on loss per share is anti-dilutive.

Valuation of financial instruments

The fair value of the financial instruments that the Company records at fair value will be determined by the Manager, subject to oversight of the Company's board of directors, and in accordance with ASC 820, "Fair Value Measurements and Disclosures." When possible, the Company determines fair value using independent data sources. ASC 820 establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable.

The three levels of the hierarchy under ASC 820 are described below:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Prices determined using other significant observable inputs. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3 – Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Company's assumptions about the factors that market participants would use in pricing an asset or liability, and would be based on the best information available.

Transfers between levels are assumed to occur at the beginning of the reporting period.

Accounting for real estate securities

Investments in real estate securities are recorded in accordance with ASC 320-10, "Investments – Debt and Equity Securities", ASC 325-40, "Beneficial Interests in Securitized Financial Assets", or ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality". The Company has chosen to make a fair value election pursuant to ASC 825, "Financial Instruments" for its real estate securities portfolio. Real estate securities are recorded at fair market value on the consolidated balance sheets and the periodic change in fair market value is recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss) on real estate securities and loans, net." Real estate securities acquired through securitizations are shown in the line item "Purchase of real estate securities" on the consolidated statement of cash flows.

These investments meet the requirements to be classified as available for sale under ASC 320-10-25 which requires the securities to be carried at fair value on the consolidated balance sheets with changes in fair value recorded to other comprehensive income, a component of stockholders' equity. Electing the fair value option allows the Company to record changes in fair value in the consolidated statement of operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner.

When the Company purchases securities with evidence of credit deterioration since origination, it will analyze to determine if the guidance found in ASC 310-30 is applicable.

The Company accounts for its securities under ASC 310 and ASC 325 and evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a real estate security is less than its amortized cost at the balance sheet date, the security is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary."

When a real estate security is impaired, an OTTI is considered to have occurred if (i) the Company intends to sell the security (i.e., a decision has been made as of the reporting date) or (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If the Company intends to sell the security or if it is more likely than not that the Company will be required to sell the real estate security before recovery of its amortized cost basis, the entire amount of the impairment loss, if any, is recognized in earnings as a realized loss and the cost basis of the security is adjusted to its fair value. Additionally for securities accounted for under ASC 325-40 an OTTI is deemed to have occurred when there is an adverse change in the expected cash flows to be received and the fair value of the security is less than its carrying amount. In determining whether an adverse change in cash flows occurred, the present value of the remaining cash flows, as estimated at the initial transaction date (or the last date previously revised), is compared to the present value of the expected cash flows at the current reporting date. The estimated cash flows reflect those a "market participant" would use and include observations of current information and events, and assumptions related to fluctuations in interest rates, prepayment speeds and the timing and amount of potential credit losses. Cash flows are discounted at a rate equal to the current yield used to accrete interest income. Any resulting OTTI adjustments are reflected in the "Net realized gain/(loss)" line item on the consolidated statement of operations.

The determination as to whether an OTTI exists is subjective, given that such determination is based on information available at the time of assessment as well as the Company's estimate of the future performance and cash flow projections for the individual security. As a result, the timing and amount of an OTTI constitutes an accounting estimate that may change materially over time.

Increases in interest income may be recognized on a security on which the Company previously recorded an OTTI charge if the performance of such security subsequently improves.

Any remaining unrealized losses on securities at June 30, 2017 do not represent other than temporary impairment as the Company has the ability and intent to hold the securities to maturity or for a period of time sufficient for a forecasted market price recovery up to or above the amortized cost of the investment, and the Company is not required to sell the security for regulatory or other reasons. In addition, any unrealized losses on the Company's Agency RMBS accounted for under ASC 320 are not due to credit losses given their explicit guarantee of principal and interest by the GSEs, but rather are due to changes in interest rates and prepayment expectations. See Note 3 for a summary of OTTI charges recorded.

Sales of securities

Sales of securities are driven by the Manager's portfolio management process. The Manager seeks to mitigate risks including those associated with prepayments, defaults, severities, amongst others and will opportunistically rotate the portfolio into securities with more favorable attributes. Strategies may also be employed to manage net capital gains, which need to be distributed for tax purposes.

Realized gains or losses on sales of securities, loans and derivatives are included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The cost of positions sold is calculated using a first in, first out, or FIFO, basis. Realized gains and losses are recorded in earnings at the time of disposition.

Accounting for mortgage loans

Investments in mortgage loans are recorded in accordance with ASC 310-10. At purchase, the Company aggregates its mortgage loans into pools based on common risk characteristics. Once a pool of loans is assembled, its composition is maintained. The Company has chosen to make a fair value election pursuant to ASC 825 for its mortgage loan portfolio. Loans are recorded at fair market value on the consolidated balance sheets and any periodic change in fair market value will be recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss) on real estate securities and loans, net."

The Company amortizes or accretes any premium or discount over the life of the related loan utilizing the effective interest method. On at least a quarterly basis, the Company evaluates the collectability of both interest and principal of each loan, if circumstances warrant, to determine whether they are impaired. A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated and recorded accordingly. Income recognition is suspended for loans at the earlier of the date at which payments become 90-days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an impaired loan is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the principal of an impaired loan is not in doubt, contractual interest is recorded as interest income when received, under the cash basis method until an accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. A loan is written off when it is no longer realizable and/or legally discharged.

When the Company purchases mortgage loans with evidence of credit deterioration since origination and it determines that it is probable it will not collect all contractual cash flows on those loans, it will apply the guidance found in ASC 310-30. Mortgage loans that are delinquent 60 or more days are considered non-performing.

The Company updates its estimate of the cash flows expected to be collected on at least a quarterly basis for loans accounted for under ASC 310-30. In estimating these cash flows, there are a number of assumptions that will be subject to uncertainties and contingencies including both the rate and timing of principal and interest receipts, and assumptions of prepayments, repurchases, defaults and liquidations. If based on the most current information and events it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, the Company will recognize these changes prospectively through an adjustment of the loan's yield over its remaining life. The Company will adjust the amount of accretable yield by reclassification from the nonaccretable difference. The adjustment is accounted for as a change in estimate in conformity with ASC 250, "Accounting Changes and Error Corrections" with the amount of periodic accretion adjusted over the remaining life of the loan. Decreases in cash flows expected to be collected from previously projected cash flows, which includes all cash flows originally expected to be collected by the investor plus any additional cash flows expected to be collected arising from changes in estimate after acquisition, are recognized as impairment. Increases in interest income may be recognized on a loan on which the Company previously recorded an OTTI charge if the performance of such loan subsequently improves.

Investments in debt and equity of affiliates

The Company's unconsolidated ownership interests in affiliates are accounted for using the equity method. A majority of the Company's investments held through affiliated entities are comprised of real estate securities and loans. These underlying entities have chosen to make a fair value election on their financial instruments pursuant to ASC 825; as such, the Company will treat these investments consistently with this election. As of June 30, 2017 and December 31, 2016, these investments had a fair market value of $75.3 million and $69.0 million, respectively.

In December 2015, the Company, alongside private funds under the management of Angelo, Gordon, through AG Arc LLC, one of the Company's indirect subsidiaries ("AG Arc"), formed Arc Home LLC ("Arc Home"). The Company invests in Arc Home through AG Arc, and has chosen to make a fair value election on AG Arc pursuant to ASC 825. As of June 30, 2017 and December 31, 2016, the Company's interest in AG Arc had a fair market value of $17.7 and $12.9 million, respectively. See Note 10 for more detail.

The Company's investments in debt and equity of affiliates are recorded at fair market value on the consolidated balance sheets in the "Investments in debt and equity of affiliates" line item and periodic changes in fair market value are recorded in current period earnings on the consolidated statement of operations as a component of "Equity in earnings/(loss) from affiliates." Capital contributions, distributions and profits and losses of such entities are allocated in accordance with the terms of the applicable agreements.

Excess mortgage servicing rights

The Company has acquired the right to receive the excess servicing spread related to excess mortgage servicing rights ("Excess MSRs"). The Company has chosen to make a fair value election pursuant to ASC 825 for Excess MSRs. Excess MSRs are recorded at fair market value on the consolidated balance sheets and any periodic change in fair market value is recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss) on derivative and other instruments, net."

Investment consolidation and transfers of financial assets

For each investment made, the Company evaluates the underlying entity that issued the securities acquired or to which the Company makes a loan to determine the appropriate accounting. A similar analysis will be performed for each entity with which the Company enters into an agreement for management, servicing or related services. In performing the analysis, the Company refers to guidance in ASC 810-10, "Consolidation." In situations where the Company is the transferor of financial assets, the Company refers to the guidance in ASC 860-10 "Transfers and Servicing."

In variable interest entities ("VIEs"), an entity is subject to consolidation under ASC 810-10 if the equity investors either do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support, are unable to direct the entity's activities or are not exposed to the entity's losses or entitled to its residual returns. VIEs within the scope of ASC 810-10 are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is determined to be the party that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. This determination can sometimes involve complex and subjective analyses. Further, ASC 810-10 also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE. In accordance with ASC 810-10, all transferees, including variable interest entities, must be evaluated for consolidation. See Note 3 for more detail.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." This standard modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. The company adopted ASU 2015-02 on January 1, 2016 using the modified retrospective approach, which did not require the restatement of prior periods to conform to the post-adoption presentation. The Company concluded the adoption of this guidance did not have a material impact on its financial statements.

The Company has entered into resecuritization transactions which result in the Company consolidating the VIEs that were created to facilitate the transactions and to which the underlying assets in connection with the resecuritization were transferred. In determining the accounting treatment to be applied to these resecuritization transactions, the Company evaluated whether the entities used to facilitate these transactions were VIEs and, if so, whether they should be consolidated. Based on its evaluation, the Company concluded that the VIEs should be consolidated. If the Company had determined that consolidation was not required, it would have then assessed whether the transfer of the underlying assets would qualify as a sale or should be accounted for as secured financings under GAAP.

The Company may periodically enter into transactions in which it transfers assets to a third party. Upon a transfer of financial assets, the Company will sometimes retain or acquire senior or subordinated interests in the related assets. Pursuant to ASC 860-10, a determination must be made as to whether a transferor has surrendered control over transferred financial assets. That determination must consider the transferor's continuing involvement in the transferred financial asset, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. The financial components approach under ASC 860-10 limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. It defines the term "participating interest" to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale.

Under ASC 860-10, after a transfer of financial assets that meets the criteria for treatment as a sale—legal isolation, ability of transferee to pledge or exchange the transferred assets without constraint and transferred control—an entity recognizes the financial and servicing assets it acquired or retained and the liabilities it has incurred, derecognizes financial assets it has sold and derecognizes liabilities when extinguished. The transferor would then determine the gain or loss on sale of financial assets by allocating the carrying value of the underlying mortgage between securities or loans sold and the interests retained based on their fair values. The gain or loss on sale is the difference between the cash proceeds from the sale and the amount allocated to the securities or loans sold. When a transfer of financial assets does not qualify for sale accounting, ASC 860-10 requires the transfer to be accounted for as a secured borrowing with a pledge of collateral.

On February 12, 2016, the Company originated a $12.0 million commercial loan and at closing, transferred a 15% or $1.8 million interest in the loan to an unaffiliated third party. The Company, as transferor, evaluated the transfer under ASC 860-10, and concluded the transferred participation interest should be accounted for as a secured borrowing. The Company has recorded the $12.0 million commercial loan on its consolidated balance sheets as an asset in the "Commercial loans, at fair value" line item. The Company has recorded a $1.8 million liability in the "Loan participation payable, at fair value" line item representing the transfer of the participation interest. The Company has chosen to make a fair value election on the consolidated interest pursuant to ASC 825. The holder of the participation interest has no recourse to the general credit of the Company. The commercial loan was paid off in full in February 2017. The principal and interest due on the loan participation was paid from these proceeds. See Note 4 for more detail.

From time to time, the Company may securitize mortgage loans it holds if such financing is available. These transactions will be recorded in accordance with ASC 860-10 and will be accounted for as either a "sale" and the loans will be removed from the consolidated balance sheets or as a "financing" and will be classified as "real estate securities" on the consolidated balance sheets, depending upon the structure of the securitization transaction. ASC 860-10 is a standard that may require the Company to exercise significant judgment in determining whether a transaction should be recorded as a "sale" or a "financing."

Interest income recognition

Interest income on the Company's real estate securities portfolio is accrued based on the actual coupon rate and the outstanding principal balance of such securities. The Company has elected to record interest in accordance with ASC 835-30-35-2 using the effective interest method for all securities accounted for under the fair value option (ASC 825). As such, premiums and discounts are amortized or accreted into interest income over the lives of the securities in accordance with ASC 310-20, "Nonrefundable Fees and Other Costs," ASC 320-10 or ASC 325-40 as applicable. Total interest income is recorded in the "Interest income" line item on the consolidated statement of operations.

On at least a quarterly basis for securities accounted for under ASC 320-10 and ASC 310-20 (generally Agency RMBS, exclusive of interest-only securities), prepayments of the underlying collateral must be estimated, which directly affect the speed at which the Company amortizes premiums on its securities. If actual and anticipated cash flows differ from previous estimates, the Company recognizes a "catch-up" adjustment in the current period to the amortization of premiums for the impact of the cumulative change in the effective yield through the reporting date.

Similarly, the Company also reassesses the cash flows on at least a quarterly basis for securities accounted for under ASC 325-40 (generally Non-Agency RMBS, ABS, CMBS and interest-only securities). In estimating these cash flows, there are a number of assumptions that will be subject to uncertainties and contingencies. These include the rate and timing of principal and interest receipts (including assumptions of prepayments, repurchases, defaults and liquidations), the pass-through or coupon rate and interest rate fluctuations. In addition, interest payment shortfalls due to delinquencies on the underlying mortgage loans have to be estimated. Differences between previously estimated cash flows and current actual and anticipated cash flows are recognized prospectively through an adjustment of the yield over the remaining life of the security based on the current amortized cost of the investment as adjusted for credit impairment, if any.

Interest income on the Company's loan portfolio is accrued based on the actual coupon rate and the outstanding principal balance of such loans. The Company has elected to record interest in accordance with ASC 835-30-35-2 using the effective interest method for all loans accounted for under the fair value option (ASC 825). Any amortization will be reflected as an adjustment to interest income in the consolidated statement of operations.

For security and loan investments purchased with evidence of deterioration of credit quality for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable, the Company will apply the provisions of ASC 310-30. For purposes of income recognition, the Company aggregates loans that have common risk characteristics into pools and uses a composite interest rate and expectation of cash flows expected to be collected for the pool. ASC 310-30 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities (loans) acquired in a transfer if those differences are attributable, at least in part, to credit quality. ASC 310-30 limits the yield that may be accreted (accretable yield) to the excess of the investor's estimate of undiscounted expected principal, interest and other cash flows (cash flows expected at acquisition to be collected) over the investor's initial investment in the loan. ASC 310-30 requires that the excess of contractual cash flows over cash flows expected to be collected (nonaccretable difference) not be recognized as an adjustment of yield, loss accrual or valuation allowance. Subsequent increases in cash flows expected to be collected generally should be recognized prospectively through an adjustment of the loan's yield over its remaining life. Decreases in cash flows expected to be collected should be recognized as impairment.

The Company's accrual of interest, discount accretion and premium amortization for U.S. federal and other tax purposes differs from the financial accounting treatment of these items as described above.

Repurchase agreements and FHLBC Advances

The Company finances the acquisition of certain assets within its portfolio through the use of repurchase agreements. Prior to March 31, 2016, the Company also financed its Agency RMBS portfolio with advances from the Federal Home Loan Bank of Cincinnati ("FHLBC Advances") (see the following paragraph regarding the current status of the FHLBC Advances). Repurchase agreements are, and while the Company had them, FHLBC Advances were treated as collateralized financing transactions and carried at primarily their contractual amounts, including accrued interest, as specified in the respective agreements. The carrying amount of the Company's repurchase agreements and FHLBC Advances approximates fair value.

In July 2015, the Company's wholly-owned captive insurance subsidiary, MITT Insurance Company LLC ("MITT Insurance"), was granted membership in the Federal Home Loan Bank ("FHLB") system, specifically in the FHLB of Cincinnati ("FHLBC"). However, in January 2016, the Federal Housing Finance Agency, the FHFA, issued RIN 2590-AA39, Members of Federal Home Loan Banks ("the Final Rule"), which expressly excludes captive insurance companies, such as MITT Insurance ("Excluded Captives"), from being eligible for membership in the FHLBC. The Final Rule prevents the FHLBC from making any new advances or extending any existing advances to Excluded Captives, subject to a defined grace period. Upon the termination of membership, the FHLB must liquidate all outstanding advances to Excluded Captives and settle all other business transactions in accordance with the Final Rule. In addition, all FHLB stock held by the terminated Excluded Captive will be repurchased or redeemed at the FHLB's discretion. Therefore, MITT Insurance must completely wind down all business relationships with the FHLBC, including the repayment of all outstanding advances, prior to or simultaneously with the termination of MITT Insurance's membership with the FHLBC. As a result of the Final Rule, MITT Insurance exited all FHLBC Advances and as of June 30, 2017, the Company had no outstanding advances with the FHLBC. See the "Other investments" section below for a discussion on FHLBC stock.

The Company pledges certain securities or loans as collateral under repurchase agreements with financial institutions, the terms and conditions of which are negotiated on a transaction-by-transaction basis. The amounts available to be borrowed are dependent upon the fair value of the securities or loans pledged as collateral, which fluctuates with changes in interest rates, type of security and liquidity conditions within the banking, mortgage finance and real estate industries. In response to declines in fair value of pledged assets, lenders may require the Company to post additional collateral or pay down borrowings to re-establish agreed upon collateral requirements, referred to as margin calls. As of June 30, 2017 and December 31, 2016, the Company has met all margin call requirements.

Other investments

At June 30, 2017 and December 31, 2016 the Company owned FHLBC stock totaling $2,000. The Company has chosen to make a fair value election pursuant to ASC 825 for its stock investment in FHLBC which is recorded in the "Other assets" line item on the Company's consolidated balance sheets. When evaluating FHLBC stock for impairment, the Company considers the ultimate recoverability of the par value rather than recognizing temporary declines in value. As of June 30, 2017, the Company had not recognized an impairment charge related to its FHLBC stock. The Company is entitled to a quarterly dividend on the weighted average shares of stock it holds during the period and records the dividend in "Interest income" on its consolidated statement of operations. For the three months ended June 30, 2017 and June 30, 2016, the Company recorded dividend income on its FHLBC stock of approximately $0.0 million and $0.1 million, respectively. For the six months ended June 30, 2017 and June 30, 2016, the Company recorded dividend income on its FHLBC stock of approximately $0.0 million and $0.1 million, respectively.

Accounting for derivative financial instruments

The Company enters into derivative contracts as a means of mitigating interest rate risk rather than to enhance returns. The Company accounts for derivative financial instruments in accordance with ASC 815-10, "Derivatives and Hedging." ASC 815-10 requires an entity to recognize all derivatives as either assets or liabilities on the balance sheet and to measure those instruments at fair value. Additionally, if or when hedge accounting is elected, the fair value adjustments will affect either other comprehensive income in stockholders' equity until the hedged item is recognized in earnings or net income depending on whether the derivative instrument is designated and qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity. As of June 30, 2017 and December 31, 2016, the Company did not have any interest rate derivatives designated as hedges. All derivatives have been recorded at fair value in accordance with ASC 820-10, with corresponding changes in value recognized in the consolidated statement of operations. The Company records derivative asset and liability positions on a gross basis with respect to its counterparties. Refer to Footnote 7 for a discussion on the accounting for the daily receipt or payment of variation margin associated with its centrally cleared derivative instruments. During the period in which the Company unwinds a derivative, it records a realized gain/(loss) in the "Net realized gain/(loss)" line item in the consolidated statement of operations.

To-be-announced securities

A to-be-announced security ("TBA") is a forward contract for the purchase or sale of Agency RMBS at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date. The specific Agency RMBS delivered into or received from the contract upon the settlement date, published each month by the Securities Industry and Financial Markets Association, are not known at the time of the transaction. The Company may also choose, prior to settlement, to move the settlement of these securities out to a later date by entering into an offsetting short or long position (referred to as a pair off), net settling the paired off positions for cash, simultaneously purchasing or selling a similar TBA contract for a later settlement date. This transaction is commonly referred to as a dollar roll. The Agency RMBS purchased or sold for a forward settlement date are typically priced at a discount to Agency RMBS for settlement in the current month. This difference, or discount, is referred to as the price drop. The price drop is the economic equivalent of net interest carry income on the underlying Agency RMBS over the roll period (interest income less implied financing cost) and is commonly referred to as dollar roll income/(loss). Consequently, forward purchases of Agency RMBS and dollar roll transactions represent a form of off-balance sheet financing. Dollar roll income is recognized in the consolidated statement of operations in the line item "Unrealized gain/(loss) on derivative and other instruments, net."

The Company presents the purchase or sale of TBAs net of the corresponding payable or receivable, respectively, until the settlement date of the transaction. Contracts for the purchase or sale of Agency RMBS are accounted for as derivatives if they do not qualify for the "regular way" security trade scope exception found in ASC 815-10. To be eligible for this scope exception, the contract must meet the following conditions: (1) there is no other way to purchase or sell that security, (2) delivery of that security and settlement will occur within the shortest period possible for that type of security, and (3) it is probable at inception and throughout the term of the individual contract that the contract will not settle net and will result in physical delivery of a security when it is issued. Unrealized gains and losses associated with TBA contracts not meeting the regular-way exception and not designated as hedging instruments are recognized in the consolidated statement of operations in the line item "Unrealized gain/(loss) on derivative and other instruments, net."

U.S. Treasury securities

The Company may purchase long or sell short U.S. Treasury securities to help mitigate the potential impact of changes in interest rates. The Company may finance its purchase of U.S. Treasury securities with overnight repurchase agreements. The Company may borrow securities to cover short sales of U.S. Treasury securities through overnight reverse repurchase agreements, which are accounted for as borrowing transactions, and the Company recognizes an obligation to return the borrowed securities at fair value on its consolidated balance sheets based on the value of the underlying borrowed securities as of the reporting date. Interest income and expense associated with purchases and short sales of U.S. Treasury securities are recognized in "Interest income" and "Interest expense", respectively, on the consolidated statement of operations. Realized and unrealized gains and losses associated with purchases and short sales of U.S. Treasury securities are recognized in "Net realized gain/(loss)" and "Unrealized gain/(loss) on derivative and other instruments, net," respectively, on the consolidated statement of operations. As of June 30, 2017, and December 31, 2016, the Company had no positions in U.S. Treasury securities.

Short positions in U.S. Treasury securities through reverse repurchase agreements

The Company may sell short U.S. Treasury securities to help mitigate the potential impact of changes in interest rates. The Company may borrow securities to cover short sales of U.S. Treasury securities under reverse repurchase agreements, which are accounted for as borrowing transactions, and the Company recognizes an obligation to return the borrowed securities at fair value on its consolidated balance sheets based on the value of the underlying borrowed securities as of the reporting date. The Company establishes haircuts to ensure the market value of the underlying assets remain sufficient to protect the Company in the event of a default by a counterparty. Realized and unrealized gains and losses associated with purchases and short sales of U.S. Treasury securities are recognized in "Net realized gain/(loss)" and "Unrealized gain/(loss) on derivative and other instruments, net," respectively, on the consolidated statement of operations.

Manager compensation

The management agreement provides for payment to the Manager of a management fee. The management fee is accrued and expensed during the period for which it is calculated and earned. For a more detailed discussion on the fees payable under the management agreement, see Note 10.

Income taxes

The Company conducts its operations to qualify and be taxed as a REIT. Accordingly, the Company will generally not be subject to federal or state corporate income tax to the extent that the Company makes qualifying distributions to its stockholders, and provided that it satisfies on a continuing basis, through actual investment and operating results, the REIT requirements including certain asset, income, distribution and stock ownership tests. If the Company fails to qualify as a REIT, and does not qualify for certain statutory relief provisions, it will be subject to U.S. federal, state and local income taxes and may be precluded from qualifying as a REIT for the four taxable years following the year in which the Company fails to qualify as a REIT.

The dividends paid deduction of a REIT for qualifying dividends to its stockholders is computed using the Company's taxable income/(loss) as opposed to net income/(loss) reported on the Company's GAAP financial statements. Taxable income/(loss), generally, will differ from net income/(loss) reported on the financial statements because the determination of taxable income/(loss) is based on tax principles and not financial accounting principles.

The Company elected to treat certain domestic subsidiaries as taxable REIT subsidiaries ("TRSs") and may elect to treat other subsidiaries as TRSs. In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly and generally may engage in any real estate or non-real estate-related business.

A domestic TRS may declare dividends to the Company which will be included in the Company's taxable income/(loss) and necessitate a distribution to stockholders. Conversely, if the Company retains earnings at the domestic TRS level, no distribution is required and the Company can increase book equity of the consolidated entity. A domestic TRS is subject to U.S. federal, state and local corporate income taxes.

The Company elected to treat one of its foreign subsidiaries as a TRS and, accordingly, taxable income generated by this foreign TRS may not be subject to local income taxation, but generally will be included in the Company's income on a current basis as Subpart F income, whether or not distributed.

The Company's financial results are generally not expected to reflect provisions for current or deferred income taxes, except for any activities conducted through one or more TRSs that are subject to corporate income taxation. The Company believes that it will operate in a manner that will allow it to qualify for taxation as a REIT. As a result of the Company's expected REIT qualification, it does not generally expect to pay federal or state corporate income tax. Many of the REIT requirements, however, are highly technical and complex. If the Company were to fail to meet the REIT requirements, it would be subject to federal income taxes and applicable state and local taxes.

As a REIT, if the Company fails to distribute in any calendar year (subject to specific timing rules for certain dividends paid in January) at least the sum of (i) 85% of its ordinary income for such year, (ii) 95% of its capital gain net income for such year, and (iii) any undistributed taxable income from the prior year, the Company would be subject to a non-deductible 4% excise tax on the excess of such required distribution over the sum of (i) the amounts actually distributed and (ii) the amounts of income retained and on which the Company has paid corporate income tax.

The Company evaluates uncertain income tax positions, if any, in accordance with ASC 740, "Income Taxes." The Company classifies interest and penalties, if any, related to unrecognized tax benefits as a component of provision for income taxes. See Note 9 for further details.

Stock-based compensation

The Company applies the provisions of ASC 718, "Compensation—Stock Compensation" with regard to its equity incentive plans. ASC 718 covers a wide range of share-based compensation arrangements including stock options, restricted stock plans, performance-based awards, stock appreciation rights and employee stock purchase plans. ASC 718 requires that compensation cost relating to stock-based payment transactions be recognized in financial statements. Compensation cost is measured based on the fair value of the equity or liability instruments issued.

Compensation cost related to restricted common shares issued to the Company's directors is measured at its estimated fair value at the grant date, and is amortized and expensed over the vesting period on a straight-line basis. Compensation cost related to restricted common shares and restricted stock units issued to the Manager is initially measured at estimated fair value at the grant date, and is remeasured on subsequent dates to the extent the awards are unvested. Shares of restricted common stock held by the Manager and independent directors accrue dividends, but these dividends are not paid until vested and therefore the shares are not considered to be participating shares. Restricted stock units granted to the Manager do not entitle the participant the rights of a shareholder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The restricted stock units are not considered to be participating shares. Restricted stock units are measured at fair value reduced by the present value of the dividends expected to be paid on the underlying shares during the requisite service period, discounted at an assumed risk free rate. The Company has elected to use the straight-line method to amortize compensation expense for restricted common shares and restricted stock units.

Recent accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" (Topic 606) ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB deferred the effective date of the new revenue recognition standard by one year. The new standard is effective for the first interim period within annual reporting periods beginning after December 15, 2017 and early adoption is permitted. The Company has concluded the guidance will not have a material impact on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). The amendments in this ASU affect all entities that hold financial assets or owe financial liabilities, and address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The classification and measurement guidance of investments in debt securities and loans are not affected by the amendments in this ASU. ASU 2016-01 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is not permitted for public business entities, except for a provision related to financial statements of fiscal years or interim periods that have not yet been issued, to recognize in other comprehensive income, the change in fair value of a liability resulting from a change in the instrument-specific credit risk measured using the fair value option. Entities should apply the amendments in this ASU by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. The Company is required to adopt this new accounting standard in the first quarter of 2018 using a modified retrospective method for each period presented. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses," ("ASU 2016-13"). ASU 2016-13 introduces a new model related to the accounting for credit losses on instruments, specifically, financial assets subject to credit losses and measured at amortized cost and certain off-balance sheet credit exposures. ASU 2016-13 amends the current guidance, requiring an OTTI charge only when fair value is below the amortized cost of an asset. The length of time the fair value of an available-for-sale debt security has been below the amortized cost will no longer impact the determination of whether a credit loss exists. As such, it is no longer an other-than-temporary model. In addition, credit losses on available-for-sale debt securities will now be limited to the difference between the security's amortized cost basis and its fair value. The new debt security model will also require the use of an allowance to record estimated credit losses. The new guidance also expands the disclosure requirements regarding an entity's assumptions, and models. In addition, public entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination (i.e., by vintage year). ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is currently evaluating its method of adoption and the impact this ASU will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments", ("ASU 2016-15"). ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing existing diversity of how certain cash receipts and cash payments are presented. These specific issues include debt prepayment and debt extinguishment costs, settlement of zero-coupon debt, proceeds from the settlement of insurance claims, and beneficial interests in securitization transactions, among others. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently assessing the impact this guidance will have on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently assessing the impact of this guidance.

In March 2017, the FASB issued ASU 2017-08, "Premium Amortization of Purchased Callable Debt Securities" ("ASU 2017-08"). The amendments in this update require purchase premiums for investments in debt securities that are noncontingently callable by the issuer (at a fixed price and preset date) to be amortized to the earliest call date. Previously, purchase premiums for such investments were permitted to be amortized to the instrument's maturity date. ASU 2017-08 is effective for public business entities for fiscal years beginning after December 15, 2018 and interim periods within those years. The Company is currently assessing the impact this guidance will have on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting." This ASU provides clarity and reduces both diversity in practice and cost and complexity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. This update provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The ASU is effective fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently assessing the impact of this guidance.

3. Real Estate Securities

The following tables detail the Company's real estate securities portfolio as of June 30, 2017 and December 31, 2016. The Company's Agency RMBS are mortgage pass-through certificates or collateralized mortgage obligations ("CMOs") representing interests in or obligations backed by pools of residential mortgage loans issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. The Company's Non-Agency RMBS, ABS and CMBS portfolios are primarily not issued or guaranteed by Fannie Mae, Freddie Mac or any agency of the U.S. Government and are therefore subject to credit risk. The principal and interest payments on Agency RMBS securities have an explicit guarantee by either an agency of the U.S. government or a U.S government-sponsored entity.

The following table details the Company's real estate securities portfolio as of June 30, 2017:

				Gross Unrealized (1)			Weighted Average	
	Current Face	Premium / (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (2)	Yield
Agency RMBS:								
30 Year Fixed Rate	$1,233,190,846	$ 58,425,562	$ 1,291,616,408	$ 6,661,300	$ (3,291,092)	$1,294,986,616	3.83%	3.14%
Fixed Rate CMO	57,663,319	463,126	58,126,445	1,038,462	-	59,164,907	3.00%	2.79%
ARM	191,718,640	(1,228,204)	190,490,436	3,622,858	-	194,113,294	2.35%	2.83%
Interest Only	498,224,520	(445,487,503)	52,737,017	2,547,463	(2,284,040)	53,000,440	2.78%	7.30%
Credit Securities:								
Non-Agency RMBS	1,281,602,888	(226,894,647)	1,054,708,241	52,853,377	(3,956,198)	1,103,605,420	4.29%	5.62%
Non-Agency RMBS Interest Only	409,424,770	(405,784,066)	3,640,704	136,900	(564,207)	3,213,397	0.29%	9.88%
ABS	48,044,846	(436,541)	47,608,305	314,649	(5,598)	47,917,356	8.37%	8.76%
CMBS	211,054,292	(51,853,507)	159,200,785	1,361,135	(1,184,133)	159,377,787	5.46%	6.10%
CMBS Interest Only	1,956,481,713	(1,907,452,823)	49,028,890	3,794,393	(17,644)	52,805,639	0.43%	6.61%
Total	$5,887,405,834	$(2,980,248,603)	$ 2,907,157,231	$ 72,330,537	$(11,302,912)	$2,968,184,856	2.45%	4.43%

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for our real estate securities portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and loans, net line item in the consolidated statement of operations. The gross unrealized stated above represents inception to date unrealized gains/(losses).

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

The following table details the Company's real estate securities portfolio as of December 31, 2016:

				Gross Unrealized (1)			Weighted Average	
	Current Face	Premium / (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (2)	Yield
Agency RMBS:								
30 Year Fixed Rate	$ 713,234,586	$ 28,338,222	$ 741,572,808	$ 3,672,057	$ (5,517,144)	$ 739,727,721	3.64%	2.99%
Fixed Rate CMO	62,570,005	531,431	63,101,436	595,962	-	63,697,398	3.00%	2.80%
ARM	208,592,111	(1,633,175)	206,958,936	4,385,116	-	211,344,052	2.35%	2.84%
Interest Only	416,902,327	(375,843,483)	41,058,844	3,033,926	(1,198,215)	42,894,555	2.70%	8.26%
Credit Securities:								
Non-Agency RMBS	1,255,224,713	(235,346,323)	1,019,878,390	28,705,591	(9,328,119)	1,039,255,862	4.31%	6.03%
Non-Agency RMBS Interest Only	449,759,113	(446,027,313)	3,731,800	33,512	(3,866)	3,761,446	0.25%	12.47%
ABS	22,025,000	(357,022)	21,667,978	100,247	(536,269)	21,231,956	5.43%	6.32%
CMBS	217,935,976	(56,549,776)	161,386,200	959,842	(2,830,108)	159,515,934	5.15%	6.16%
CMBS Interest Only	1,967,685,636	(1,916,198,928)	51,486,708	1,001,503	(351,485)	52,136,726	0.41%	6.48%
Total	$5,313,929,467	$(3,003,086,367)	$ 2,310,843,100	$ 42,487,756	$(19,765,206)	$2,333,565,650	2.18%	4.76%

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for our real estate securities portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and loans, net line item in the consolidated statement of operations. The gross unrealized stated above represents inception to date unrealized gains/(losses).

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

The following table presents the gross unrealized losses and fair value of the Company's real estate securities by length of time that such securities have been in a continuous unrealized loss position on June 30, 2017 and December 31, 2016:

	Less than 12 months		Greater than 12 months	
As of	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2017	$ 444,047,650	$ (7,417,197)	$ 130,698,280	$ (3,885,715)
December 31, 2016	756,302,518	(12,017,743)	203,287,535	(7,747,463)

As described in Note 2, the Company evaluates securities for OTTI on at least a quarterly basis. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a real estate security is less than its amortized cost at the balance sheet date, the security is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary."

For the three months ended June 30, 2017 the Company recognized an OTTI charge of $1.8 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. Of this amount, $0.9 million was recognized on two securities in an unrealized loss position which the Company demonstrated intent to sell, and the charge represents a write-down of cost to fair value as of the reporting date. The Company recorded $0.9 million of OTTI due to an adverse change in cash flows on certain securities where the fair values of the securities were less than their carrying amounts. For the three months ended June 30, 2017, all of the OTTI recorded pertained to securities where OTTI was recognized in a prior year.

For the six months ended June 30, 2017 the Company recognized an OTTI charge of $4.5 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. Of this amount, $1.9 million was recognized on three securities in an unrealized loss position which the Company demonstrated intent to sell, and the charge represents a write-down of cost to fair value as of the reporting date. The Company recorded $2.6 million of OTTI due to an adverse change in cash flows on certain securities where the fair values of the securities were less than their carrying amounts. Of the $4.5 million of OTTI recorded, $1.1 million related to securities where OTTI was not recognized in a prior year.

For the three months ended June 30, 2016 the Company recognized an OTTI charge of $3.2 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The Company recorded $3.2 million of OTTI due to an adverse change in cash flows on certain securities where the fair values of the securities were less than their carrying amounts. Of the $3.2 million of OTTI recorded, $0.5 million related to securities where OTTI was not recognized in a prior year.

For the six months ended June 30, 2016 the Company recognized an OTTI charge of $12.4 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The Company recorded $12.4 million of OTTI due to an adverse change in cash flows on certain securities where the fair values of the securities were less than their carrying amounts. Of the $12.4 million of OTTI recorded, $5.6 million related to securities where OTTI was not recognized in a prior year.

The decline in value of the remaining real estate securities is solely due to market conditions and not the credit quality of the assets. The investments in any remaining unrealized loss positions are not considered other than temporarily impaired because the Company currently has the ability and intent to hold the investments to maturity or for a period of time sufficient for a forecasted market price recovery up to or beyond the cost of the investments and the Company is not required to sell the investments for regulatory or other reasons.

The following table details weighted average life broken out by Agency RMBS, Agency Interest-Only ("IO") and Credit Securities as of June 30, 2017:

	Agency RMBS (1)			Agency IO			Credit Securities (2)		
Weighted Average Life (3)	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon (4)**
Less than or equal to 1 year	$ -	$ -	-	$ -	$ -	-	$ 161,466,410	$ 161,334,424	2.51%
Greater than one year and less than or equal to five years	222,318,920	218,366,675	2.53%	32,349,456	33,373,527	2.43%	485,631,207	476,268,044	1.04%
Greater than five years and less than or equal to ten years	1,316,818,452	1,312,783,650	3.79%	20,650,984	19,363,490	4.14%	489,382,251	466,524,031	2.71%
Greater than ten years	9,127,445	9,082,964	3.50%	-	-	-	230,439,731	210,060,426	5.44%
Total	$ 1,548,264,817	$ 1,540,233,289	3.60%	$ 53,000,440	$ 52,737,017	2.78%	$ 1,366,919,599	$ 1,314,186,925	1.95%

(1) For purposes of this table, Agency RMBS represent securities backed by Fixed Rate 30 Year mortgages, ARMs and Fixed Rate CMOs.
(2) For purposes of this table, Credit Securities represent Non-Agency RMBS, ABS, CMBS and Interest Only credit securities.
(3) Actual maturities of mortgage-backed securities are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(4) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

The following table details weighted average life broken out by Agency RMBS, Agency IO and Credit Securities as of December 31, 2016:

	Agency RMBS (1)			Agency IO			Credit Securities (2)		
Weighted Average Life (3)	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon (4)**
Less than or equal to 1 year	$ -	$ -	-	$ -	$ -	-	$ 169,483,329	$ 170,533,908	2.09%
Greater than one year and less than or equal to five years	124,913,463	123,021,262	2.73%	28,514,942	27,995,835	2.23%	430,525,739	430,108,024	0.94%
Greater than five years and less than or equal to ten years	808,271,767	806,474,038	3.44%	14,379,613	13,063,009	5.14%	425,043,315	418,094,774	2.30%
Greater than ten years	81,583,941	82,137,880	3.10%	-	-	-	250,849,541	239,414,370	5.88%
Total	$ 1,014,769,171	$ 1,011,633,180	3.32%	$ 42,894,555	$ 41,058,844	2.70%	$ 1,275,901,924	$ 1,258,151,076	1.82%

(1) For purposes of this table, Agency RMBS represent securities backed by Fixed Rate 30 Year mortgages, ARMs and Fixed Rate CMOs.
(2) For purposes of this table, Credit Securities represent Non-Agency RMBS, ABS, CMBS and Interest Only credit securities.
(3) Actual maturities of mortgage-backed securities are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(4) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

For the three months ended June 30, 2017, the Company sold 15 securities for total proceeds of $141.8 million, recording realized gains of $0.5 million and realized losses of $1.4 million. For the six months ended June 30, 2017, the Company sold 30 securities for total proceeds of $260.9 million, recording realized gains of $1.0 million and realized losses of $2.1 million.

For the three months ended June 30, 2016, the Company sold 4 securities for total proceeds of $101.1 million, recording realized gains of $0.8 million and realized losses of $0.2 million. For the six months ended June 30, 2016, the Company sold 10 securities for total proceeds of $131.0 million, recording realized gains of $0.8 million and realized losses of $1.6 million.

See Notes 4 and 7 for amounts realized on sales of loans and the settlement of certain derivatives, respectively.

A Special Purpose Entity ("SPE") is an entity designed to fulfill a specific limited need of the company that organized it. SPEs are often used to facilitate transactions that involve securitizing financial assets or resecuritizing previously securitized financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity or refinancing the underlying securitized financial assets on improved terms. Securitization involves transferring assets to a SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business through the SPE's issuance of debt or equity instruments. Investors in an SPE usually have recourse only to the assets in the SPE and depending on the overall structure of the transaction, may benefit from various forms of credit enhancement, such as over-collateralization in the form of excess assets in the SPE, priority with respect to receipt of cash flows relative to holders of other debt or equity instruments issued by the SPE, or a line of credit or other form of liquidity agreement that is designed with the objective of ensuring that investors receive principal and/or interest cash flow on the investment in accordance with the terms of their investment agreement. See Note 2 for more detail.

The Company previously entered into a resecuritization transaction that resulted in the Company consolidating the VIE created with the SPE which was used to facilitate the transaction. The Company concluded that the entity created to facilitate this transaction was a VIE. The Company also determined that the VIE created to facilitate the resecuritization transaction should be consolidated by the Company and treated as a secured borrowing, based on the Company's involvement in the VIE, including the design and purpose of the SPE, and whether the Company's involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the VIE. As of June 30, 2017 and December 31, 2016, the resecuritized asset had an aggregate principal balance of $28.4 million and $31.5 million, respectively. As of June 30, 2017 and December 31, 2016, the resecuritized asset had an aggregate fair value of $24.9 million and $27.4 million, respectively. As of June 30, 2017 and December 31, 2016, the principal balance of the consolidated tranche was $18.8 million and $21.6 million, respectively. As of June 30, 2017 and December 31, 2016, the fair market value of the consolidated tranche was $18.8 million and $21.5 million, respectively, which is included in the Company's consolidated balance sheets as "Non-Agency RMBS." As of June 30, 2017 and December 31, 2016, the aggregate security has a weighted average coupon of 3.22% and 3.15%, respectively, and a weighted average yield of 6.97% and 6.73%, respectively. As of June 30, 2017 and December 31, 2016, the Company has recorded secured financing of $18.8 million and $21.5 million, respectively, on the consolidated balance sheets in the "Securitized debt, at fair value" line item. The Company recorded the proceeds from the issuance of the secured financing in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows at the time of securitization. As of June 30, 2017 and December 31, 2016, the consolidated tranche had a weighted average life of 3.02 years and 3.27 years, respectively, and a weighted average yield of 3.78% and 3.87%, respectively. The holders of the consolidated tranche have no recourse to the general credit of the Company. The Company has no obligation to provide any other explicit or implicit support to any VIE.

4. Loans

Residential mortgage loans

The table below details certain information regarding the Company's residential mortgage loan portfolio as of June 30, 2017:

				Gross Unrealized (1)			Weighted Average		
	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years) (2)
Residential mortgage loans	$ 32,360,883	$ (9,714,756)	$ 22,646,127	$ 1,357,708	$ (548,602)	$ 23,455,233	6.13%	9.86%	5.90

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its loan portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and loans, net line item. The gross unrealized columns above represent inception to date unrealized gains (losses).

(2) Actual maturities of residential mortgage loans are generally shorter than stated contractual maturities. Actual maturities are affected by the lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

The table below details certain information regarding the Company's residential mortgage loan portfolio as of December 31, 2016:

				Gross Unrealized (1)			Weighted Average		
	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years) (2)
Residential mortgage loans	$ 53,827,336	$ (16,491,472)	$ 37,335,864	$ 1,262,223	$ (402,511)	$ 38,195,576	5.60%	8.74%	6.71

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its loan portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and loans, net line item. The gross unrealized columns above represent inception to date unrealized gains (losses).
(2) Actual maturities of residential mortgage loans are generally shorter than stated contractual maturities. Actual maturities are affected by the lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

The table below summarizes certain aggregate pool level information pertaining to the Company's residential mortgage loans:

	June 30, 2017		December 31, 2016	
Loan Type	**Fair Value**	**Unpaid Principal Balance**	**Fair Value**	**Unpaid Principal Balance**
Re-Performing	$ 15,597,028	$ 20,432,960	$ 26,665,750	$ 35,645,382
Non-Performing	7,858,205	11,927,923	11,529,826	18,181,954
	$ 23,455,233	$ 32,360,883	$ 38,195,576	$ 53,827,336

As described in Note 2, the Company evaluates loans for OTTI on at least a quarterly basis. The determination of whether a loan is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a loan is less than its amortized cost at the balance sheet date, the loan is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary." For the three and six months ended June 30, 2017 the Company recognized $0.4 million of OTTI on certain loan pools, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The Company recorded the $0.4 million of OTTI due to an adverse change in cash flows where the fair values of the securities were less than their carrying amounts. The $0.4 million related to non-performing loan pools with an unpaid principal balance of $9.8 million and an average fair market value of $7.7 million and $8.1 million for the three and six months ended June 30, 2017, respectively. No OTTI was recorded on loans for the three months or six months ended June 30, 2016.

As of June 30, 2017 and December 31, 2016 the Company had residential mortgage loans that were in the process of foreclosure with a fair value of $9.4 million and $11.0 million, respectively.

The Company's mortgage loan portfolio consisted of mortgage loans on residential real estate located throughout the U.S. The following is a summary of certain concentrations of credit risk within the Company's mortgage loan portfolio:

Concentration of Credit Risk	**June 30, 2017**	**December 31, 2016**
Percentage of fair value of mortgage loans with unpaid principal balance to current property value in excess of 100%	92%	98%
Percentage of fair value of mortgage loans secured by properties in the following states:		
Representing 5% or more of fair value:		
New York	31%	25%
California	9%	9%
Florida	3%	5%
Maryland	6%	6%

The Company records interest income on a level-yield basis. The accretable discount is determined by the excess of the Company's estimate of undiscounted principal, interest, and other cash flows expected to be collected over its initial investment in the mortgage loan. The following is a summary of the changes in the accretable portion of discounts for the three months and six months ended June 30, 2017 and June 30, 2016, respectively:

	Three Months Ended		Six Months Ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Beginning Balance	$ 18,725,471	$ 23,163,147	$ 18,281,517	$ 24,216,638
Additions	-	-	-	-
Accretion	(708,857)	(1,140,611)	(1,462,394)	(2,244,638)
Reclassifications from/(to) non-accretable difference	1,909,368	632,192	3,381,708	786,597
Disposals	(9,584,506)	(106,779)	(9,859,355)	(210,648)
Ending Balance	$ 10,341,476	$ 22,547,949	$ 10,341,476	$ 22,547,949

As of June 30, 2017, the Company's residential mortgage loan portfolio is comprised of 170 conventional loans with original loan balances between $9,000 and $1.1 million.

As of December 31, 2016, the Company's residential mortgage loan portfolio is comprised of 277 conventional loans with original loan balances between $9,000 and $1.1 million.

Commercial loans

The following table presents detail on the Company's commercial loan portfolio on June 30, 2017.

Loan (3) (7)	Current Face	Premium (Discount)	Amortized Cost	Gross Unrealized (1) Gains	Gross Unrealized (1) Losses	Fair Value	Weighted Average Coupon (5)	Weighted Average Yield	Weighted Average Life (Years) (6)	Stated Maturity Date	Extended Maturity Date (8)	Location
Loan B (2)	32,800,000	-	32,800,000	-	-	32,800,000	5.84%	6.21%	2.04	July 1, 2016	July 1, 2019	TX
Loan E (4)	14,521,806	(1,150,353)	13,371,453	705,987	-	14,077,440	9.51%	12.35%	3.48	April 9, 2017	April 9, 2021	Various
Loan F (4)	10,416,666	(110,096)	10,306,570	110,096	-	10,416,666	11.60%	13.54%	1.21	September 9, 2018	September 9, 2019	MN
	57,738,472	(1,260,449)	56,478,023	816,083	-	57,294,106	7.80%	9.05%	2.25			

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its loan portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and loans, net line item. The gross unrealized columns above represent inception to date unrealized gains (losses).
(2) Loan B is comprised of a first mortgage and mezzanine loan of $31.8 million and $1.0 million, respectively. As of June 30, 2017, Loan B has been extended to the extended maturity date shown above.
(3) Loan D paid off at par in Q1 2017.
(4) Loan E and Loan F are mezzanine loans. As of the stated maturity date above, Loan E has been extended for one year.
(5) Each commercial loan investment has a variable coupon rate.
(6) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.
(7) The Company has the contractual right to receive a balloon payment.
(8) Represents the maturity date of the last possible extension option.

The following table presents detail on the Company's commercial loan portfolio on December 31, 2016.

Loan (2) (4) (9)	Current Face	Premium (Discount)	Amortized Cost	Gross Unrealized (1) Gains	Gross Unrealized (1) Losses	Fair Value	Weighted Average Coupon (7)	Weighted Average Yield	Weighted Average Life (Years) (8)	Stated Maturity Date	Extended Maturity Date (10)	Location
Loan B (3)	$ 32,800,000	$ (1,294)	$ 32,798,706	$ 1,294	$ -	$32,800,000	5.40%	5.65%	0.52	July 1, 2016	July 1, 2019	TX
Loan D (5) (11)	12,000,000	(211,692)	11,788,308	296,278	(84,586)	12,000,000	10.62%	14.33%	0.62	February 11, 2017	August 11, 2017	NY
Loan E (6)	16,000,000	(1,291,648)	14,708,352	560,448	-	15,268,800	9.05%	12.76%	4.33	April 9, 2017	April 9, 2021	Various
	$ 60,800,000	$(1,504,634)	$ 59,295,366	$ 858,020	$ (84,586)	$60,068,800	7.39%	9.19%	1.54			

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its loan portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and loans, net line item. The gross unrealized columns above represent inception to date unrealized gains (losses).
(2) Loan A paid off in Q2 2016, with the Company receiving $30.0 million of principal proceeds.
(3) Loan B is comprised of a first mortgage and mezzanine loan of $31.8 million and $1.0 million, respectively.
(4) Loan C paid off in Q3 2016, with the Company receiving $10.0 million of principal proceeds.
(5) Loan D is a first mortgage loan. See below for further information. As of the stated maturity date, Loan D has been extended for an additional 6 months.
(6) Loan E is a mezzanine loan.
(7) Each commercial loan investment has a variable coupon rate.
(8) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.
(9) The Company has the contractual right to receive a balloon payment.
(10) Represents the maturity date of the last possible extension option.
(11) Loan D paid off in Q1 2017.

In February 2016, the Company originated a $12.0 million commercial loan and, at closing, transferred a 15.0%, or $1.8 million, participation interest in the loan (the "Participation Interest") to an unaffiliated third party. The Participation Interest did not meet the sales criteria established under ASC 860; therefore, the entire commercial loan has been recorded as an asset in the "Commercial loans, at fair value" line item on the Company's consolidated balance sheets, referred to in the above table as "Loan D." The weighted average coupon and yield on the commercial loan was 10.62% and 14.33%, respectively, at December 31, 2016. A $1.8 million liability was recorded in the "Loan participation payable, at fair value" line item on the Company's consolidated balance sheets representing the transfer of the Participation Interest. The Company recorded the origination of the commercial loan in the "Cash Flows from Investing Activities" section and the proceeds from the transfer in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows. The weighted average coupon and yield on the Participation Interest was 10.62% and 21.70%, respectively, at December 31, 2016. In February 2017, the Company received $12.0 million of proceeds from the pay-off of Loan D. The principal and interest due on the Participation Interest was paid from these proceeds.

During the three and six months ended June 30, 2017, the Company recorded $0.1 million and $0.2 million of discount accretion, respectively, on its commercial loans. During the three months and six months ended June 30, 2016 the Company recorded $0.1 million and $0.2 million of discount accretion, respectively, on its commercial loans.

5. Fair value measurements

As described in Note 2, the fair value of financial instruments that are recorded at fair value will be determined by the Manager, subject to oversight of the Company's board of directors, and in accordance with ASC 820, "Fair Value Measurements and Disclosures." When possible, the Company determines fair value using independent data sources. ASC 820 establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable.

Values for the Company's securities, Excess MSRs, securitized debt, and derivatives are based upon prices obtained from third party pricing services, which are indicative of market activity. The evaluation methodology of the Company's third-party pricing services incorporates commonly used market pricing methods, including a spread measurement to various indices such as the one-year constant maturity treasury and LIBOR, which are observable inputs. The evaluation also considers the underlying characteristics of each investment, which are also observable inputs, including: coupon; maturity date; loan age; reset date; collateral type; periodic and life cap; geography; and prepayment speeds. The Company collects and considers current market intelligence on all major markets, including benchmark security evaluations and bid-lists from various sources, when available. As part of the Company's risk management process, the Company reviews and analyzes all prices obtained by comparing prices to recently completed transactions involving the same or similar investments on or near the reporting date. If, in the opinion of the Manager, one or more prices reported to the Company are not reliable or unavailable, the Manager reviews the fair value based on characteristics of the investment it receives from the issuer and available market information.

In valuing its derivatives, the Company considers the creditworthiness of both the Company and its counterparties, along with collateral provisions contained in each derivative agreement, from the perspective of both the Company and its counterparties. All of the Company's derivatives are either subject to bilateral collateral arrangements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd Frank Act"). For swaps cleared under the Dodd Frank Act, a Central Counterparty Clearing House ("CCP") now stands between the Company and the over-the-counter derivative counterparties. In order to access clearing, the Company has entered into clearing agreements with Futures Commissions Merchants ("FCMs").

The fair value of the Company's mortgage loans and loan participation considers data such as loan origination information, additional updated borrower information, loan servicing data, as available, forward interest rates, general economic conditions, home price index forecasts and valuations of the underlying properties. The variables considered most significant to the determination of the fair value of the Company's mortgage loans include market-implied discount rates, projections of default rates, delinquency rates, reperformance rates, loss severity (considering mortgage insurance) and prepayment rates. The Company uses loan level data and macro-economic inputs to generate loss adjusted cash flows and other information in determining the fair value of its mortgage loans. Because of the inherent uncertainty of such valuation, the fair values established for mortgage loans held by the Company may differ from the fair values that would have been established if a ready market existed for these mortgage loans. Accordingly, mortgage loans are classified as Level 3 in the fair value hierarchy.

The Manager may also engage specialized third party valuation service providers to assess and corroborate the valuation of a selection of investments in the Company's loan portfolio on a periodic basis. These specialized third party valuation service providers conduct independent valuation analyses based on a review of source documents, available market data, and comparable investments. The analyses provided by valuation service providers are reviewed and considered by the Manager.

TBA instruments are similar in form to the Company's Agency RMBS portfolio, and the Company therefore estimates fair value based on similar methods.

U.S. Treasury securities are valued using quoted prices for identical instruments in active markets. The fair value of the Company's obligation to return securities borrowed under reverse repurchase agreements is based upon the value of the underlying borrowed U.S. Treasury securities as of the reporting date.

The Company entered into a resecuritization transaction that resulted in the Company consolidating a VIE created with the SPE which was used to facilitate the transaction. The Company categorizes the fair value measurement of the consolidated tranche as Level 3.

In December 2015, the Company, alongside private funds under the management of Angelo, Gordon, through AG Arc, formed Arc Home. The Company invests in Arc Home through AG Arc. In June 2016, Arc Home closed on the acquisition of a Fannie Mae, Freddie Mac, FHA, VA and Ginnie Mae seller/servicer of mortgages. Through this subsidiary, Arc Home originates conforming, Government, Jumbo and other non-conforming residential mortgage loans, retains the mortgage servicing rights associated with the loans it originates, and purchases additional mortgage servicing rights from third-party sellers. As a result of this acquisition, the Company transferred its investment in AG Arc from Level 1 into Level 3.

In February 2016, the Company originated a $12.0 million commercial loan and transferred a 15% participation interest in the loan to an unaffiliated third party. The Company categorizes the fair value measurement of the commercial loan and consolidated participation interest as Level 3. The commercial loan was paid off in full as of June 30, 2017.

The following table presents the Company's financial instruments measured at fair value as of June 30, 2017:

	Fair Value at June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Agency RMBS:				
30 Year Fixed Rate	$ -	$1,294,986,616	$ -	$1,294,986,616
Fixed Rate CMO	-	59,164,907	-	59,164,907
ARM	-	194,113,294	-	194,113,294
Interest Only	-	53,000,440	-	53,000,440
Credit Investments:				
Non-Agency RMBS	-	240,584,518	863,020,902	1,103,605,420
Non-Agency RMBS Interest Only	-	-	3,213,397	3,213,397
ABS	-	-	47,917,356	47,917,356
CMBS	-	21,719,460	137,658,327	159,377,787
CMBS Interest Only	-	-	52,805,639	52,805,639
Residential mortgage loans	-	-	23,455,233	23,455,233
Commercial loans	-	-	57,294,106	57,294,106
Excess mortgage servicing rights	-	-	2,786,501	2,786,501
Derivative assets	697,188	2,432,089	-	3,129,277
AG Arc	-	-	17,712,557	17,712,557
Total Assets Carried at Fair Value	$ 697,188	$1,866,001,324	$1,205,864,018	$3,072,562,530
Liabilities:				
Securitized debt	$ -	$ -	$ (18,778,169)	$ (18,778,169)
Derivative liabilities	-	(1,769,032)	-	(1,769,032)
Total Liabilities Carried at Fair Value	$ -	$ (1,769,032)	$ (18,778,169)	$ (20,547,201)

The following table presents the Company's financial instruments measured at fair value as of December 31, 2016:

	Fair Value at December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Agency RMBS:				
30 Year Fixed Rate	$ -	$ 739,727,721	$ -	$ 739,727,721
Fixed Rate CMO	-	63,697,398	-	63,697,398
ARM	-	211,344,052	-	211,344,052
Interest Only	-	42,894,555	-	42,894,555
Credit Investments:				
Non-Agency RMBS	-	321,495,328	717,760,534	1,039,255,862
Non-Agency RMBS Interest Only	-	-	3,761,446	3,761,446
ABS	-	-	21,231,956	21,231,956
CMBS	-	28,726,319	130,789,615	159,515,934
CMBS Interest Only	-	-	52,136,726	52,136,726
Residential mortgage loans	-	-	38,195,576	38,195,576
Commercial loans	-	-	60,068,800	60,068,800
Excess mortgage servicing rights	-	-	412,648	412,648
Derivative assets	-	3,703,366	-	3,703,366
AG Arc	-	-	12,894,819	12,894,819
Total Assets Carried at Fair Value	$ -	$1,411,588,739	$1,037,252,120	$2,448,840,859
Liabilities:				
Securitized debt	$ -	$ -	$ (21,491,710)	$ (21,491,710)
Loan participation payable	-	-	(1,800,000)	(1,800,000)
Securities borrowed under reverse repurchase agreements	(22,365,000)	-	-	(22,365,000)
Derivative liabilities	(636,211)	(2,271,044)	-	(2,907,255)
Total Liabilities Carried at Fair Value	$ (23,001,211)	$ (2,271,044)	$ (23,291,710)	$ (48,563,965)

The 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, 2017 and June 30, 2016.

AG Mortgage Investment Trust Inc. and Subsidiaries
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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:

Three Months Ended
June 30, 2017

	Non-Agency RMBS	Non-Agency RMBS Interest Only	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	Securitized debt
Beginning balance	$762,089,348	$ 3,557,950	$21,165,442	$122,215,294	$ 52,921,927	$36,255,911	$58,274,488	$1,056,123	$13,010,453	$(19,948,739)
Transfers (1):										
Transfers into level 3	70,603,992	-	-	-	-	-	-	-	-	-
Transfers out of level 3	(51,307,381)	-	-	-	-	-	-	-	-	-
Purchases/Transfers	215,073,421	-	39,717,021	15,000,001	-	-	-	1,858,979	-	-
Capital contributions	-	-	-	-	-	-	-	-	4,459,000	-
Proceeds from sales/redemptions	(61,084,219)	-	(9,311,530)	-	-	(9,248,143)	-	-	-	-
Proceeds from settlement	(86,015,924)	-	(3,984,154)	(108,799)	-	(4,631,367)	(1,176,506)	(176,923)	-	1,171,856
Total net gains/(losses) (2)										
Included in net income	13,661,665	(344,553)	330,577	551,831	(116,288)	1,078,832	196,124	48,322	243,104	(1,286)
Included in other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-
Ending Balance	$863,020,902	$ 3,213,397	$47,917,356	$137,658,327	$ 52,805,639	$23,455,233	$57,294,106	$2,786,501	$17,712,557	$(18,778,169)
Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of June 30, 2017 (3)	$ 14,997,601	$ (344,553)	$ (95,002)	$ 897,090	$ (116,288)	$ (913,062)	$ 196,124	$ 48,322	$ 243,104	$ (1,286)

(1) Transfers are assumed to occur at the beginning of the period. During the three months ended June 30, 2017, the Company transferred 6 Non-Agency RMBS securities into the Level 3 category from the Level 2 category and 5 Non-Agency RMBS securities into the Level 2 category from the Level 3 category under the fair value hierarchy of ASC 820.

(2) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$15,783,215
Unrealized gain/(loss) on derivative and other instruments, net	(1,286)
Net realized gain/(loss)	(376,705)
Equity in earnings/(loss) from affiliates	243,104
Total	$15,648,328

(3) Unrealized gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$14,670,232
Unrealized gain/(loss) on derivative and other instruments, net	(1,286)
Equity in earnings/(loss) from affiliates	243,104
Total	$14,912,050

Three Months Ended
June 30, 2016

	Non-Agency RMBS	Non-Agency RMBS Interest Only	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	Securitized debt	Loan Participation payable
Beginning balance	$ 760,004,764	$ 4,052,280	$ 64,643,140	$ 86,980,005	$ 17,126,868	$ 56,709,105	$ 84,800,000	$ 383,843	$ -	$ (28,256,689)	$ (1,800,000)
Transfers (1):											
Transfers into level 3	124,939,008	-	-	-	-	-	-	-	(316,580)	-	-
Transfers out of level 3	-	-	-	-	-	-	-	-	-	-	-
Purchases/Transfers	4,993,750	-	12,500,598	2,000,000	26,318,875	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	-	-	-	5,306,210	-	-
Proceeds from sales/redemptions	(21,677,437)	-	(1,511,503)	(2,100,960)	-	-	-	-	-	-	-
Proceeds from settlement	(53,642,972)	-	(559,488)	(182,835)	-	(737,718)	(30,000,000)	(37,336)	-	2,480,725	-
Total net gains/(losses) (2)											
Included in net income	(611,831)	(1,651,548)	400,422	66,496	(140,250)	(334,781)	-	-	(501,349)	(12,319)	-
Included in other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-

Ending Balance	$ 814,005,282	$ 2,400,732	$ 75,473,169	$ 86,762,706	$ 43,305,493	$ 55,636,606	$ 54,800,000	$ 346,507	$ 4,488,281	$ (25,788,283)	$ (1,800,000)
Change in unrealized appreciation/(depreciation) for level 3 assets still held as of June 30, 2016 (3)	$ 748,366	$ (522,058)	$ 390,869	$ 54,752	$ (140,250)	$ (334,781)	$ -	$ -	(501,349)	$ (12,319)	$ -

(1) Transfers are assumed to occur at the beginning of the period. During the three months ended June 30, 2016, the Company transferred 7 Non-Agency RMBS securities into the Level 3 category from the Level 2 category and its investment in AG Arc into the Level 3 category from the Level 1 category under the fair value hierarchy of ASC 820.

(2) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$ 409,357
Unrealized gain/(loss) on derivative and other instruments, net	(12,319)
Net realized gain/(loss)	(2,680,849)
Equity in earnings/(loss) from affiliates	(501,349)
Total	$(2,785,160)

(3) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$ 196,897
Unrealized gain/(loss) on derivative and other instruments, net	(12,318)
Equity in earnings/(loss) from affiliates	(501,349)
Total	$ (316,770)

Six Months Ended
June 30, 2017

	Non-Agency RMBS	Non-Agency RMBS Interest Only	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	Securitized debt	Loan Participation payable
Beginning balance	$ 717,760,534	$ 3,761,446	$ 21,231,956	$ 130,789,615	$ 52,136,726	$ 38,195,576	$ 60,068,800	$ 412,648	$ 12,894,819	$ (21,491,710)	$ (1,800,000)
Transfers (1):											
Transfers into level 3	156,247,235	-	-	-	-	-	-	-	-	-	-
Transfers out of level 3	(87,193,669)	-	-	-	-	-	-	-	-	-	-
Purchases/Transfers	257,276,811	-	46,447,667	18,568,750	-	-	10,270,833	2,565,344	-	-	-
Capital contributions	-	-	-	-	-	-	-	-	4,459,000	-	-
Proceeds from sales/redemptions	(84,759,581)	-	(16,977,157)	(4,533,594)	-	(10,102,590)	-	-	-	-	-
Proceeds from settlement	(115,376,445)	-	(3,984,154)	(8,594,055)	-	(5,297,349)	(13,534,402)	(187,287)	-	2,747,475	1,954,927
Total net gains/(losses) (2)											
Included in net income	19,066,017	(548,049)	1,199,044	1,427,611	668,913	659,596	488,875	(4,204)	358,738	(33,934)	(154,927)
Included in other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	$ 863,020,902	$ 3,213,397	$ 47,917,356	$ 137,658,327	$ 52,805,639	$ 23,455,233	$ 57,294,106	$ 2,786,501	$ 17,712,557	$ (18,778,169)	$ -
Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of June 30, 2017 (3)	$ 20,392,109	$ (548,049)	$ 743,730	$ 1,857,762	$ 668,913	$ (1,401,691)	$ 432,666	$ (4,204)	$ 358,738	$ (33,934)	$ -

(1) Transfers are assumed to occur at the beginning of the period. During the six months ended June 30, 2017, the Company transferred 12 Non-Agency RMBS securities into the Level 3 category from the Level 2 category and 8 Non-Agency RMBS securities into the Level 2 category from the Level 3 category under the fair value hierarchy of ASC 820.
(2) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$23,619,676
Unrealized gain/(loss) on derivative and other instruments, net	(188,861)
Net realized gain/(loss)	(661,873)
Equity in earnings/(loss) from affiliates	358,738
Total	$23,127,680

(3) Unrealized gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$22,141,236
Unrealized gain/(loss) on derivative and other instruments, net	(33,934)
Equity in earnings/(loss) from affiliates	358,738
Total	$22,466,040

Six Months Ended
June 30, 2016

	Non-Agency RMBS	Non-Agency RMBS IO	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	Securitized debt	Loan Participation payable
Beginning balance	$ 451,677,960	$ 5,553,734	$ 54,761,837	$ 91,024,418	$ 14,077,716	$ 57,080,227	$ 72,800,000	$ 425,311	$ -	$ -	$ -
Transfers (1):											
Transfers into level 3	466,014,255	-	-	-	-	-	-	-	(316,580)	(30,046,861)	-
Purchases/Transfers (2)	11,717,812	-	23,698,801	2,000,000	26,348,759	-	10,428,437	-	-	-	(1,564,266)
Capital contributions	-	-	-	-	-	-	-	-	5,306,210	-	-
Reclassification of security type (3)	-	-	-	-	3,103,111	-	-	-	-	-	-
Proceeds from sales/redemptions	(29,172,134)	-	(1,511,503)	(2,100,960)	-	-	-	-	-	-	-
Proceeds from settlement	(76,553,594)	-	(1,187,108)	(1,103,203)	-	(1,064,010)	(30,000,000)	(78,804)	-	4,194,321	-
Total net gains/(losses) (4)											
Included in net income	(9,679,017)	(3,153,002)	(288,858)	(3,057,549)	(224,093)	(379,611)	1,571,563	-	(501,349)	64,257	(235,734)
Included in other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	$ 814,005,282	$ 2,400,732	$ 75,473,169	$ 86,762,706	$ 43,305,493	$ 55,636,606	$ 54,800,000	$ 346,507	$ 4,488,281	$ (25,788,283)	$ (1,800,000)

Change in unrealized appreciation/(depreciation) for level 3 assets still held as of September 30, 2015 (4)	$ (3,571,140)	$ (1,529,325)	$ (160,154)	$ (2,739,373)	$ (224,093)	$ (379,611)	$ 1,571,563	$ -	$ (501,349)	$ 64,257	$ (235,733)

(1) Transfers are assumed to occur at the beginning of the period. During the six months ended June 30, 2016, the Company transferred 36 Non-Agency RMBS securities and its securitized debt investment into the Level 3 category from the Level 2 category and its investment in AG Arc into the Level 3 category from the Level 1 category under the fair value hierarchy of ASC 820.
(2) Transfers represent proceeds from transfer of loan participation.
(3) Represents a reclassification from investments in debt and equity of affiliates.
(4) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$ (6,816,273)
Unrealized gain/(loss) on derivative and other instruments, net	(171,477)
Net realized gain/(loss)	(8,394,294)
Equity in earnings/(loss) from affiliates	(501,349)
Total	$(15,883,393)

(5) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$(7,032,133)
Unrealized gain/(loss) on derivative and other instruments, net	(171,476)
Equity in earnings/(loss) from affiliates	(501,349)
Total	$(7,704,958)

Refer to the tables above for details on transfers between the Level 3 and Level 2 categories under ASC 820. Transfers into the Level 3 category of the fair value hierarchy occur due to instruments exhibiting indications of reduced levels of market transparency. Transfers out of the Level 3 category of the fair value hierarchy occur due to instruments exhibiting indications of increased levels of market transparency. Indications of increases or decreases in levels of market transparency include a change in observable transactions or executable quotes involving these instruments or similar instruments. Changes in these indications could impact price transparency, and thereby cause a change in level designations in future periods.

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

Asset Class	Fair Value at June 30, 2017	Valuation Technique	Unobservable Input	Range (Weighted Average)
Non-Agency RMBS	$ 835,907,355	Discounted Cash Flow	Yield	2.50% - 9.70% (4.60%)
			Projected Collateral Prepayments	0.00% - 35.00% (10.59%)
			Projected Collateral Losses	0.00% - 30.00% (3.42%)
			Projected Reperforming Rates	18.81% - 47.76% (33.32%)
			Projected Collateral Severities	0.00% - 100.00% (28.60%)
			Projected Timeline to Liquidation (Months)	16.17 - 22.99 (20.30)
	$ 27,113,547	Consensus Pricing	Offered Quotes	21.50 - 100.00 (84.17)
Non-Agency RMBS Interest Only	$ 2,821,103	Discounted Cash Flow	Yield	17.50% - 17.50% (17.50%)
			Projected Collateral Prepayments	12.50% - 18.00% (12.79%)
			Projected Collateral Losses	0.50% - 0.75% (0.51%)
			Projected Collateral Severities	10.00% - 15.00% (10.26%)
	$ 392,294	Consensus Pricing	Offered Quotes	0.74 - 0.74 (0.74)
ABS	$ 17,338,510	Discounted Cash Flow	Yield	5.64% - 5.64% (5.64%)
			Projected Collateral Prepayments	20.00% - 40.00% (24.70%)
			Projected Collateral Losses	0.00% - 2.00% (1.53%)
			Projected Collateral Severities	0.00% - 50.00% (38.26%)
	$ 30,578,846	Consensus Pricing	Offered Quotes	98.63 - 100.00 (99.56)
CMBS	$ 134,438,321	Discounted Cash Flow	Yield	4.33% - 8.39% (6.08%)
			Projected Collateral Prepayments	0.00% - 30.00% (0.28%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
	$ 3,220,006	Consensus Pricing	Offered Quotes	5.60 - 6.74 (6.34)
CMBS Interest Only	$ 52,805,639	Discounted Cash Flow	Yield	2.50% - 5.95% (4.52%)
			Projected Collateral Prepayments	100.00% - 100.00% (100.00%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
Residential Mortgage Loans	$ 23,455,233	Discounted Cash Flow	Yield	6.25% - 9.00% (7.54%)
			Projected Collateral Prepayments	3.34% - 5.48% (4.74%)
			Projected Collateral Losses	5.13% - 6.70% (5.68%)
			Projected Reperforming Rates	10.22% - 42.78% (24.14%)
			Projected Collateral Severities	23.10% - 46.24% (38.74%)
			Projected Timeline to Liquidation (Months)	13.59 - 29.81 (16.63)
Commercial Loans	$ 32,800,000	Discounted Cash Flow	Yield	6.21% - 6.21% (6.21%)
			Credit Spread	4.75 bps - 4.75 bps (4.75 bps)
			Recovery Percentage (1)	100.00% - 100.00% (100.00%)
	$ 24,494,106	Consensus Pricing	Offered Quotes	96.94 - 100.00 (98.24)
Excess Mortgage Servicing Rights	$ 2,478,235	Discounted Cash Flow	Yield	9.50% - 11.73% (10.14%)
			Projected Collateral Prepayments	8.13% - 12.74% (10.18%)
	$ 308,266	Consensus Pricing	Offered Quotes	0.06 - 0.54 (0.49)
AG Arc	$ 17,712,557	Comparable Multiple	Book Value Multiple	1.0x

Liability Class	Fair Value at June 30, 2017	Valuation Technique	Unobservable Input	Range (Weighted Average)
Securitized debt	$ (18,778,169)	Discounted Cash Flow	Yield	3.46% - 3.46% (3.46%)
			Projected Collateral Prepayments	14.00% - 14.00% (14.00%)
			Projected Collateral Losses	7.00% - 7.00% (7.00%)
			Projected Collateral Severities	40.00% - 40.00% (40.00%)

(1) Represents the proportion of the principal expected to be collected relative to the loan balances as of June 30, 2017.

Asset Class	Fair Value at December 31, 2016	Valuation Technique	Unobservable Input	Range (Weighted Average)
Non-Agency RMBS	$ 694,948,644	Discounted Cash Flow	Yield	1.70% - 18.56% (5.11%)
			Projected Collateral Prepayments	0.00% - 35.00% (9.84%)
			Projected Collateral Losses	0.00% - 38.00% (5.22%)
			Projected Reperforming Rates	18.53% - 46.77% (33.39%)
			Projected Collateral Severities	0.00% - 100.00% (38.57%)
			Projected Timeline to Liquidation (Months)	16.13 - 23.09 (20.72)
	$ 22,811,890	Consensus Pricing	Offered Quotes	21.50 - 100.07 (78.89)
Non-Agency RMBS Interest Only	$ 3,761,446	Discounted Cash Flow	Yield	17.50% - 17.50% (17.50%)
			Projected Collateral Prepayments	18.00% - 18.00% (18.00%)
			Projected Collateral Losses	0.50% - 0.50% (0.50%)
			Projected Collateral Severities	10.00% - 10.00% (10.00%)
ABS	$ 21,231,956	Discounted Cash Flow	Yield	4.16% - 6.47% (4.98%)
			Projected Collateral Prepayments	1.50% - 40.00% (22.31%)
			Projected Collateral Losses	0.00% - 2.00% (0.88%)
			Projected Collateral Severities	0.00% - 50.00% (9.81%)
CMBS	$ 121,056,008	Discounted Cash Flow	Yield	3.32% - 9.16% (6.13%)
			Projected Collateral Prepayments	0.00% - 0.00% (0.00%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
	$ 9,733,607	Consensus Pricing	Offered Quotes	5.03 - 99.81 (68.64)
CMBS Interest Only	$ 52,136,726	Discounted Cash Flow	Yield	2.51% - 9.49% (5.85%)
			Projected Collateral Prepayments	100.00% - 100.00% (100.00%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
Residential Mortgage Loans	$ 38,195,576	Discounted Cash Flow	Yield	6.50% - 8.00% (7.42%)
			Projected Collateral Prepayments	3.18% - 5.82% (4.51%)
			Projected Collateral Losses	5.16% - 5.32% (5.18%)
			Projected Reperforming Rates	9.59% - 34.53% (22.91%)
			Projected Collateral Severities	25.19% - 84.80% (45.34%)
			Projected Timeline to Liquidation (Months)	12.32 - 29.85 (14.33)
Commercial Loans	$ 44,800,000	Discounted Cash Flow	Yield	5.65% - 21.70% (7.98%)
			Credit Spread	4.75 bps - 10 bps (6.16 bps)
			Recovery Percentage (1)	100.00% - 100.00% (100.00%)
	$ 15,268,800	Consensus Pricing	Offered Quotes	95.43 - 95.43 (95.43)
Excess Mortgage Servicing Rights	$ 412,648	Consensus Pricing	Offered Quotes	0.09 - 0.62 (0.55)
AG Arc	$ 12,894,819	Comparable Multiple	Book Value Multiple	1.0x

Liability Class	Fair Value at December 31, 2016	Valuation Technique	Unobservable Input	Range (Weighted Average)
Securitized debt	$ (21,491,710)	Discounted Cash Flow	Yield	3.36% - 3.36% (3.36%)
			Projected Collateral Prepayments	14.00% - 14.00% (14.00%)
			Projected Collateral Losses	7.00% - 7.00% (7.00%)
			Projected Collateral Severities	40.00% - 40.00% (40.00%)
Loan participation payable	$ (1,800,000)	Discounted Cash Flow	Yield	21.70% - 21.70% (21.70%)
			Credit Spread	10 bps - 10 bps (10 bps)
			Recovery Percentage*	100.00% - 100.00% (100.00%)

(1) Represents the proportion of the principal expected to be collected relative to the loan balances as of December 31, 2016.

As further described above, values for the Company's securities portfolio are based upon prices obtained from third party pricing services. Broker quotations may also be used. The significant unobservable inputs used in the fair value measurement of the Company's securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Also as described above, valuation of the Company's loan portfolio is determined by the Manager using third-party pricing services where available, specialized third party valuation service providers, or model-based pricing. The evaluation considers the underlying characteristics of each loan, which are observable inputs, including: coupon, maturity date, loan age, reset date, collateral type, periodic and life cap, geography, and prepayment speeds. These valuations also require significant judgments, which include assumptions regarding capitalization rates, re-performance rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management. Changes in the market environment and other events that may occur over the life of our investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently estimated. If applicable, analyses provided by valuation service providers are reviewed and considered by the Manager.

6. Repurchase agreements

The Company pledges certain real estate securities and loans as collateral under repurchase agreements with financial institutions, the terms and conditions of which are negotiated on a transaction-by-transaction basis. Repurchase agreements involve the sale and a simultaneous agreement to repurchase the transferred assets or similar assets at a future date. The amount borrowed generally is equal to the fair value of the assets pledged less an agreed-upon discount, referred to as a "haircut." The Company calculates haircuts disclosed in the tables below by dividing allocated capital on each borrowing by the current fair market value of each investment. Repurchase agreements entered into by the Company are accounted for as financings and require the repurchase of the transferred assets at the end of each agreement's term, typically 30 to 90 days. The carrying amount of the Company's repurchase agreements approximates fair value due to their short-term maturities or floating rate coupons. If the Company maintains the beneficial interest in the specific assets pledged during the term of the borrowing, it receives the related principal and interest payments. If the Company does not maintain the beneficial interest in the specific assets pledged during the term of the borrowing, it will have the related principal and interest payments remitted to it by the lender. Interest rates on these borrowings are fixed based on prevailing rates corresponding to the terms of the borrowings, and interest is paid at the termination of the borrowing at which time the Company may enter into a new borrowing arrangement at prevailing market rates with the same counterparty or repay that counterparty and negotiate financing with a different counterparty. If the fair value of pledged assets declines due to changes in market conditions or the publishing of monthly security paydown factors, lenders typically would require the Company to post additional securities as collateral, pay down borrowings or establish cash margin accounts with the counterparties in order to re-establish the agreed-upon collateral requirements, referred to as margin calls. The fair value of financial instruments pledged as collateral on the Company's repurchase agreements disclosed in the tables below represent the Company's fair value of such instruments which may differ from the fair value assigned to the collateral by its counterparties. The Company maintains a level of liquidity in the form of cash and unpledged Agency RMBS and Agency Interest-Only securities in order to meet these obligations. Under the terms of the Company's master repurchase agreements, the counterparties may, in certain cases, sell or re-hypothecate the pledged collateral.

The following table presents certain financial information regarding the Company's repurchase agreements secured by real estate securities as of June 30, 2017:

	Repurchase Agreements			Collateral Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
Overnight	$ 79,442,000	1.42%	3.0%	$ 81,888,405	$ 81,389,926	$ 244,793
30 days or less	1,271,611,000	2.22%	15.7%	1,533,383,438	1,482,365,948	5,390,520
31-60 days	453,727,000	1.39%	7.0%	492,275,346	486,107,148	1,530,381
61-90 days	230,737,000	1.50%	6.2%	254,858,959	252,017,830	686,533
91-180 days	78,494,000	1.43%	4.5%	85,813,781	85,460,132	250,912
Greater than 180 days	107,075,000	1.51%	11.1%	120,749,692	121,401,315	315,530
Total / Weighted Average	$ 2,221,086,000	1.89%	11.9%	$ 2,568,969,621	$ 2,508,742,299	$ 8,418,669

The following table presents certain financial information regarding the Company's repurchase agreements secured by real estate securities as of December 31, 2016:

	Repurchase Agreements			Collateral Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
Overnight	$ 70,899,000	0.66%	3.5%	$ 73,485,225	$ 73,170,802	$ 191,554
30 days or less	961,185,000	1.79%	14.7%	1,164,241,469	1,152,472,020	3,851,520
31-60 days	465,776,000	1.23%	8.6%	514,624,485	512,633,509	1,607,435
61-90 days	129,119,000	1.69%	13.2%	151,989,415	151,567,289	399,702
91-180 days	16,897,000	2.81%	21.6%	21,554,174	21,892,108	17,056
Greater than 180 days	209,293,104	1.93%	4.7%	252,940,437	244,734,715	948,975
Total / Weighted Average	$ 1,853,169,104	1.63%	11.5%	$ 2,178,835,205	$ 2,156,470,443	$ 7,016,242

The following table presents certain financial information regarding the Company's repurchase agreements secured by interests in residential mortgage loans as of June 30, 2017:

	Repurchase Agreements				Collateral Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
Greater than 180 days	$ 13,860,388	3.72%	3.92%	32.8%	$ 20,943,195	$ 19,877,808	$ 27,562

The following table presents certain financial information regarding the Company's repurchase agreements secured by interests in residential mortgage loans as of December 31, 2016:

	Repurchase Agreements				Collateral Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
Greater than 180 days	$ 25,544,702	3.27%	3.79%	30.3%	$ 34,088,921	$ 32,849,686	$ 45,068

The following table presents certain financial information regarding the Company's repurchase agreements secured by interests in commercial loans as of June 30, 2017:

	Repurchase Agreements				Collateral Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
Greater than 180 days	$ 21,796,000	3.37%	3.32%	33.5%	$ 32,800,000	$ 32,800,000	$ 153,768

The following table presents certain financial information regarding the Company's repurchase agreements secured by commercial loans as of December 31, 2016:

	Repurchase Agreements				Collateral Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
Greater than 180 days	$ 21,796,000	2.91%	3.13%	33.5%	$ 32,800,000	$ 32,798,706	$ 125,314

Although repurchase agreements are committed borrowings until maturity, the lender retains the right to mark the underlying collateral to fair value. A reduction in the value of pledged assets resulting from changes in market conditions or factor changes would require the Company to provide additional collateral or cash to fund margin calls. See Note 7 for details on collateral posted/received against certain derivatives. The following table presents information with respect to the Company's posting of collateral under repurchase agreements on June 30, 2017 and December 31, 2016, broken out by investment type:

	June 30, 2017	**December 31, 2016**
Fair Value of investments pledged as collateral under repurchase agreements		
Agency RMBS	$ 1,259,225,785	$ 965,154,048
Non-Agency RMBS	1,078,998,578	990,985,143
ABS	26,777,004	21,231,956
CMBS	203,968,254	201,464,058
Residential Mortgage Loans	20,943,195	31,031,107
Commercial Mortgage Loans	32,800,000	32,800,000
Cash pledged (i.e., restricted cash) under repurchase agreements	11,951,335	17,149,022
Fair Value of unsettled trades pledged as collateral under repurchase agreements:	-	3,057,814
Total collateral pledged under Repurchase agreements	$ 2,634,664,151	$ 2,262,873,148

The following table presents information with respect to the Company's total borrowings under repurchase agreements on June 30, 2017 and December 31, 2016, broken out by investment type:

	June 30, 2017	**December 31, 2016**
Repurchase agreements secured by investments:		
Agency RMBS	$ 1,187,289,000	$ 907,041,000
Non-Agency RMBS	863,701,000	776,459,104
ABS	19,234,000	15,283,000
CMBS	150,862,000	154,386,000
Residential Mortgage Loans	13,860,388	25,544,702
Commercial Mortgage Loans	21,796,000	21,796,000
Gross Liability for Repurchase agreements	$ 2,256,742,388	$ 1,900,509,806

The following table presents both gross information and net information about repurchase agreements eligible for offset in the consolidated balance sheets as of June 30, 2017:

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
Description	**Gross Amounts of Recognized Liabilities**	**Gross Amounts Offset in the Consolidated Balance Sheets**	**Net Amounts of Liabilities Presented in the Consolidated Balance Sheets**	**Financial Instruments Posted**	**Cash Collateral Posted**	**Net Amount**
Repurchase Agreements	$ 2,256,742,388	$ -	$ 2,256,742,388	$ 2,256,742,388	$ -	$ -

The following table presents both gross information and net information about repurchase agreements eligible for offset in the consolidated balance sheets as of December 31, 2016:

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets: Financial Instruments Posted	Gross Amounts Not Offset in the Consolidated Balance Sheets: Cash Collateral Posted	Net Amount
Repurchase Agreements	$ 1,900,509,806	$ -	$ 1,900,509,806	$ 1,900,509,806	$ -	$ -

The Company seeks to obtain financing from several different counterparties in order to reduce the financing risk related to any single counterparty. The Company has entered into master repurchase agreements ("MRAs") or loan agreements with such financing counterparties. As of June 30, 2017 and December 31, 2016 the Company had 39 and 37 financing counterparties, respectively, under which it had outstanding debt with 26 and 23 counterparties, respectively.

The following table presents information at June 30, 2017 with respect to each counterparty that provides the Company with financing for which the Company had greater than 5% of its stockholders' equity at risk, excluding stockholders' equity at risk under financing through affiliated entities.

Counterparty	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
JP Morgan Securities, LLC	$ 50,493,355	81	7%
RBC (Barbados) Trading Bank Corporation	35,982,610	19	5%
Credit Suisse Securities, LLC	34,600,293	22	5%

The following table presents information at December 31, 2016 with respect to each counterparty that provides the Company with financing for which the Company had greater than 5% of its stockholders' equity at risk, excluding stockholders' equity at risk under financing through affiliated entities.

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

On April 13, 2015, the Company, AG MIT, LLC ("AG MIT") and AG MIT CMO, LLC ("AG MIT CMO"), each a subsidiary of the Company, entered into Amendment Number 2 to the Master Repurchase and Securities Contract (the "Second Renewal") with Wells Fargo Bank, National Association ("Wells Fargo") to finance both AG MIT's and AG MIT CMO's acquisition of certain consumer asset-backed securities and commercial mortgage-backed securities as well as Non-Agency RMBS. The Second Renewal amended the repurchase agreement entered into by the Company, AG MIT and AG MIT CMO with Wells Fargo in 2014. Each transaction under the Second Renewal had its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The Second Renewal included a 270 day evergreen structure providing for the automatic renewal of the agreement each day for a new term of 270 days unless Wells Fargo notified AG MIT and AG MIT CMO that it had decided not to renew, at which point the agreement terminated 270 days after the date of nonrenewal. The Second Renewal also increased the aggregate maximum borrowing capacity to $200 million and extended the maturity date to April 13, 2017. The Second Renewal contained representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type. The Company elected not to renew the Master Repurchase and Securities Contract as of June 30, 2017, and the securities which were financed under this facility have since been financed with new counterparties. As of December 31, 2016, the Company had $93.4 million of debt outstanding under this facility.

On February 23, 2017, AG MIT WFB1 2014 LLC ("AG MIT WFB1"), a subsidiary of the Company, entered into Amendment Number Five of the Master Repurchase Agreement and Securities Contract (as amended, the "WFB1 Repurchase Agreement") with Wells Fargo to finance the ownership and acquisition of certain beneficial interests in trusts owning participation interests in one or more pools of residential mortgage loans. Each transaction under the WFB1 Repurchase Agreement has its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The WFB1 Repurchase Agreement provides for a funding period ending February 23, 2018 and a facility termination date of February 22, 2019. The maximum aggregate borrowing capacity available under the WFB1 Repurchase Agreement is $50.0 million. The WFB1 Repurchase Agreement contains representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type. As of June 30, 2017, the Company had $13.9 million of debt outstanding under the WFB1 Repurchase Agreement. As of December 31, 2016, the Company had $25.5 million of debt outstanding under Amendment Number Four of the WFB1 Repurchase Agreement.

On September 17, 2014, AG MIT CREL, LLC ("AG MIT CREL"), a subsidiary of the Company, entered into a Master Repurchase Agreement and Securities Contract (the "CREL Repurchase Agreement") with Wells Fargo to finance AG MIT CREL's acquisition of certain beneficial interests in one or more commercial mortgage loans. Each transaction under the CREL Repurchase Agreement will have its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The CREL Repurchase Agreement provided for a funding period ending September 17, 2016 and an initial facility termination date of September 17, 2016 (the "Initial Termination Date"), subject to the satisfaction of certain terms of the extensions described below. AG MIT CREL had three (3) one-year options to extend the term of the CREL Repurchase Agreement: (i) the first for an additional one year period (the "First Extension Period") ending September 17, 2017 (the "First Extended Termination Date"), (ii) the second for an additional one year period (the "Second Extension Period") ending September 17, 2018 (the "Second Extended Termination Date") and (iii) the third for an additional one year period ending September 17, 2019 (the "Third Extended Termination Date"). For each of the Initial Termination Date, the First Extended Termination Date, the Second Extended Termination Date and the Third Extended Termination Date, if such day is not a Business Day, such date would be the next succeeding Business Day. Each option was exercisable in each case no more than ninety (90) days and no fewer than thirty (30) days prior to the initial facility termination date, the First Extended Termination Date or the Second Extended Termination Date, as the case may be.

On August 4, 2015, the Company, AG MIT CREL and AG MIT entered into an Omnibus Amendment No. 1 to Master Repurchase and Securities Contract, Guarantee Agreement and Fee and Pricing Letter (the "First Amendment") with Wells Fargo. The First Amendment amended certain terms in the CREL Repurchase Agreement, the Guarantee, dated as of September 17, 2014, delivered by the Company and AG MIT to Wells Fargo and the Fee and Pricing Letter, dated as of September 17, 2014, between AG MIT CREL and Wells Fargo. The First Amendment lowered the maximum aggregate borrowing capacity available under the CREL Repurchase Agreement from $150 million to approximately $42.8 million. The First Amendment also provided that the CREL Repurchase Agreement become full recourse to the Company and AG MIT, LLC. By amending the recourse of the CREL Repurchase Agreement to the Company and AG MIT, the Company was able to remove certain financial covenants on AG MIT CREL that limited the amount that AG MIT CREL could borrow under the CREL Repurchase Agreement. The First Amendment also eliminated the fee for the portion of the repurchase facility that was unused. The CREL Repurchase Agreement contains representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type. As of June 30, 2017 and December 31, 2016, the Company had $21.8 million of debt outstanding under this facility.

In September 2016, the Company exercised its option to extend the term of the CREL Repurchase Agreement to the First Extended Termination Date. In June 2017, the Company, AG MIT CREL and AG MIT entered into an Omnibus Amendment No. 2 to Master Repurchase and Securities Contract, Guarantee Agreement and Fee and Pricing Letter (the "Second Amendment") with Wells Fargo. The Second Amendment amended the CREL Repurchase Agreement to extend the facility termination date to July 1, 2019 and remove the second and third extension options.

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

7. Derivatives

The Company's derivatives may include interest rate swaps ("swaps"), TBAs, and Eurodollar Futures and U.S. Treasury Futures, (collectively, "Futures"). Derivatives have not been designated as hedging instruments. The Company may also utilize other instruments to manage interest rate risk, including long and short positions in U.S. Treasury securities.

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

Receivables recognized for the right to reclaim cash initial margin posted in respect of derivative instruments are included in the "Restricted cash" line item in the consolidated balance sheets. Prior to the first quarter of 2017, the daily exchange of variation margin associated with centrally cleared derivative instruments was considered a pledge of collateral. For these prior periods, receivables recognized for the right to reclaim cash variation margin posted in respect of derivative instruments are included in the "Restricted cash" line item in the consolidated balance sheets. The Company elected to offset any payables recognized for the obligation to return cash variation margin received from a derivative instrument counterparty against receivables recognized for the right to reclaim cash initial margin posted by the Company to that same counterparty.

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

The following table presents the fair value of the Company's derivative and other instruments and their balance sheet location at June 30, 2017 and December 31, 2016.

Derivatives and Other Instruments	Designation	Balance Sheet Location	June 30, 2017	December 31, 2016
Interest rate swaps	Non-Hedge	Derivative liabilities, at fair value	$ -	$ (1,847,219)
Interest rate swaps	Non-Hedge	Derivative assets, at fair value	2,136,460	3,703,366
TBAs	Non-Hedge	Derivative liabilities, at fair value	(1,769,032)	(423,825)
TBAs	Non-Hedge	Derivative assets, at fair value	295,629	-
Short positions on U.S. Treasury Futures	Non-Hedge	Derivative liabilities, at fair value	-	(636,211)
Short positions on U.S. Treasury Futures	Non-Hedge	Derivative assets, at fair value	697,188	-
Short positions on U.S. Treasuries	Non-Hedge	Obligation to return securities borrowed under reverse repurchase agreements, at fair value (1)	-	(22,365,000)

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

The following table summarizes information related to derivatives and other instruments:

Non-hedge derivatives and other instruments held long/(short):	June 30, 2017	December 31, 2016
Notional amount of Pay Fix/Receive Float Interest Rate Swap Agreements	$1,494,000,000	$ 644,000,000
Notional amount of TBAs	300,000,000	(25,000,000)
Notional amount of short positions on U.S. Treasury Futures (1)	(70,000,000)	(141,500,000)
Notional amount of short positions on U.S. Treasuries	-	(24,000,000)

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

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

Non-hedge derivatives and other instruments gain/(loss):	Statement of Operations Location	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Interest rate swaps, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	$ 2,027,635	$ (1,615,094)	$ 3,258,849	$ (19,516,469)
Interest rate swaps, at fair value	Net realized gain/(loss)	(8,082,738)	(2,839,917)	(8,082,738)	(5,733,434)
Short positions on Eurodollar Futures	Unrealized gain/(loss) on derivative and other instruments, net	-	(150,547)	-	(150,547)
Long positions on U.S. Treasury Futures	Unrealized gain/(loss) on derivative and other instruments, net	-	(20,374)	-	(20,374)
Long positions on U.S. Treasury Futures	Net realized gain/(loss)	-	126,919	-	126,919
Short positions on U.S. Treasury Futures	Unrealized gain/(loss) on derivative and other instruments, net	1,273,312	21,123	1,379,811	21,123
Short positions on U.S. Treasury Futures	Net realized gain/(loss)	(2,882,643)	15,056	(3,830,579)	15,056
TBAs (1)	Unrealized gain/(loss) on derivative and other instruments, net	(1,409,304)	441,638	(1,049,539)	441,246
TBAs (1)	Net realized gain/(loss)	1,573,086	(180,625)	1,331,055	25,039
Long positions on U.S. Treasuries	Unrealized gain/(loss) on derivative and other instruments, net	-	1,587,306	-	7,580,039
Long positions on U.S. Treasuries	Net realized gain/(loss)	-	109,062	-	423,828
Short positions on U.S. Treasuries	Unrealized gain/(loss) on derivative and other instruments, net	-	(200,391)	(1,724,922)	(200,391)
Short positions on U.S. Treasuries	Net realized gain	-	-	1,730,547	-

(1) For the three months ended June 30, 2017, gains and losses from purchases and sales of TBAs consisted of $0.7 million of net TBA dollar roll net interest income and net losses of $0.6 million due to price changes. For the six months ended June 30, 2017, gains and losses from purchases and sales of TBAs consisted of $1.1 million of net TBA dollar roll net interest income and net losses of $0.8 million due to price changes. For the three months ended June 30, 2016, gains and losses from purchases and sales of TBAs consisted of $7,656 of net TBA dollar roll net interest income and net gains of $0.3 million due to price changes. For the six months ended June 30, 2016, gains and losses from purchases and sales of TBAs consisted of $0.1 million of net TBA dollar roll net interest income and net gains of $0.4 million due to price changes.

The following table presents both gross information and net information about derivative and other instruments eligible for offset in the consolidated balance sheets as of June 30, 2017:

Gross Amounts Not Offset in the Consolidated Balance Sheet

Description	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets (Liabilities) Presented in the Consolidated Balance Sheets	Financial Instruments (Posted)/Received	Cash Collateral (Posted)/Received	Net Amount
Derivative Assets (1)						
Interest Rate Swaps	$ 2,749,027	$ -	$ 2,749,027	$ -	$ 448,635	$ 2,300,392
U.S. Treasury Futures - Short	697,188	-	697,188	-	-	697,188
TBAs	295,629	-	295,629	-	-	295,629
Total Derivative Assets	$ 3,741,844	$ -	$ 3,741,844	$ -	$ 448,635	$ 3,293,209
Derivative Liabilities						
TBAs	$ (1,769,032)	$ -	$ (1,769,032)	$ (1,769,032)	$ -	$ -
Total Derivative Liabilities	$ (1,769,032)	$ -	$ (1,769,032)	$ (1,769,032)	$ -	$ -

(1) Included in Derivative Assets on the consolidated balance sheet is $3,741,844 less accrued interest of $(612,567) for a total of $3,129,277.

The following table presents both gross information and net information about derivative instruments eligible for offset in the consolidated balance sheets as of December 31, 2016:

Description	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets (Liabilities) Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheet: Financial Instruments (Posted)/Received	Gross Amounts Not Offset in the Consolidated Balance Sheet: Cash Collateral (Posted)/Received	Net Amount
Receivable Under Reverse Repurchase Agreements	$ 22,680,000	$ -	$ 22,680,000	$ 22,365,000	$ -	$ 315,000
Derivative Assets (1)						
Interest Rate Swaps	$ 4,559,134	$ -	$ 4,559,134	$ -	$ 879,575	$ 3,679,559
Total Derivative Assets	$ 4,559,134	$ -	$ 4,559,134	$ -	$ 879,575	$ 3,679,559
Derivative Liabilities (2)						
Interest Rate Swaps	$ (1,705,865)	$ -	$ (1,705,865)	$ -	$ (1,705,865)	$ -
U.S. Treasury Futures - Short	(636,211)	-	(636,211)	-	(636,211)	-
TBAs	(423,824)	-	(423,824)	(423,824)	-	-
Total Derivative Liabilities	$ (2,765,900)	$ -	$ (2,765,900)	$ (423,824)	$ (2,342,076)	$ -

(1) Included in Derivative Assets on the consolidated balance sheet is $4,559,134 less accrued interest of $(855,768) for a total of $3,703,366.
(2) Included in Derivative Liabilities on the consolidated balance sheet is $(2,765,900) plus accrued interest of $(141,355) for a total of $(2,907,255).

The Company must post cash or securities as collateral on its derivative instruments when their fair value declines. This typically occurs when prevailing market rates change adversely, with the severity of the change also dependent on the term of the derivatives involved. The posting of collateral is generally bilateral, meaning that if the fair value of the Company's derivatives increases, its counterparty will post collateral to it. On June 30, 2017, the Company pledged real estate securities with a fair value of $7.0 million and cash of $28.0 million as collateral against certain derivatives. The Company's counterparties posted cash of $0.4 million to it as collateral for certain derivatives. On December 31, 2016, the Company pledged real estate securities with a fair value of $7.1 million and cash of $9.4 million as collateral against certain derivatives. The Company's counterparties posted cash of $0.9 million to it as collateral for certain derivatives.

Interest rate swaps

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

As of June 30, 2017, the Company's interest rate swap positions consist of pay-fixed interest rate swaps. The following table presents information about the Company's interest rate swaps as of June 30, 2017:

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate	Weighted Average Years to Maturity
2017	$ 36,000,000	0.88%	1.17%	0.34
2019	170,000,000	1.36%	1.19%	2.38
2020	570,000,000	1.63%	1.22%	2.86
2022	363,000,000	1.80%	1.25%	5.00
2024	150,000,000	2.04%	1.23%	6.89
2026	75,000,000	2.12%	1.19%	9.39
2027	130,000,000	2.30%	1.20%	9.80
Total/Wtd Avg	$ 1,494,000,000	1.75%	1.22%	4.60

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

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

TBAs

As discussed in Note 2, the Company has entered into TBAs. The following table presents information about the Company's TBAs for the three and six months ended June 30, 2017 and June 30, 2016:

For the Three Months Ended June 30, 2017

	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Notional Amount	Fair Value as of Period End	Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$90,000,000	$ 891,000,000	$ (681,000,000)	$ 300,000,000	$ 309,964,840	$ (311,438,243)	$ 295,629	$(1,769,032)
TBAs - Short	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

For the Three Months Ended June 30, 2016

	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Notional Amount	Fair Value as of Period End	Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$ -	$ 232,000,000	$ (132,000,000)	$ 100,000,000	$ 103,757,810	$ (103,450,351)	$ 719,960	$ (412,501)
TBAs - Short	$ -	$ 75,000,000	$ (75,000,000)	$ -	$ -	$ (7,813)	$ 484,376	$ (492,189)

For the Six Months Ended June 30, 2017

	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Notional Amount	Fair Value as of Period End	Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$ 50,000,000	$1,176,000,000	$ (926,000,000)	$ 300,000,000	$ 309,964,840	$ (311,438,243)	$ 295,629	$(1,769,032)
TBAs - Short	$(75,000,000)	$ 75,000,000	$ -	$ -	$ -	$ -	$ -	$ -

For the Six Months Ended June 30, 2016

	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Notional Amount	Fair Value as of Period End	Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$75,000,000	$ 277,000,000	$ (252,000,000)	$ 100,000,000	$ 103,757,810	$ (103,450,351)	$ 719,960	$ (412,501)
TBAs - Short	$ -	$ 225,000,000	$ (225,000,000)	$ -	$ -	$ (7,813)	$ 484,376	$ (492,189)

8. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing net income/(loss) available to common stockholders for the period by the weighted- average shares of the Company's common stock outstanding for that period that participate in the Company's common dividends. Diluted EPS takes into account the effect of dilutive instruments, such as stock options, warrants, unvested restricted stock and unvested restricted stock units but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding.

As of June 30, 2017 and June 30, 2016, the Company's outstanding warrants and unvested restricted stock units were as follows:

	June 30, 2017	June 30, 2016
Outstanding warrants	1,007,500	1,007,500
Unvested restricted stock units previously granted to the Manager	20,003	40,006

Each warrant entitles the holder to purchase half a share of the Company's common stock at a fixed price upon exercise of the warrant. For the three and six months ended June 30, 2017 and June 30, 2016, the Company excluded the effects of such from the computation of diluted earnings per share because their effect would be anti-dilutive.

Restricted stock units granted to the manager do not entitle the participant the rights of a shareholder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The restricted stock units are not considered to be participating shares. The dilutive effects of the restricted stock units are only included in diluted weighted average common shares outstanding.

The following table presents a reconciliation of the earnings and shares used in calculating basic and diluted EPS for the three and six months ended June 30, 2017 and June 30, 2016:

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Numerator:				
Net income/(loss) available to common stockholders for basic and diluted earnings per share	$ 29,803,777	$ 17,709,787	$ 51,554,085	$ 11,898,006
Denominator:				
Basic weighted average common shares outstanding	27,724,183	28,038,953	27,713,104	28,155,441
Dilutive effect of restricted stock units	7,142	15,501	7,205	14,992
Diluted weighted average common shares outstanding	27,731,325	28,054,454	27,720,309	28,170,433
Basic Earnings/(Loss) Per Share of Common Stock:	$ 1.08	$ 0.63	$ 1.86	$ 0.42
Diluted Earnings/(Loss) Per Share of Common Stock:	$ 1.07	$ 0.63	$ 1.86	$ 0.42

The following tables detail our common stock dividends for the six months ended June 30, 2017, and June 30, 2016:

2017

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/10/2017	3/21/2017	4/28/2017	$ 0.475
6/8/2017	6/19/2017	7/31/2017	0.475

2016

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/10/2016	3/21/2016	4/29/2016	$ 0.475
6/9/2016	6/20/2016	7/29/2016	0.475

The following tables detail our preferred stock dividends during the six months ended June 30, 2017, and June 30, 2016:

2017

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/16/2017	2/28/2017	3/17/2017	$ 0.51563
8.25% Series A	5/15/2017	5/31/2017	6/19/2017	0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/16/2017	2/28/2017	3/17/2017	$ 0.50
8.00% Series B	5/15/2017	5/31/2017	6/19/2017	0.50

2016

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/12/2016	2/29/2016	3/17/2016	$ 0.51563
8.25% Series A	5/13/2016	5/31/2016	6/17/2016	0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/12/2016	2/29/2016	3/17/2016	$ 0.50
8.00% Series B	5/13/2016	5/31/2016	6/17/2016	0.50

9. Income taxes

As a REIT, the Company is not subject to federal income tax to the extent that it makes qualifying distributions to its stockholders, and provided it satisfies on a continuing basis, through actual investment and operating results, the REIT requirements including certain asset, income, distribution and stock ownership tests. Most states follow U.S. federal income tax treatment of REITs.

For the three months ended June 30, 2017 and June 30, 2016, the Company recorded excise tax expense of $0.4 million and $0.4 million, respectively. For the six months ended June 30, 2017 and June 30, 2016, the Company recorded excise tax expense of $0.8 million and $0.8 million, respectively. Excise tax represents a four percent tax on the required amount of the Company's ordinary income and net capital gains not distributed during the year. The quarterly expense is calculated in accordance with applicable tax regulations.

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

The Company elected to treat certain domestic subsidiaries as TRSs and may elect to treat other subsidiaries as TRSs. In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly, and generally may engage in any real estate or non-real estate-related business.

The Company elected to treat one of its foreign subsidiaries as a TRS and, accordingly, taxable income generated by this TRS may not be subject to local income taxation, but generally will be included in the Company's income on a current basis as Subpart F income, whether or not distributed.

Cash distributions declared by the Company that do not exceed its current or accumulated earnings and profits will be considered ordinary income to stockholders for income tax purposes unless all or a portion of a distribution is designated by the Company as a capital gain dividend. Distributions in excess of the Company's current and accumulated earnings and profits will be characterized as return of capital or capital gains.

Based on the Company's analysis of any potential uncertain income tax positions, the Company concluded it did not have any uncertain tax positions that meet the recognition or measurement criteria of ASC 740 as of June 30, 2017 or December 31, 2016. The Company's federal income tax returns for the last three tax years are open to examination by the Internal Revenue Service. In the event that the Company incurs income tax related interest and penalties, its policy is to classify them as a component of provision for income taxes.

10. Related party transactions

The Company has entered into a management agreement with the Manager, which provided for an initial term and will be deemed renewed automatically each year for an additional one-year period, subject to certain termination rights. As of June 30, 2017 and December 31, 2016, no event of termination had occurred. The Company is externally managed and advised by the Manager. Pursuant to the terms of the management agreement, which became effective July 6, 2011 (upon the consummation of the Company's initial public offering (the "IPO")), the Manager provides the Company with its management team, including its officers, along with appropriate support personnel. Each of the Company's officers is an employee of Angelo, Gordon. The Company does not have any employees. The Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility of its day-to-day duties and obligations arising under the Company's management agreement.

Management fee

The Manager is entitled to a management fee equal to 1.50% per annum, calculated and paid quarterly, of the Company's Stockholders' Equity. For purposes of calculating the management fee, "Stockholders' Equity" means the sum of the net proceeds from any issuances of equity securities (including preferred securities) since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance, and excluding any future equity issuance to the Manager), plus the Company's retained earnings at the end of such quarter (without taking into account any non-cash equity compensation expense or other non-cash items described below incurred in current or prior periods), less any amount that the Company pays for repurchases of its common stock, excluding any unrealized gains, losses or other non-cash items that have impacted stockholders' equity as reported in the Company's financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income, and excluding one-time events pursuant to changes in GAAP, and certain other non-cash charges after discussions between the Manager and the Company's independent directors and after approval by a majority of the Company's independent directors. Stockholders' Equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown on the Company's financial statements.

For the three months and six months ended June 30, 2017, the Company incurred management fees of approximately \$2.4 million and \$4.9 million, respectively. For the three months and six months ended June 30, 2016, the Company incurred management fees of approximately \$2.4 million and \$4.9 million, respectively.

Termination fee

The termination fee, payable upon the occurrence of (i) the Company's termination of the management agreement without cause or (ii) the Manager's termination of the management agreement upon a breach of any material term of the management agreement, will be equal to three times the average annual management fee during the 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter. As of June 30, 2017 and December 31, 2016, no event of termination of the management agreement had occurred.

Expense reimbursement

The Company is required to reimburse the Manager or its affiliates for operating expenses which are incurred by the Manager or its affiliates on behalf of the Company, including expenses relating to legal, accounting, due diligence and other services. The Company's reimbursement obligation is not subject to any dollar limitation; however, the reimbursement is subject to an annual budget process which combines guidelines from the Management Agreement with oversight by the Company's board of directors.

The Company reimburses the Manager or its affiliates for the Company's allocable share of the compensation, including, without limitation, annual base salary, bonus, any related withholding taxes and employee benefits paid to (i) the Company's chief financial officer based on the percentage of time spent on Company affairs, (ii) the Company's general counsel based on the percentage of time spent on the Company's affairs, and (iii) other corporate finance, tax, accounting, internal audit, legal, risk management, operations, compliance and other non-investment personnel of the Manager and its affiliates who spend all or a portion of their time managing the Company's affairs based upon the percentage of time devoted by such personnel to the Company's affairs. In their capacities as officers or personnel of the Manager or its affiliates, they devote such portion of their time to the Company's affairs as is necessary to enable the Company to operate its business.

Of the \$2.8 million and \$5.6 million of Other operating expenses for the three and six months ended June 30, 2017, respectively, the Company has accrued \$1.7 million and \$3.4 million, respectively, representing a reimbursement of expenses. Of the \$2.7 million and \$5.7 million of Other operating expenses for the three and six months ended June 30, 2016, respectively, the Company has accrued \$1.7 million and \$3.5 million, respectively, representing a reimbursement of expenses.

Restricted stock grants

Pursuant to the Company's Manager Equity Incentive Plan and the Equity Incentive Plan adopted on July 6, 2011, the Company can award up to 277,500 shares of its common stock in the form of restricted stock, stock options, restricted stock units or other types of awards to the directors, officers, advisors, consultants and other personnel of the Company and to the Manager. As of June 30, 2017, 128,514 shares of common stock were available to be awarded under the equity incentive plans. Awards under the equity incentive plans are forfeitable until they become vested. An award will become vested only if the vesting conditions set forth in the applicable award agreement (as determined by the compensation committee) are satisfied. The vesting conditions may include performance of services for a specified period, achievement of performance goals, or a combination of both. The compensation committee also has the authority to provide for accelerated vesting of an award upon the occurrence of certain events in its discretion.

As of June 30, 2017, the Company has granted an aggregate of 48,736 shares of restricted common stock to its independent directors and 100,250 shares of restricted common stock to its Manager under its equity incentive plans. As of June 30, 2017, 48,736 and 80,247 shares of restricted common stock granted to the Company's independent directors and Manager, respectively, have vested.

On July 1, 2014, the Company granted 60,000 restricted stock units to the Manager that represent the right to receive an equivalent number of shares of the Company's common stock to be issued if and when such units vest. Annual vesting of approximately 20,000 units occurred or will occur on each of July 1, 2015, July 1, 2016, and July 1, 2017. The units do not entitle the participant the rights of a holder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The vesting of such units is subject to the continuation of the management agreement. If the management agreement terminates, all unvested units then held by the Manager or the Manager's transferee shall be immediately cancelled and forfeited without consideration. On each of July 1, 2015, and July 1, 2016, approximately 20,000 restricted stock units vested, and as of June 30, 2017, approximately 20,000 units remained unvested.

On July 1, 2017, the Company granted 60,000 restricted stock units to the Manager that represent the right to receive an equivalent number of shares of the Company's common stock if and when the units vest. Annual vesting of approximately 20,000 units will occur on each of July 1, 2018, July 1, 2019, and July 1, 2020. The units do not entitle the participant the rights of a holder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The vesting of such units is subject to the continuation of the management agreement. If the management agreement terminates, all unvested units then held by the Manager or the Manager's transferee shall be immediately cancelled and forfeited without consideration.

Director compensation

The Company pays a $120,000 annual base director's fee to each independent director. Base director's fees are paid 50% in cash and 50% in restricted common stock. The number of shares of restricted common stock to be issued each quarter to each independent director is determined based on the average of the high and low prices of the Company's common stock on the New York Stock Exchange on the last trading day of each fiscal quarter. To the extent that any fractional shares would otherwise be issuable and payable to each independent director, a cash payment is made to each independent director in lieu of any fractional shares. All directors' fees are paid pro rata (and restricted stock grants determined) on a quarterly basis in arrears, and shares issued are fully vested and non-forfeitable. These shares may not be sold or transferred by such director during the time of his service as an independent member of the Company's board.

Investments in debt and equity of affiliates

The Company invests in credit sensitive residential and commercial real estate assets through affiliated entities which also hold an ownership interest in the assets. The Company is one investor, amongst other investors managed by the Manager, in such entities and has applied the equity method of accounting for such investments. These assets include investments in unguaranteed portions of CMBS issued by a GSE and secured by mortgages on multifamily properties. These assets also include an investment in a portfolio of non-performing single-family mortgage loans acquired through a competitive auction conducted by the Department of Housing and Urban Development ("HUD"). Our maximum exposure to loss with respect to these investments is generally equal to the amount that we invested. See Note 2 for more detail.

On December 9, 2015, the Company, alongside private funds under the management of Angelo, Gordon, through AG Arc, entered into the Amended and Restated Limited Liability Company Agreement (the "LLC Agreement") of Arc Home, a Delaware limited liability company. The Company's investment in AG Arc is reflected on the "Investments in debt and equity of affiliates" line item on its consolidated balance sheets at a fair value of $17.7 million and $12.9 million on June 30, 2017 and December 31, 2016, respectively. On March 8, 2016, an affiliate of the Manager ("the Affiliate") became a member of AG Arc. The Affiliate acquired an ownership interest in AG Arc which resulted in the Company's ownership interest being reduced on a pro-rata basis.

In June 2016, Arc Home closed on the acquisition of a Fannie Mae, Freddie Mac, Federal Housing Administration ("FHA"), Veteran's Administration ("VA") and Ginnie Mae seller/servicer of mortgages with licenses to conduct business in 47 states, including Washington D.C. Through this subsidiary, Arc Home originates conforming, Government, Jumbo and other non-conforming residential mortgage loans, retains the mortgage servicing rights associated with the loans it originates, and purchases additional mortgage servicing rights from third-party sellers. Arc Home is led by an external management team.

Arc Home may sell loans that it either purchases from third parties or originates to the Company, to third parties, or to affiliates of the Manager. Arc Home may also enter into agreements with third parties or affiliates of the Manager to sell rights to receive the excess servicing spread related to the MSR on the mortgage loans that it either purchases from third parties or originates. As of June 30, 2017, the Company entered into an agreement with Arc Home to purchase rights to receive the excess servicing spread related to certain of its MSRs at fair value for approximately $2.7 million.

Transactions with affiliates

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

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

In connection with the Company's investments in residential mortgage loans and residential mortgage loans in securitized form that it purchases from an affiliate (or affiliates) of the Manager ("Securitized Whole Loans"), the Company may engage asset managers to provide advisory, consultation, asset management and other services to formulate and implement strategic plans to manage, collect and dispose of loans in a manner that is reasonably expected to maximize the amount of proceeds from each loan. Beginning in November 2015, the Company engaged Red Creek Asset Management LLC ("Asset Manager"), a related party of the Manager and direct subsidiary of Angelo, Gordon, as the asset manager for certain of its residential loans and Securitized Whole Loans. The Asset Manager acknowledges that the Company will at all times have and retain ownership and control of all loans and that the Asset Manager will not acquire (i) title to any loan, (ii) any security interest in any loan, or (iii) any other rights or interests of any kind or any nature whatsoever in or to any loan. The Company pays separate arm's-length asset management fees as assessed and confirmed by a third party valuation firm for (i) non-performing loans and (ii) reperforming loans. For the three and six months ended June 30, 2017, the fees paid by the Company to the Asset Manager, inclusive of fees paid through affiliated entities, totaled $44,824 and $95,290, respectively. For the three and six months ended June 30, 2016, the fees paid by the Company to the Asset Manager, inclusive of fees paid through affiliated entities, totaled $69,254 and $135,526, respectively.

In connection with the Company's investments in Excess MSRs purchased through Arc Home, the Company pays a sourcing fee to Arc Home based on the net equity invested by the Company for these investments. For the three and six months ended June 30, 2017, the sourcing fees paid by the Company to Arc Home totaled $3,443. No sourcing fees were paid by the Company to Arc Home for the three or six months ended June 30, 2016.

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

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

11. Equity

On May 6, 2015, the Company filed a shelf registration statement, registering up to $750.0 million of its securities, including capital stock. On June 30, 2017, $650.0 million of the Company's securities, including capital stock, was available for issuance under the registration statement.

Concurrently with the IPO, the Company offered a private placement of 3,205,000 units at $20.00 per share to a limited number of investors qualifying as "accredited investors" under Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act"). Each unit consisted of one share of common stock ("private placement share") and a warrant ("private placement warrant") to purchase 0.5 of a share of common stock. Each private placement warrant had an exercise price of $20.50 per share (as adjusted for reorganizations, reclassifications, consolidations, mergers, sales, transfers or other dispositions) and is set to expire on July 6, 2018. No warrants were exercised for the three and six months ended June 30, 2017 and June 30, 2016.

The Company's Series A and Series B Preferred Stock have no stated maturity and are not subject to any sinking fund or mandatory redemption. Under certain circumstances upon a change of control, the Company's Series A and Series B Preferred Stock are convertible to shares of the Company's common stock. Holders of the Company's Series A and Series B Preferred Stock have no voting rights, except under limited conditions, and holders are entitled to receive cumulative cash dividends at a rate of 8.25% and 8.00% per annum on the Series A and Series B Preferred Stock, respectively, of the $25.00 per share liquidation preference before holders of the common stock are entitled to receive any dividends. Shares of the Company's Series A and Series B Preferred Stock are redeemable at $25.00 per share plus accumulated and unpaid dividends (whether or not declared) exclusively at the Company's option commencing on August 3, 2017 or September 27, 2017 for the Series A and Series B Preferred Stock, respectively, or earlier under certain circumstances intended to preserve the Company's qualification as a REIT for federal income tax purposes. Dividends are payable quarterly in arrears on the 17th day of each March, June, September and December. As of June 30, 2017, the Company had declared all required quarterly dividends on the Company's Series A and Series B Preferred Stock.

On November 3, 2015, the Company's board of directors authorized a stock repurchase program ("Repurchase Program") to repurchase up to $25.0 million of its outstanding common stock. Such authorization does not have an expiration date. As part of the Repurchase Program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. Open market repurchases will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. Subject to applicable securities laws, the timing, manner, price and amount of any repurchases of common stock under the Repurchase Program may be determined by the Company in its discretion, using available cash resources. Shares of common stock repurchased by the Company under the Repurchase Program, if any, will be cancelled and, until reissued by the Company, will be deemed to be authorized but unissued shares of its common stock as required by Maryland law. The Repurchase Program may be suspended or discontinued by the Company at any time and without prior notice and the authorization does not obligate the Company to acquire any particular amount of common stock. The cost of the acquisition by the Company of shares of its own stock in excess of the aggregate par value of the shares first reduces additional paid-in capital, to the extent available, with any residual cost applied against retained earnings. No shares were repurchased under the Repurchase Program during the six months ended June 30, 2017 and approximately $14.6 million of common stock remained authorized for future share repurchases under the Repurchase Program.

The following table presents a summary of our common stock repurchases under the Repurchase Program for the six months ended June 30, 2016.

Month Purchased (1)	Total Number of Shares Repurchased	Weighted Average Price per Share Paid (2)	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number (or approximate dollar value) of Shares that May Yet be Purchased Under the Program (3)
March 2016	119,606	$ 12.86	246,321	$ 21,790,786
May 2016	276,522	13.75	522,843	17,988,891
June 2016	36,725	14.38	559,568	17,460,743
Total	432,853	$ 13.56	559,568	$ 17,460,743

(1) Based on trade date. The Program was announced on November 4, 2015. The Program does not have an expiration date.
(2) Includes brokerage commissions and clearing fees.
(3) The maximum dollar amount authorized was $25.0 million.

On May 5, 2017, the Company entered into an equity distribution agreement with each of Credit Suisse Securities (USA) LLC and JMP Securities LLC (collectively, the "Sales Agents"), which the Company refers to as the "Equity Distribution Agreements", pursuant to which the Company may sell up to $100.0 million aggregate offering price of shares of its common stock from time to time through the Sales Agents, as defined in Rule 415 under the Securities Act of 1933. As of June 30, 2017, the Company sold 99,932 shares of common stock under the Equity Distribution Agreements for net proceeds of approximately $1.8 million.

12. Commitments and Contingencies

From time to time, the Company may become involved in various claims and legal actions arising in the ordinary course of business.

On December 9, 2015, the Company, alongside private funds under the management of Angelo, Gordon, through AG Arc, entered into the LLC Agreement of Arc Home and agreed to fund an initial capital commitment of $30.0 million. On April 25, 2017, the Company, alongside private funds under the management of Angelo, Gordon, agreed to fund an additional capital commitment to Arc Home in the amount of $10.0 million. The Company's share of the total capital commitment was $17.8 million. The Company had funded all of this commitment as of June 30, 2017.

In the normal course of business, the Company enters into agreements where payment may become due if certain events occur. Management believes that the probability of making such payments is remote.

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 "Angelo, Gordon."

The following discussion 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, 2016.

Forward-Looking Statements

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

These forward-looking statements are based upon information presently available to our management and are inherently subjective, uncertain and subject to change. There can be no assurance that actual results will not differ materially from our expectations. Some, but not all, of the factors that might cause such a difference include, but are not limited to, changes in interest rates, changes in the yield curve, changes in prepayment rates, the availability and terms of financing, changes in the market value of our assets, general economic conditions, conditions in the market for Agency RMBS, Non-Agency RMBS, ABS and CMBS securities and loans, and legislative and regulatory changes that could adversely affect us. We caution investors not to rely unduly on any forward-looking statements, which speak only as of the date made, and urge you to carefully consider the risks noted above and identified under the captions "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2016 and any subsequent filings. If any change described above occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements that we make, or that are attributable to us, are expressly qualified by this cautionary notice.

Our company

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

Our investment portfolio

Our investment portfolio is comprised of Agency RMBS, Residential Investments, Commercial Investments, and ABS, each of which is described below.

Agency RMBS

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

- Fixed rate securities (held as mortgage pass-through securities);
- Sequential pay fixed rate collateralized mortgage obligations ("CMOs"),
- CMOs where the holder is entitled only to the interest payments made on the mortgages underlying certain mortgage backed securities ("MBS") whose coupon has an inverse relationship to its benchmark rate, such as LIBOR ("Inverse interest-only securities");
- CMOs where the holder is entitled only to the interest payments made on the mortgages underlying certain MBS "interest-only strips" ("Interest-only securities");
- Excess mortgage servicing rights ("Excess MSRs") whose underlying collateral is securitized in a trust held by a U.S. government agency or GSE (grouped with Agency RMBS interest-only securities throughout this Item 2); and
- Certain Agency RMBS for which the underlying collateral is not identified until shortly (generally two days) before the purchase or sale settlement date ("TBAs").

Residential Investments

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

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

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

- RMBS Interest-Only securities (Non-Agency RMBS backed by interest-only strips)
- Excess MSRs whose underlying collateral is securitized in a trust not held by a U.S. government agency or GSE (grouped with RMBS Interest-Only securities throughout this Item 2)
- CRTs (defined below)
- RPL/NPL (described below); and
- Residential Whole Loans (described below).

Credit Risk Transfer securities ("CRTs") include:

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

RPL/NPL include:

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

Residential Whole Loans include:

- RPLs or NPLs in securitized form that we purchase from an affiliate (or affiliates) of the Manager. The securitizations typically take the form of various classes of notes and a trust certificate.

- RPLs or NPLs that we hold through interests in certain consolidated trusts. These investments are included in the "Residential mortgage loans, at fair value" line item on our consolidated balance sheets.

Commercial Investments

We also invest in Commercial Investments. Our Commercial Investments include commercial mortgage-backed securities, or CMBS, Freddie Mac K-Series CMBS (described below), CMBS interest-only securities (CMBS backed by interest-only strips) and commercial mortgage loans.

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

- CMBS, CMBS interest-only and CMBS principal-only securities which are regularly-issued by Freddie Mac as pass-through securities backed by multifamily mortgage loans. These K-Series CMBS feature a wide range of investor options which include guaranteed senior and interest-only bonds as well as unguaranteed senior, mezzanine, subordinate and interest-only bonds. Our K-Series CMBS portfolio includes unguaranteed senior, mezzanine, subordinate and interest-only bonds. Throughout Item 2, we categorize our Freddie Mac K-Series CMBS interest-only bonds as part of our "CMBS Interest-Only" assets.

ABS

We also invest in asset backed securities, or ABS. Our ABS portfolio may include securities collateralized by various asset classes, including automobiles, credit cards and student loans, among others.

Investment classification

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

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

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

Arc Home LLC

In December 2015, we, alongside private funds under the management of Angelo, Gordon, through AG Arc LLC, one of our indirect subsidiaries ("AG Arc"), formed Arc Home LLC ("Arc Home"). In June 2016, Arc Home closed on the acquisition of a Fannie Mae, Freddie Mac, Federal Housing Administration ("FHA"), Veteran's Administration ("VA") and Ginnie Mae seller/servicer of mortgages with licenses to conduct business in 47 states, including Washington D.C. Through this subsidiary, Arc Home originates conforming, Government, Jumbo and other non-conforming residential mortgage loans, retains the mortgage servicing rights associated with the loans that it originates, and purchases additional mortgage servicing rights from third-party sellers.

Market overview

Agency MBS spreads were relatively stable during the second quarter despite increased discussion of the Federal Reserve slowing the pace of its balance sheet reinvestment program. The growing likelihood of this event commencing later this year resulted in Agency MBS underperforming most other structured products, but the favorable backdrop of a range bound interest rate environment and falling implied interest rate volatility encouraged enough yield buying to hold spreads largely in-line with benchmark interest rates. While longer maturity, fixed rate Agency MBS maintained stable valuations during the quarter, spreads on shorter duration hybrid ARMs and structured post-reset interest-only securities widened in response to further flattening of the yield curve, resulting in a modest negative contribution to overall book value. In light of the broad-based tightening that continues to take place within credit markets, Agency MBS remains one of the most attractive asset class for the marginal dollar of capital invested. As such, we have increased our sector allocation on a hedged basis and look to continue this activity over the near term.

The second quarter theme for mortgage- and asset-backed markets was mostly unchanged from the start of the year: strong demand and stable fundamentals continued to drive credit spreads to tighter levels. The new-issue calendar was active with subscription levels that were often several times larger than offered amounts, and secondary markets did not provide enough supply to satisfy the market's appetite for bonds. In mortgage credit, demand could be most directly measured in the credit-risk transfer (CRT) market which rallied during the quarter based on attractive relative value to other fixed-income asset classes. Long duration, subordinate tranches led the CRT rally as spreads tightened over 100 basis points during the quarter, bringing price premiums to upwards of five to ten points above par for these tranches. MITT's credit book value benefited from the continued spread tightening which more than offset the modest decline in Agency book value. Most notably we saw significant increases in the Prime, Alt-A and Credit Risk Transfer sectors. We continue to find value in the new issue market which accounted for over 90% of our credit purchases during the quarter. Those purchases were spread across a variety of sectors including ABS, CMBS, Credit Risk Transfer, Non-Qualified Mortgage (included in our Prime investment category) and RPL/NPL MBS sectors. Sales during the quarter were concentrated in legacy securities that we sold opportunistically to take advantage of historically tight spreads and increased liquidity.

Housing, economic and interest rate trends

Inclusive of distressed sales, home prices nationwide increased by 6.6% on a year-over-year basis in May 2017 as compared with May 2016, according to data released by CoreLogic. This marks the 64th consecutive monthly increase year-over-year in national home prices. The housing market remains strong, and we expect home price appreciation to persist around current levels due to tight supply conditions across most of the nation. The U.S. government agencies and the Federal Reserve (the "Fed") policy sponsorship of housing via lower mortgage rates and the further loosening of credit available to prospective homeowners, coupled with a stable broader domestic economy, have provided support for the housing market recovery.

According to CoreLogic, the aggregate negative equity value (homes where the homeowner owes more on the home than the home is worth) decreased $21.6 billion to $283 billion in the first quarter of 2017, from $304.5 billion in the first quarter of 2016, a decrease of 7.1%. For much of the country, the negative equity epidemic that developed during the 2008-2009 recession has lifted due to the rise in home prices over the past five years. CoreLogic predicts that if home prices rise an additional 5.0%, 600,000 homeowners could regain positive equity. Additionally, credit performance in terms of serious delinquencies and subsequent default rates continued to be stable-to-improving in 2017 and is anticipated to remain stable in the near future.

The Fed, in its June 14, 2017 meeting, decided to raise the federal funds interest rate by 0.25%. Progress continues to be made with respect to the Fed's dual mandate of full employment and price stability, as unemployment remains below 5% and year-over-year core personal consumption expenditures (core PCE) inches toward the Fed's 2% target. At the June meeting, the Fed increased its median forecast for real GDP growth in 2017 and maintained its median forecast for 2018 and 2019 as well decreased its median forecast for the unemployment rate in each of those same years. Ultimately, in light of both a cyclically and structurally depressed neutral interest rate, we do not anticipate the Fed will raise the federal funds by more than 50-75 bps in total over the next 12-24 months in addition to the commencement of the planned reduction of the pace of balance sheet reinvestment. As such, we maintain our benign range bound outlook for interest rates throughout the balance of this year. The uncertainty we see remains in the future composition of the Federal Reserve Board and its new chairperson in 2018.

The initial reading on second quarter GDP growth accelerated to 2.6% from 1.2% in the first quarter of 2017. Strength was driven by a rebound in consumer spending, healthy business fixed investment and a modest uptick in government spending, that were marginally offset by a decrease in residential investment. Inventories were flat quarter over quarter.

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

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

Recent government activity

The current regulatory environment may be impacted by future legislative developments, such as amendments to key provisions of the Dodd-Frank Act. In addition, according to publicly released statements, a top legislative priority of the new President's administration and of Congress may be significant reform of the Internal Revenue Code, including significant changes to taxation of business entities. There is a substantial lack of clarity around both the timing and the details of any such tax or regulatory reform and the impact of any potential reform on our operations.

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

The table below presents certain information from our Consolidated Statement of Operations for the three and six months ended June 30, 2017 and June 30, 2016:

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Statement of Operations Data:				
Net Interest Income				
Interest income	$ 31,220,535	$ 30,200,296	$ 59,180,427	$ 60,897,454
Interest expense	10,201,393	8,396,997	18,362,805	16,957,296
	21,019,142	21,803,299	40,817,622	43,940,158
Other Income				
Net realized gain/(loss)	(10,121,477)	(5,317,085)	(12,549,564)	(18,303,743)
Realized loss on periodic interest settlements of derivative instruments, net	(1,857,542)	(1,607,539)	(3,467,519)	(3,985,314)
Unrealized gain/(loss) on real estate securities and loans, net	25,546,552	10,958,117	38,297,116	19,798,887
Unrealized gain/(loss) on derivative and other instruments, net	1,927,169	202,572	1,801,297	(11,753,430)
Other income	3,845	1,995	31,882	27,386
	15,498,547	4,238,060	24,113,212	(14,216,214)
Expenses				
Management fee to affiliate	2,443,780	2,420,782	4,919,596	4,870,925
Other operating expenses	2,851,353	2,664,252	5,644,587	5,711,064
Servicing fees	86,001	106,974	162,002	237,344
Equity based compensation to affiliate	87,540	87,183	165,018	142,154
Excise tax	375,000	375,000	750,000	750,000
	5,843,674	5,654,191	11,641,203	11,711,487
Income/(loss) before equity in earnings/(loss) from affiliates	30,674,015	20,387,168	53,289,631	18,012,457
Equity in earnings/(loss) from affiliates	2,497,116	689,973	4,999,162	620,257
Net Income/(Loss)	33,171,131	21,077,141	58,288,793	18,632,714
Dividends on preferred stock	3,367,354	3,367,354	6,734,708	6,734,708
Net Income/(Loss) Available to Common Stockholders	$ 29,803,777	$ 17,709,787	$ 51,554,085	$ 11,898,006
Share Data:				
Earnings/(Loss) Per Share of Common Stock				
Basic	$ 1.08	$ 0.63	$ 1.86	$ 0.42
Diluted	$ 1.07	$ 0.63	$ 1.86	$ 0.42

Net Income/(Loss)

Net income/(loss) available to common stockholders increased $12.1 million from $17.7 million for the three months ended June 30, 2016 to $29.8 million for the three months ended June 30, 2017, primarily due to higher prices on our securities, which increased our "Unrealized gain/(loss) on real estate securities and loans, net," coupled with higher derivative prices, which increased our "Unrealized gain/(loss) on derivative and other instruments, net."

Net income/(loss) available to common stockholders increased $39.7 million from $11.9 million for the six months ended June 30, 2016 to $51.6 million for the six months ended June 30, 2017, primarily due to higher prices on our securities, which increased our "Net Realized gain/(loss)" and our "Unrealized gain/(loss) on real estate securities and loans, net," coupled with higher derivative prices, which increased our "Unrealized gain/(loss) on derivative and other instruments, net."

Interest income

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

Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

Interest income increased by $1.0 million from $30.2 million at June 30, 2016 to $31.2 million at June 30, 2017 primarily due an increase in the weighted average yield on our GAAP investment portfolio and U.S. Treasury securities, if applicable, during the period of 0.38% from 4.22% at June 30, 2016 to 4.60% at June 30, 2017. This was offset by a decrease in the weighted average cost of our GAAP investment portfolio and U.S. Treasury securities period over period by $0.2 billion from $2.9 billion at June 30, 2016 to $2.7 billion at June 30, 2017.

Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

Interest income decreased by $1.7 million from $60.9 million at June 30, 2016 to $59.2 million at June 30, 2017 primarily due a decrease in the weighted average cost of our GAAP investment portfolio and U.S. Treasury securities, if applicable, period over period by $0.5 billion from $3.0 billion at June 30, 2016 to $2.5 billion at June 30, 2017. This was offset by an increase in the weighted average yield on our GAAP investment portfolio and U.S. Treasury securities during the period of 0.58% from 4.11% at June 30, 2016 to 4.69% at June 30, 2017.

Interest expense

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

Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

Interest expense increased by $1.8 million from $8.4 million at June 30, 2016 to $10.2 million at June 30, 2017 primarily due to an increase in the weighted average financing rate on our GAAP investment portfolio and U.S. Treasury securities, if applicable, during the period, by 0.45% from 1.43% at June 30, 2016 to 1.88% at June 30, 2017. This was offset by a decrease in the weighted average financing balance on our GAAP investment portfolio and U.S. Treasury securities during the period of $0.1 billion from $2.3 billion at June 30, 2016 to $2.2 billion at June 30, 2017. Refer to the “Financing activities” section below for a discussion of our cost of funds.

Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

Interest expense increased by $1.4 million from $17.0 million at June 30, 2016 to $18.4 million at June 30, 2017 primarily due to an increase in the weighted average financing rate on our GAAP investment portfolio and U.S. Treasury securities, if applicable, during the period, by 0.45% from 1.39% at June 30, 2016 to 1.84% at June 30, 2017. This was offset by a decrease in the weighted average financing balance on our GAAP investment portfolio and U.S. Treasury securities during the period of $0.4 billion from $2.4 billion at June 30, 2016 to $2.0 billion at June 30, 2017. Refer to the “Financing activities” section below for a discussion of our cost of funds.

Net realized gain/(loss)

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

Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

During the three months ended June 30, 2017, net realized gain/(loss) was $(10.1) million. We sold certain real estate securities and loans, realizing a net loss of $0.8 million and a net gain $2.4 million, respectively. In addition, we recognized a $0.1 million realized loss on loans transferred to Other assets and a $0.1 million realized loss on the sale of Other assets. We also recognized $1.6 million of realized gains due to the settlement of TBAs, $11.0 million of realized loss due to the settlement of certain derivatives and other instruments, and $2.1 million of realized loss due to OTTI charges on certain securities.

During the three months ended June 30, 2016, net realized gain/(loss) was $(5.3) million. We sold certain real estate securities, realizing a net gain of $0.6 million. Additionally, we recognized $2.5 million of realized loss due to the settlement of certain derivatives, $0.2 million of realized loss due to the settlement of TBAs and $3.2 million of realized loss due to other-than-temporary-impairment, or OTTI, charges on certain securities.

Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

During the six months ended June 30, 2017, net realized gain/(loss) was $(12.5) million. We sold certain real estate securities and loans, realizing a net loss of $1.1 million and a net gain of $2.3 million, respectively. In addition, we recognized a $0.1 million realized gain on loans transferred to Other assets and a $0.2 million realized loss on the sale of Other assets. We also recognized $1.3 million of realized gains due to the settlement of TBAs, $10.1 million of realized loss due to the settlement of certain derivatives and other instruments, and $4.8 million of realized loss due to OTTI charges on certain securities.

During the three months ended June 30, 2016, net realized gain/(loss) was $(18.3) million. We sold certain real estate securities, realizing a net loss of $0.8 million. Additionally, we recognized $5.1 million of realized loss due to the settlement of certain derivatives and $12.4 million of realized loss due to OTTI charges on certain securities.

Realized loss on periodic interest settlement of derivative instruments, net

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

Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

Realized loss on periodic interest settlement of derivative instruments, net increased by $0.3 million from $1.6 million at June 30, 2016 to $1.9 million at June 30, 2017 due to an increase in the weighted average swap notional from $0.6 billion at June 30, 2016 to $1.1 billion at June 30, 2017. This was offset by an increase in the average three-month LIBOR rate from 0.634% at June 30, 2016 to 1.137% at June 30, 2017.

Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

Realized loss on periodic interest settlement of derivative instruments, net decreased by $0.5 million from $4.0 million at June 30, 2016 to $3.5 million at June 30, 2017 due to an increase in the average three-month LIBOR rate, offset by an increase in average swap notional for the period. Average three-month LIBOR increased from 0.634% at June 30, 2016 to 1.137% at June 30, 2017. This was offset by an increase in the weighted average swap notional from $0.8 billion at June 30, 2016 to $1.0 billion at June 30, 2017.

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

Refer to the "Market overview" section of this Item 2 for a discussion of the changes in market pricing which drive our "Unrealized gain/(loss) on real estate securities and loans, net" and "Unrealized gain/(loss) on derivative and other instruments, net" line items. Realized gains and losses on sales also generally impact unrealized gains and losses.

Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

For the three months ended June 30, 2017 and June 30, 2016, Unrealized gain/(loss) on real estate securities and loans, net was $25.5 million and $11.0 million, respectively. The $25.5 million at June 30, 2017 was comprised of unrealized gains on securities of $25.5 million during the period.

Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

For the six months ended June 30, 2017 and June 30, 2016, Unrealized gain/(loss) on real estate securities and loans, net was $38.3 million and $19.8 million, respectively. The $38.3 million at June 30, 2017 was comprised of unrealized gains on securities of $38.3 million during the period.

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

Refer to the "Market overview" section of this Item 2 for a discussion of the changes in market pricing which drive our "Unrealized gain/(loss) on real estate securities and loans, net" and "Unrealized gain/(loss) on derivative and other instruments, net" line items. Realized gains and losses on sales also generally impact unrealized gains and losses.

Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

For the three months ended June 30, 2017 and June 30, 2016, Unrealized gain/(loss) on derivative and other instruments, net was $1.9 million and $0.2 million, respectively. The $1.9 million at June 30, 2017 was comprised of unrealized gains on certain derivatives of $3.3 million, offset by unrealized losses on TBAs of $1.4 million during the period.

Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

For the six months ended June 30, 2017 and June 30, 2016, Unrealized gain/(loss) on derivative and other instruments, net was $1.8 million and $(11.8) million, respectively. The $1.8 million at June 30, 2017 was comprised of unrealized gains on certain derivatives of $2.9 million, offset by unrealized losses on TBAs of $1.1 million during the period.

Other income

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

Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

Other income remained relatively flat period over period for the three months ended June 30, 2017 and June 30, 2016.

Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

Other income remained relatively flat period over period for the three months ended June 30, 2017 and June 30, 2016.

Management fee to affiliate

Our management fee is based upon a percentage of our stockholders' equity after excluding unrealized gains or losses and other non-cash items. See the "Contractual obligations" section of this Item 2 for further detail on the calculation of our management fee.

Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

For the three months ended June 30, 2017 and June 30, 2016, our management fees were $2.4 million and $2.4 million, respectively. Management fees increased slightly due to the increase in our stockholders' equity from $646.5 million at June 30, 2016 to $683.1 million at June 30, 2017.

Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

For the six months ended June 30, 2017 and June 30, 2016, our management fees were $4.9 million and $4.9 million, respectively. Management fees increased slightly due to the increase in our stockholders' equity from $646.5 million at June 30, 2016 to $683.1 million at June 30, 2017.

Other operating expenses

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

Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

For the three months ended June 30, 2017 other operating costs were $2.8 million. This balance, exclusive of certain expenses reimbursable to the Manager, was comprised primarily of (i) $0.4 million related to professional fees, (ii) $0.2 million related to residential mortgage loan related expenses (iii) $0.2 million related to D&O insurance, and (iv) $0.1 million related to directors' fees and stock compensation.

For the three months ended June 30, 2016 other operating costs were $2.7 million. This balance, exclusive of certain expenses reimbursable to the Manager, was comprised primarily of (i) $0.2 million related to professional fees, (ii) $0.2 million related to residential mortgage loan related expenses (iii) $0.2 million related to D&O insurance, and (iv) $0.1 million related to directors' fees and stock compensation.

Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

For the six months ended June 30, 2017 other operating costs were $5.6 million. This balance, exclusive of certain expenses reimbursable to the Manager, was comprised primarily of (i) $0.8 million related to professional fees, (ii) $0.4 million related to residential mortgage loan related expenses (iii) $0.4 million related to D&O insurance, and (iv) $0.3 million related to directors' fees and stock compensation.

For the six months ended June 30, 2016 other operating costs were $5.7 million. This balance, exclusive of certain expenses reimbursable to the Manager, was comprised primarily of (i) $0.8 million related to professional fees, (ii) $0.4 million related to residential mortgage loan related expenses (iii) $0.4 million related to D&O insurance, and (iv) $0.2 million related to directors' fees and stock compensation.

Servicing fees

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

Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

For the three months ended June 30, 2017 and June 30, 2016 our servicing fees were $86,001 and $106,974, respectively. The decrease in fees primarily pertains to sales of residential mortgage loans during the period.

Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

For the six months ended June 30, 2017 and June 30, 2016 our servicing fees were $162,002 and $237,344, respectively. The decrease in fees primarily pertains to sales of residential mortgage loans during the period.

Equity based compensation to affiliate

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

Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

For the three months ended June 30, 2017 and June 30, 2016, our equity based compensation to affiliate was $87,540 and $87,183, respectively. The increase is a result of an increased stock price for the period.

Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

For the six months ended June 30, 2017 and June 30, 2016, our equity based compensation to affiliate was $165,018 and $142,154, respectively. The increase is a result of an increased stock price for the period.

Excise tax

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

Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

Excise tax remained flat period over period for the three months ended June 30, 2017 and June 31, 2016.

Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

Excise tax remained flat period over period for the six months ended June 30, 2017 and June 31, 2016.

Equity in earnings/(loss) from affiliates

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

Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

For the three months ended June 30, 2017 and June 30, 2016, we recorded Equity in earnings/(loss) from affiliates of $2.5 million and $0.7 million, respectively. The increase primarily pertains to a larger portfolio due to additions to investments held within affiliated entities.

Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

For the six months ended June 30, 2017 and June 30, 2016, we recorded Equity in earnings/(loss) from affiliates of $5.0 million and $0.6 million, respectively. The increase primarily pertains to gains recognized on a sold security as well as additions to the portfolio of investments held within affiliated entities.

Book value per share

As of June 30, 2017, December 31, 2016 and June 30, 2016, our book value per common share was $18.77, $17.86 and $17.42, respectively.

Presentation of investment, financing and hedging activities

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

Net interest margin

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

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

See below for a chart setting forth the net interest margin from our investment portfolio as of June 30, 2017 and June 30, 2016 and for a reconciliation to our GAAP investment portfolio:

June 30, 2017

Weighted Average	GAAP Investment Portfolio	Other Assets	Investments in Debt and Equity of Affiliates	Investment Portfolio (1)
Yield	4.57%	8.55%	12.65%	4.75%
Cost of Funds	2.28%	-	3.86%	2.27%
Net Interest Margin	2.29%	8.55%	8.79%	2.48%

June 30, 2016

Weighted Average	GAAP Investment Portfolio	Investments in Debt and Equity of Affiliates	Investment Portfolio (1)
Yield	4.63%	13.79%	4.82%
Cost of Funds	1.75%	3.20%	1.76%
Net Interest Margin	2.88%	10.59%	3.06%

(1) Excludes any net TBA position.

Core Earnings

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

A reconciliation of "Net Income/(loss) available to common stockholders" to Core Earnings for the three months and six months ended June 30, 2017 and June 30, 2016 is set forth below:

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net Income/(loss) available to common stockholders	$ 29,803,777	$ 17,709,787	$ 51,554,085	$ 11,898,006
Add (Deduct):				
Net realized (gain)/loss	10,121,477	5,317,085	12,549,564	18,303,743
Drop income	746,159	7,656	1,100,847	87,044
Equity in (earnings)/loss from affiliates	(2,497,116)	(689,973)	(4,999,162)	(620,257)
Net interest income and expenses from equity method investments (1)	2,200,309	742,080	4,261,839	1,565,317
Unrealized (gain)/loss on real estate securities and loans, net	(25,546,552)	(10,958,117)	(38,297,116)	(19,798,887)
Unrealized (gain)/loss on derivative and other instruments, net	(1,927,169)	(202,572)	(1,801,297)	11,753,430
Core Earnings	$ 12,900,885	$ 11,925,946	$ 24,368,760	$ 23,188,396
Core Earnings, per Diluted Share	$ 0.47	$ 0.43	$ 0.88	$ 0.82

(1) For the three months ended June 30, 2017, we recognized $0.2 million or $0.01 per share of net income/(loss) attributed to our investment in AG Arc. For the six months ended June 30, 2017, we recognized $0.4 million or $0.01 per share of net income/(loss) attributed to our investment in AG Arc. For the three months ended June 30, 2016, we recognized $(0.3) million or $(0.01) per share of net income/(loss) attributed to our investment in AG Arc. For the six months ended June 30, 2016, we recognized $(0.5) million or $(0.02) per share of net income/(loss) attributed to our investment in AG Arc.

Investment activities

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

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

The risk-reward profile of our investment opportunities changes continuously with the market, including with labor, housing and economic fundamentals and U.S. monetary policy. As a result, in reacting to market conditions and taking into account a variety of other factors, including liquidity, duration, interest rate expectations and hedging, the mix of our assets changes over time. Our portfolio management and investment decisions have led to a decrease in the size of our portfolio over time.

As of June 30, 2017, we had a $3.1 billion GAAP investment portfolio, which consisted of $1.6 billion, or 52.6%, of assets in our GAAP Agency RMBS portfolio and $1.5 billion, or 47.4%, of assets in our GAAP credit portfolio. As of June 30, 2017, our investment portfolio totaled $3.4 billion, which consisted of $1.9 billion, or 55.7%, of assets in our Agency RMBS portfolio and $1.5 billion, or 44.3%, of assets in our credit portfolio. This compares with a $2.4 billion GAAP investment portfolio as of December 31, 2016, which consisted of $1.1 billion, or 43.5%, of assets in our GAAP Agency RMBS portfolio and $1.3 billion, or 56.5%, of assets in our GAAP credit portfolio. As of December 31, 2016, our investment portfolio was $2.5 billion, which consisted of $1.1 billion, or 43.5%, of assets in our Agency RMBS portfolio and $1.4 billion, or 56.5%, of assets in our credit portfolio.

In managing our portfolio, we allocate our equity by investment using the fair market value of our investment portfolio, less any associated leverage, inclusive of any long TBA position (at cost). We allocate all non-investment portfolio related items based on their respective characteristics in order to sum to stockholders' equity per the consolidated balance sheets. Our equity allocation method is a non-GAAP methodology and may not be comparable to the similarly titled measure or concepts of other companies, who may use different calculations. Of our $683.1 million of stockholders' equity as of June 30, 2017, $221.6 million or 32.4% was allocated to our Agency RMBS portfolio and $461.5 million, or 67.6% was allocated to our credit portfolio. This compares with $655.9 million stockholders' equity as of December 31, 2016, of which $189.3 million or 28.9% was allocated to our Agency RMBS portfolio and $466.6 million, or 71.1% was allocated to our credit portfolio.

The following table presents a general summary of our investment portfolio as of June 30, 2017 and December 31, 2016:

	Amortized Cost		Fair Value		Allocated Equity		Weighted Average Yield		Weighted Average Funding Cost (a)		Net Interest Margin (a)		Leverage Ratio (b)	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Agency RMBS	$1,906,196,660	$1,104,119,758	$1,913,947,654	$1,108,913,726	$221,632,912	$189,280,512	3.24%	3.17%	1.28%	0.97%	1.96%	2.20%	7.9x	5.1x
Residential Investments	1,090,240,001	1,071,183,137	1,139,631,207	1,091,168,253	272,027,113	306,911,537	5.75%	6.31%	2.62%	2.37%	3.14%	3.94%	3.3x	2.7x
Commercial Investments	328,273,160	327,333,471	332,264,570	325,740,321	160,964,420	153,225,309	8.05%	7.91%	2.71%	2.50%	5.34%	5.41%	1.1x	1.2x
ABS	47,608,305	21,667,978	47,917,356	21,231,956	28,507,249	6,459,033	8.76%	6.32%	3.07%	2.33%	5.69%	3.99%	0.7x	2.4x
Total: Non-GAAP Basis	$3,372,318,126	$2,524,304,344	$3,433,760,787	$2,547,054,256	$683,131,695	$655,876,390	4.75%	5.18%	2.27%	2.02%	2.48%	3.16%	4.2x	2.9x
Investments in Debt and Equity of Affiliates	$ 72,551,500	$ 65,120,616	$ 71,835,926	$ 63,561,582	$ -	$ -	12.65%	14.54%	3.86%	3.51%	8.79%	11.03%	(c)	(c)
Other Assets	$ 261,814	$ -	$ 239,325	$ -	$ -	$ -	8.55%	-	N/A	N/A	8.55%	-	N/A	N/A
TBAs	$ 310,525,391	$ 51,427,734	$ 309,964,840	$ 51,250,000	$ -	$ -	N/A	N/A	N/A	N/A	N/A	N/A	(c)	(c)
Total: GAAP Basis	$2,988,979,421	$2,407,755,994	$3,051,720,696	$2,432,242,674	$683,131,695	$655,876,390	4.57%	4.94%	2.28%	2.01%	2.29%	2.93%	3.7x	2.9x

(a) Total weighted average funding cost and total net interest margin includes cost of hedging.
(b) Leverage ratio is calculated off of allocated equity. Total leverage ratio includes any net receivables on TBAs.
(c) 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, 2017:

Instrument	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value (1)	Weighted Average Coupon (2)	Weighted Average Yield	Weighted Average Life (Years) (3) (8)
Agency RMBS:							
30 Year Fixed Rate	$ 1,233,190,846	$ 1,291,616,408	$ 3,370,208	$ 1,294,986,616	3.83%	3.14%	8.61
Fixed Rate CMO	57,663,319	58,126,445	1,038,462	59,164,907	3.00%	2.79%	4.33
ARM	191,718,640	190,490,436	3,622,858	194,113,294	2.35%	2.83%	4.86
Inverse Interest Only	109,368,949	12,597,491	(165,065)	12,432,426	3.63%	8.90%	4.01
Interest Only and Excess MSR (4)	898,482,323	42,840,489	445,082	43,285,571	2.55%	7.06%	5.31
Fixed Rate 30 Year TBA (5)	300,000,000	310,525,391	(560,551)	309,964,840	3.67%	N/A	N/A
Credit Investments:							
Residential Investments							
Prime (6)	587,246,036	469,770,004	27,400,893	497,170,897	4.34%	5.92%	10.48
Alt-A (6)	262,138,561	167,480,002	10,421,888	177,901,890	3.89%	5.82%	7.81
Subprime (6)	89,513,406	85,148,965	893,681	86,042,646	4.70%	5.80%	4.40
Credit Risk Transfer	136,571,108	136,597,155	7,849,761	144,446,916	4.96%	5.17%	6.21
RPL/NPL	170,525,728	170,334,574	333,535	170,668,109	3.82%	4.00%	1.35
RMBS Interest Only and Excess MSR (7)	460,890,947	3,899,594	(377,930)	3,521,664	0.29%	11.69%	3.29
Residential Whole Loans	83,872,214	57,009,707	2,869,378	59,879,085	5.39%	10.13%	4.20
Commercial Investments							
CMBS	203,002,530	151,147,231	(101,977)	151,045,254	5.36%	6.01%	3.77
Freddie Mac K-Series CMBS	195,282,262	61,956,830	(409,143)	61,547,687	5.93%	13.53%	10.13
CMBS Interest Only (9)	3,273,690,739	58,691,076	3,686,447	62,377,523	0.30%	6.64%	3.91
Commercial Whole Loans	57,738,472	56,478,023	816,083	57,294,106	7.80%	9.05%	2.25
ABS	48,044,846	47,608,305	309,051	47,917,356	8.37%	8.76%	4.37
Total: Non-GAAP Basis	$ 8,358,940,926	$ 3,372,318,126	$ 61,442,661	$ 3,433,760,787	2.15%	4.75%	5.51
Investments in Debt and Equity of Affiliates	$ 1,520,342,806	$ 72,551,500	$ (715,574)	$ 71,835,926	0.18%	12.65%	6.14
Other Assets	$ 58,004,528	$ 261,814	$ (22,489)	$ 239,325	N/A	8.55%	5.58
TBAs	$ 300,000,000	$ 310,525,391	$ (560,551)	$ 309,964,840	3.67%	N/A	N/A
Total: GAAP Basis	$ 6,480,593,592	$ 2,988,979,421	$ 62,741,275	$ 3,051,720,696	2.52%	4.57%	5.37

(1) Included in Residential Investments and Commercial Investments are $9.0 million fair market value and $62.8 million fair market value, respectively, that are included in the “Investments in debt and equity of affiliates” line item on our consolidated balance sheet.
(2) Equity residuals, principal only securities and MSRs with a zero coupon rate are excluded from this calculation.
(3) Fixed Rate 30 Year TBA are excluded from this calculation.
(4) Excess MSRs whose underlying collateral is securitized in a trust held by a U.S. government agency or GSE.
(5) Represents long positions in Fixed Rate 30 Year TBA.
(6) Non-Agency RMBS with credit scores above 700, between 700 and 620 and below 620 at origination are classified as Prime, Alt-A, and Subprime, respectively. The weighted average credit scores of our Prime, Alt-A and Subprime Non-Agency RMBS were 724, 667 and 602, respectively.
(7) Excess MSRs whose underlying collateral is securitized in a trust not held by a U.S. government agency or GSE.
(8) Actual maturities of investments and loans are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

(9) Includes Freddie Mac K-Series CMBS interest-only bonds.

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

Instrument	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value (1)	Weighted Average Coupon (1)	Weighted Average Yield (2)	Weighted Average Life (Years) (3) (7)
Agency RMBS:							
30 Year Fixed Rate	$ 713,234,586	$ 741,572,808	$ (1,845,087)	$ 739,727,721	3.64%	2.99%	8.68
Fixed Rate CMO	62,570,005	63,101,436	595,962	63,697,398	3.00%	2.80%	4.73
ARM	208,592,111	206,958,936	4,385,116	211,344,052	2.35%	2.84%	5.07
Inverse Interest Only	99,127,607	11,977,729	377,150	12,354,879	3.50%	7.30%	4.35
Interest Only	317,774,720	29,081,115	1,458,561	30,539,676	2.46%	8.65%	4.09
Fixed Rate 30 Year TBA (4)	50,000,000	51,427,734	(177,734)	51,250,000	3.50%	N/A	N/A
Credit Investments:							
Residential Investments							
Prime (5)	619,345,362	497,837,476	14,920,082	512,757,558	4.17%	5.98%	10.44
Alt-A (5)	279,857,391	181,398,827	4,012,575	185,411,402	4.54%	5.57%	7.82
Subprime (5)	127,967,069	122,497,412	135,065	122,632,477	4.04%	5.31%	4.93
Credit Risk Transfer	60,682,441	60,592,617	1,969,919	62,562,536	5.57%	6.82%	6.98
RPL/NPL	114,976,337	114,301,187	(1,141,699)	113,159,488	4.39%	4.88%	1.12
RMBS Interest Only and Excess MSR (6)	508,621,868	4,013,463	160,630	4,174,093	0.25%	14.68%	3.45
Residential Whole Loans	125,543,596	90,542,155	(71,456)	90,470,699	4.89%	12.07%	4.13
Commercial Investments							
CMBS	209,526,282	152,985,726	(2,150,419)	150,835,307	5.04%	6.03%	3.22
Freddie Mac K-Series CMBS	158,976,049	57,058,621	(733,708)	56,324,913	5.66%	13.06%	9.21
CMBS Interest Only (8)	2,855,494,786	57,993,758	517,543	58,511,301	0.31%	6.48%	3.76
Commercial Whole Loans	60,800,000	59,295,366	773,434	60,068,800	7.39%	9.19%	1.54
ABS	22,025,000	21,667,978	(436,022)	21,231,956	5.43%	6.32%	4.50
Total: Non-GAAP Basis	$6,595,115,210	$ 2,524,304,344	$ 22,749,912	$2,547,054,256	1.99%	5.18%	5.26
Investments in Debt and Equity of Affiliates	$ 1,057,695,652	$ 65,120,616	$ (1,559,034)	$ 63,561,582	0.22%	14.54%	5.93
TBAs	$ 50,000,000	$ 51,427,734	$ (177,734)	$ 51,250,000	3.50%	N/A	N/A
Total: GAAP Basis	$ 5,487,419,558	$ 2,407,755,994	$ 24,486,680	$ 2,432,242,674	2.28%	4.94%	5.14

(1) Included in Residential Investments and Commercial Investments are $9.5 million fair market value and $54.1 million fair market value, respectively, that are included in the "Investments in debt and equity of affiliates" line item on our consolidated balance sheet.
(2) Equity residuals, principal only securities and MSRs with a zero coupon rate are excluded from this calculation.
(3) Fixed Rate 30 Year TBA are excluded from this calculation.
(4) Represents long positions in Fixed Rate 30 Year TBA.
(5) Non-Agency RMBS with credit scores above 700, between 700 and 620 and below 620 at origination are classified as Prime, Alt-A, and Subprime, respectively. The weighted average credit scores of our Prime, Alt-A and Subprime Non-Agency RMBS were 725, 667 and 603, respectively.
(7) Excess MSRs whose underlying collateral is securitized in a trust not held by a U.S. government agency or GSE.
(8) Actual maturities of investments and loans are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(9) Includes Freddie Mac K-Series CMBS interest-only bonds.

The following table presents certain information grouped by vintage as it relates to our credit securities portfolio as of June 30, 2017. We have also presented a reconciliation to GAAP.

Credit Securities:	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value	Weighted Average Coupon (1)	Weighted Average Yield	Weighted Average Life (Years) (2)
Pre 2005	$ 49,622,500	$ 47,975,266	$ 861,446	$ 48,836,712	4.67%	7.11%	4.38
2005	179,483,068	141,961,273	14,082,131	156,043,404	4.46%	6.03%	11.81
2006	249,691,612	161,464,448	11,837,308	173,301,756	4.30%	6.17%	9.45
2007	161,522,585	122,868,495	7,542,952	130,411,447	4.38%	6.28%	12.93
2008	23,065,481	19,132,300	393,306	19,525,606	6.98%	6.15%	9.64
2011	7,142,068	5,903,496	(213,478)	5,690,018	3.20%	5.63%	6.96
2012	73,732,614	11,744,975	(38,325)	11,706,650	2.02%	6.22%	2.94
2013	138,803,341	71,086,273	1,500,898	72,587,171	3.20%	5.72%	4.50
2014	1,086,857,514	74,378,092	958,573	75,336,665	0.44%	9.20%	1.60
2015	1,311,050,441	262,707,795	4,952,337	267,660,132	1.12%	6.21%	3.98
2016	1,394,105,725	187,016,429	7,762,093	194,778,522	0.90%	6.53%	5.52
2017	749,572,566	279,058,886	2,309,229	281,368,115	1.76%	5.08%	5.70
Total: Non-GAAP Basis	$ 5,424,649,515	$ 1,385,297,728	$ 51,948,470	$ 1,437,246,198	1.49%	6.17%	4.94
Investments in Debt and Equity of Affiliates	$ 1,518,041,006	$ 71,110,803	$ (784,204)	$ 70,326,599	0.17%	12.70%	6.13
Total: GAAP Basis	$ 3,906,608,509	$ 1,314,186,925	$ 52,732,674	$ 1,366,919,599	1.95%	5.84%	4.48

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

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

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

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

The following table presents the fair value of our credit securities portfolio by credit rating as of June 30, 2017 and December 31, 2016:

Credit Rating - Credit Securities (1)	June 30, 2017	December 31, 2016
AAA	$ 74,482,792	$ 88,002,613
A	64,908,047	101,877,530
BBB	10,703,468	21,304,102
BB	94,543,184	33,965,384
B	124,164,398	71,712,259
Below B	417,523,027	503,636,658
Not Rated	650,921,282	517,043,834
Total: Non-GAAP Basis	$ 1,437,246,198	$ 1,337,542,380
Investments in Debt and Equity of Affiliates	$ 70,326,599	$ 61,640,456
Total: GAAP Basis	$ 1,366,919,599	$ 1,275,901,924

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

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

	Three Months Ended (1) (2)	
Agency RMBS	**June 30, 2017**	**June 30, 2016**
30 Year Fixed Rate	7%	9%
Fixed Rate CMO	10%	7%
ARM	14%	12%
Interest Only	13%	15%
Weighted Average	9%	10%

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

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

June 30, 2017

Non-Agency RMBS State	Percentage	CMBS State	Percentage
California	21.6%	California	11.9%
Florida	8.1%	Texas	9.3%
New York	7.8%	New York	8.0%
New Jersey	4.8%	New Jersey	7.3%
Texas	3.9%	Nevada	5.7%
Other	53.8%	Other	57.8%
Total	100.0%	**Total**	100.0%

December 31, 2016

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

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

June 30, 2017

Non-Agency RMBS (1)

Category	Weighted Average 60+ Days Delinquent	Weighted Average Loan Age (Months)	Weighted Average Credit Enhancement
Prime	9.7%	110.52	15.2%
Alt-A	13.4%	135.25	23.3%
Subprime	19.5%	148.30	57.9%
Credit Risk Transfer	0.1%	13.66	4.6%
RPL/NPL	60.4%	124.01	48.1%

CMBS (1)

Category	Weighted Average 60+ Days Delinquent	Weighted Average Loan Age (Months)	Weighted Average Credit Enhancement
CMBS	3.2%	35.48	15.9%
Freddie Mac K Series CMBS	0.0%	27.64	1.0%

December 31, 2016

Non-Agency RMBS (1)

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

CMBS (1)

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

(1) Sources: Intex, Trepp

Financing activities

We use leverage to complete the purchase of real estate securities and loans in our investment portfolio. Through June 30, 2017, our leverage has been in the form of repurchase agreements, securitized debt, and loan participations, and when applicable, advances from the Federal Home Loan Bank of Cincinnati ("FHLBC Advances"). 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 repurchase agreements mature or roll and are sensitive to governmental regulations. We have not experienced fluctuations in our haircuts that altered our business and financing strategies for the three and six months ended June 30, 2017, but we continue to monitor the regulatory environment, which may influence the timing and amount of our repurchase agreement activity. We seek to obtain financing from several different counterparties in order to reduce our financing risk related to any single counterparty. We had outstanding debt with 26 and 23 counterparties at June 30, 2017 and December 31, 2016, respectively, on a GAAP basis.

Our repurchase agreements are accounted for as financings and require the repurchase of the transferred securities or loans or repayment of the advance at the end of each agreement's term, typically 30 to 90 days. If we maintain the beneficial interest in the specific assets pledged during the term of the borrowing, we receive the related principal and interest payments. If we do not maintain the beneficial interest in the specific assets pledged during the term of the borrowing, we will have the related principal and interest payments remitted to us by the lender. Interest rates on borrowings are fixed based on prevailing rates corresponding to the terms of the borrowings, and interest is paid at the termination of the borrowing at which time we may enter into a new borrowing arrangement at prevailing market rates with the same counterparty or repay that counterparty and negotiate financing with a different counterparty. In response to declines in fair value of pledged assets due to changes in market conditions or the publishing of monthly security paydown factors, lenders typically require us to post additional assets as collateral, pay down borrowings or establish cash margin accounts with the counterparties in order to re-establish the agreed-upon collateral requirements, referred to as margin calls. As of June 30, 2017 and December 31, 2016, we have met all margin call requirements.

We noted no material changes in the spread of our financing arrangements. The cost of financing on our repurchase agreements increased from 1.72% at December 31, 2016 to 1.93% at June 30, 2017, primarily due to an increase of 25bps in the federal-funds rate in March 2017 and again in June 2017. Three month LIBOR increased from 0.998 at December 31, 2016 to 1.299 at March 31, 2017.

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

Quarter Ended	Quarter-End Balance	Average Quarterly Balance	Maximum Balance at Any Month-End
June 30, 2017			
Non-GAAP Basis	$ 2,265,226,741	$ 2,209,990,873	$ 2,339,132,696
Less: Investments in Debt and Equity of Affiliates	8,484,353	8,805,678	9,115,429
GAAP Basis	$ 2,256,742,388	$ 2,201,185,195	$ 2,330,017,267
March 31, 2017			
Non-GAAP Basis	$ 1,887,766,585	$ 1,813,668,360	$ 1,887,766,585
Less: Investments in Debt and Equity of Affiliates	8,424,063	8,787,942	9,172,241
GAAP Basis	$ 1,879,342,522	$ 1,804,880,418	$ 1,878,594,344
December 31, 2016			
Non-GAAP Basis	$ 1,910,508,715	$ 1,972,784,763	$ 2,009,130,688
Less: Investments in Debt and Equity of Affiliates	9,998,909	$ 10,525,232	11,019,272
GAAP Basis	$ 1,900,509,806	$ 1,962,259,531	$ 1,998,111,416
September 30, 2016			
Non-GAAP Basis	$ 2,237,848,414	$ 2,242,396,467	$ 2,275,367,639
Less: Investments in Debt and Equity of Affiliates	11,484,705	$ 12,147,413	12,842,577
GAAP Basis	$ 2,226,363,709	$ 2,230,249,054	$ 2,262,525,062
June 30, 2016			
Non-GAAP Basis	$ 2,263,590,848	$ 2,305,132,749	$ 2,368,334,965
Less: Investments in Debt and Equity of Affiliates	13,594,846	$ 14,627,811	15,534,683
GAAP Basis	$ 2,249,996,002	$ 2,290,504,938	$ 2,352,800,282
March 31, 2016			
Non-GAAP Basis	$ 2,573,321,330	$ 2,559,321,654	$ 2,582,943,709
Less: Investments in Debt and Equity of Affiliates	16,405,130	$ 17,168,967	17,982,309
GAAP Basis	$ 2,556,916,200	$ 2,542,152,687	$ 2,564,961,400
December 31, 2015			
Non-GAAP Basis	$ 2,450,495,579	$ 2,611,418,224	$ 2,737,440,514
Less: Investments in Debt and Equity of Affiliates	18,638,119	$ 19,119,157	19,643,832
GAAP Basis	$ 2,431,857,460	$ 2,592,299,067	$ 2,717,796,682
September 30, 2015			
Non-GAAP Basis	$ 2,585,828,163	$ 2,509,992,155	$ 2,585,828,163
Less: Investments in Debt and Equity of Affiliates	20,212,522	$ 20,566,999	20,876,667
GAAP Basis	$ 2,565,615,641	$ 2,489,425,156	$ 2,564,951,496
June 30, 2015			
Non-GAAP Basis	$ 2,534,309,367	$ 2,618,201,220	$ 2,689,179,519
Less: Investments in Debt and Equity of Affiliates	21,091,153	$ 21,209,044	21,267,990
GAAP Basis	$ 2,513,218,214	$ 2,596,992,176	$ 2,667,911,529
March 31, 2015			
Non-GAAP Basis	$ 2,691,920,394	$ 2,713,017,544	$ 2,807,851,545
Less: Investments in Debt and Equity of Affiliates	21,305,161	$ 21,305,161	21,305,161
GAAP Basis	$ 2,670,615,233	$ 2,691,712,383	$ 2,786,546,384
December 31, 2014			
Non-GAAP Basis	$ 2,779,624,982	$ 2,809,867,811	$ 2,838,591,258
Less: Linked Transactions	113,363,873	$ 130,264,304	142,279,249
Less: Investments in Debt and Equity of Affiliates	21,305,161	$ 18,880,600	21,305,161
GAAP Basis	$ 2,644,955,948	$ 2,660,722,907	$ 2,675,006,848
September 30, 2014			
Non-GAAP Basis	$ 2,871,453,629	$ 2,956,548,421	$ 3,102,782,512
Less: Linked Transactions	131,106,935	$ 142,459,846	149,986,999
GAAP Basis	$ 2,740,346,694	$ 2,814,088,575	$ 2,952,795,513
June 30, 2014			
Non-GAAP Basis	$ 3,134,086,525	$ 3,094,449,312	$ 3,134,086,525
Less: Linked Transactions	158,275,177	170,448,011	187,381,609
GAAP Basis	$ 2,975,811,348	$ 2,924,001,301	$ 2,946,704,916

As noted, we finance the purchase of our investments with repurchase agreements. Our repurchase agreement balance can reasonably be expected to increase as the size of our portfolio increases through equity capital raises and as we increase our investment allocation to Agency RMBS and decrease as the size of our portfolio decreases through asset sales, principal paydowns, and as we increase our investment allocation to credit investments. Credit investments, due to their elevated risk profile, have lower allowable leverage ratios than Agency RMBS, which restricts our financing counterparties from providing as much repurchase agreement financing to us and lowers our total repurchase agreement balance.

Master repurchase agreements on our investment portfolio

As of June 30, 2017 and December 31, 2016, we have entered into master repurchase agreements on our investment portfolio with 39 and 37 counterparties, respectively, under which we had outstanding debt with 26 and 23 counterparties, respectively, inclusive of repurchase agreements in affiliated entities. See Note 6 to the "Notes to Consolidated Financial Statements (unaudited)" for a description of our material master repurchase agreements.

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

The following table presents the reconciliation of certain financial information related to repurchase agreements secured by real estate securities to information on a GAAP basis as of June 30, 2017:

Repurchase Agreements Maturing Within:		Balance	Weighted Average Rate	Weighted Average Days to Maturity	Weighted Average Haircut
Overnight		79,442,000	1.42%	3	3.0%
30 days or less		1,272,542,000	2.22%	13	15.7%
31-60 days		453,727,000	1.39%	42	7.0%
61-90 days		230,737,000	1.50%	70	6.2%
91-180 days		82,799,928	1.56%	109	5.9%
Greater than 180 days		107,075,000	1.51%	209	11.1%
Total: Non-GAAP Basis	$	2,226,322,928	1.89%	37	11.9%
Investments in Debt and Equity of Affiliates	$	5,236,928	3.79%	144	28.9%
Total: GAAP Basis	$	2,221,086,000	1.89%	37	11.9%

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

Repurchase Agreements Maturing Within:		Balance	Weighted Average Rate	Weighted Average Days to Maturity	Weighted Average Haircut
Overnight	$	70,899,000	0.66%	3	3.5%
30 days or less		961,185,000	1.79%	11	14.7%
31-60 days		465,776,000	1.23%	47	8.6%
61-90 days		129,119,000	1.69%	72	13.2%
91-180 days		16,897,000	2.81%	151	21.6%
Greater than 180 days		214,175,906	1.97%	293	5.2%
Total: Non-GAAP Basis	$	1,858,051,906	1.63%	57	11.6%
Investments in Debt and Equity of Affiliates	$	4,882,802	3.51%	350	26.0%
Total: GAAP Basis	$	1,853,169,104	1.63%	57	11.5%

The following table presents the reconciliation of certain financial information related to repurchase agreements secured by residential mortgage loans and real estate owned to information on a GAAP basis as of June 30, 2017:

Repurchase Agreements Maturing Within:		Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
91-180 days		3,247,425	3.97%	3.97%	169	32.2%
Greater than 180 days		13,860,388	3.72%	3.92%	602	32.8%
Total: Non-GAAP Basis	$	17,107,813	3.77%	3.93%	520	32.7%
Investments in Debt and Equity of Affiliates	$	3,247,425	3.97%	3.97%	169	32.2%
Total: GAAP Basis	$	13,860,388	3.72%	3.92%	602	32.8%

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

Repurchase Agreements Maturing Within:		Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
Greater than 180 days: Non-GAAP Basis	$	30,660,809	3.31%	3.75%	407	29.8%
Investments in Debt and Equity of Affiliates	$	5,116,107	3.51%	3.51%	350	27.6%
Total: GAAP Basis	$	25,544,702	3.27%	3.79%	419	30.3%

The primary difference between the balance of our repurchase agreements at December 31, 2016 and June 30, 2017 is due to financing repaid in 2017 on certain sold residential mortgage loans.

The following table presents certain financial information related to repurchase agreements secured by commercial loans as of June 30, 2017:

Repurchase Agreements Maturing Within:		Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
Greater than 180 days	$	21,796,000	3.37%	3.32%	731	33.5%

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

Repurchase Agreements Maturing Within:		Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
Greater than 180 days	$	21,796,000	2.91%	3.13%	990	33.5%

The following table presents a summary of certain financial information related to repurchase agreements secured by our Investment Portfolio as of June 30, 2017:

	Agency		Credit	
Repurchase Agreements Maturing Within: (1)	**Balance**	**Weighted Average Rate**	**Balance**	**Weighted Average Rate**
Overnight	$ 79,442,000	1.42%	$ -	0.00%
30 days or less	344,253,000	1.33%	928,289,000	2.55%
31-60 days	398,134,000	1.22%	55,593,000	2.63%
61-90 days	194,744,000	1.26%	35,993,000	2.80%
91-180 days	70,716,000	1.17%	15,331,353	3.89%
Greater than 180 days	100,000,000	1.40%	42,731,388	3.47%
Total: Non-GAAP Basis	$ 1,187,289,000	1.28%	$ 1,077,937,741	2.62%
Investments in Debt and Equity of Affiliates	$ -	-	$ 8,484,353	3.97%
Total: GAAP Basis	$ 1,187,289,000	1.28%	$ 1,069,453,388	2.61%

(1) As of June 30, 2017, our weighted average days to maturity is 48 days and our weighted average original days to maturity is 127 days.

The following table presents a summary of certain financial information related to repurchase agreements secured by our Investment Portfolio as of December 31, 2016:

	Agency		Credit	
Repurchase Agreements Maturing Within: (1)	**Balance**	**Weighted Average Rate**	**Balance**	**Weighted Average Rate**
Overnight	$ 70,899,000	0.66%	$ -	-
30 days or less	300,041,000	0.95%	661,144,000	2.18%
31-60 days	368,362,000	0.94%	97,414,000	2.33%
61-90 days	67,739,000	0.94%	61,380,000	2.51%
91-180 days	-	-	16,897,000	2.81%
Greater than 180 days	100,000,000	1.40%	166,632,715	2.79%
Total: Non-GAAP Basis	$ 907,041,000	0.97%	$1,003,467,715	2.33%
Investments in Debt and Equity of Affiliates	$ -	-	9,998,909	3.51%
Total: GAAP Basis	$ 907,041,000	0.97%	$ 993,468,806	2.31%

(1) As of December 31, 2016, our weighted average days to maturity is 74 days and our weighted average original days to maturity is 155 days.

Other financing transactions

In 2014, we entered into a resecuritization transaction, pursuant to which we created a special purpose entity ("SPE") to facilitate the transaction (the "Resecuritization"). We determined that the SPE was a variable interest entity ("VIE") and that the VIE should be consolidated by us under ASC 810-10 and treated as a secured borrowing (the "Consolidated VIE"). As of June 30, 2017 and December 31, 2016, the principal balance of the consolidated tranche was $18.8 million and $21.6 million, respectively. As of June 30, 2017 and December 31, 2016, the fair value of the consolidated tranche issued by the Consolidated VIE was $18.8 million and $21.5 million, respectively, which is classified as an asset in the "Non-Agency" line item and as a liability in the "Securitized debt, at fair value" line item on our consolidated balance sheets. The cost of financing on June 30, 2017 and December 31, 2016 on the consolidated tranche was 3.78% and 3.87%, respectively. See Note 2 to the Notes to Consolidated Financial Statements (unaudited) for more detail.

In February 2016, we originated a $12.0 million commercial loan and, at closing, transferred a 15.0% or $1.8 million participation interest in the loan (the "Participation Interest") to an unaffiliated third party. The Participation Interest bears interest at a rate of LIBOR+ 10.00% with a LIBOR floor of 0.25%. We determined that the Participation Interest should be consolidated under ASC 860 due to the fact that the sale of the Participation Interest did not meet the sales criteria established under ASC 860. The commercial loan was paid off in full in February 2017. The principal and interest due on the Participation Interest was paid from these proceeds.

Leverage

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

June 30, 2017	**Leverage**	**Stockholders' Equity**	**Leverage Ratio**
GAAP Leverage	$2,525,817,141	$ 683,131,695	3.7x
Repurchase agreements through affiliated entities	8,484,352		
Net TBA receivable/(payable) adjustment	310,525,391		
Non-GAAP "At Risk" Leverage	$2,844,826,884	$ 683,131,695	4.2x

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

Hedging activities

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

We utilize multiple hedging instruments as a means to mitigate the interest rate risk of our investment portfolio. As of June 30, 2017 we had entered into $1.5 billion notional amount of interest rate swaps, and $70.0 million notional amount of short positions in U.S. Treasury futures. As of December 31, 2016, we had entered into $644.0 million notional amount of interest rate swaps, $24.0 million notional amount of short positions in U.S. Treasury securities and $141.5 million notional amount of short positions in U.S. Treasury Futures.

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

Receivables recognized for the right to reclaim cash initial margin posted in respect of derivative instruments are included in the "Restricted cash" line item in the consolidated balance sheets. Prior to the first quarter of 2017, the daily exchange of variation margin associated with centrally cleared derivative instruments was considered a pledge of collateral. For these prior periods, receivables recognized for the right to reclaim cash variation margin posted in respect of derivative instruments are included in the "Restricted cash" line item in the consolidated balance sheets. We elected to offset any payables recognized for the obligation to return cash variation margin received from a derivative instrument counterparty against receivables recognized for the right to reclaim cash initial margin posted by us to that same counterparty.

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

The following table presents the fair value of our derivative and other instruments and their balance sheet location at June 30, 2017 and December 31, 2016.

Derivatives and Other Instruments	GAAP Designation	Balance Sheet Location	June 30, 2017	December 31, 2016
Interest rate swaps	Non-Hedge	Derivative liabilities, at fair value	$ -	$ (1,847,219)
Interest rate swaps	Non-Hedge	Derivative assets, at fair value	2,136,460	3,703,366
Short positions on U.S. Treasury Futures	Non-Hedge	Derivative liabilities, at fair value	-	(636,211)
Short positions on U.S. Treasury Futures	Non-Hedge	Derivative assets, at fair value	697,188	-
Short positions on U.S. Treasuries	Non-Hedge	Obligation to return securities borrowed under reverse repurchase agreements, at fair value (1)	-	(22,365,000)

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

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

Non-hedge derivatives and other instruments held long/(short):	June 30, 2017	December 31, 2016
Notional amount of Pay Fix/Receive Float Interest Rate Swap Agreements	$ 1,494,000,000	$ 644,000,000
Notional amount of short positions on U.S. Treasury Futures (1)	(70,000,000)	(141,500,000)
Notional amount of short positions on U.S. Treasuries	-	(24,000,000)

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

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

Non-hedge derivatives and other instruments gain/(loss):	Statement of Operations Location	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Interest rate swaps, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	$ 2,027,635	$ (1,615,094)	$ 3,258,849	$ (19,516,469)
Interest rate swaps, at fair value	Net realized gain/(loss)	(8,082,738)	(2,839,917)	(8,082,738)	(5,733,434)
Short positions on Eurodollar Futures	Unrealized gain/(loss) on derivative and other instruments, net	-	(150,547)	-	(150,547)
Long positions on U.S. Treasury Futures	Unrealized gain/(loss) on derivative and other instruments, net	-	(20,374)	-	(20,374)
Long positions on U.S. Treasury Futures	Net realized gain/(loss)	-	126,919	-	126,919
Short positions on U.S. Treasury Futures	Unrealized gain/(loss) on derivative and other instruments, net	1,273,312	21,123	1,379,811	21,123
Short positions on U.S. Treasury Futures	Net realized gain/(loss)	(2,882,643)	15,056	(3,830,579)	15,056
Long positions on U.S. Treasuries	Unrealized gain/(loss) on derivative and other instruments, net	-	1,587,306	-	7,580,039
Long positions on U.S. Treasuries	Net realized gain/(loss)	-	109,062	-	423,828
Short positions on U.S. Treasuries	Unrealized gain/(loss) on derivative and other instruments, net	-	(200,391)	(1,724,922)	(200,391)
Short positions on U.S. Treasuries	Net realized gain	-	-	1,730,547	-

The following table summarizes the weighted average life related to derivatives and other instruments:

Weighted Average Life (Years) on non-hedge derivatives and other instruments	June 30, 2017	December 31, 2016
Interest rate swaps	4.60	5.01
Short positions on U.S. Treasury Futures	10.05	9.19
Short positions on U.S. Treasuries	-	9.38

Interest rate swaps

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

As of June 30, 2017, our interest rate swap positions consisted of pay-fixed interest rate swaps. The following table presents information about the Company's interest rate swaps as of June 30, 2017:

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate	Weighted Average Years to Maturity
2017	$ 36,000,000	0.88%	1.17%	0.34
2019	170,000,000	1.36%	1.19%	2.38
2020	570,000,000	1.63%	1.22%	2.86
2022	363,000,000	1.80%	1.25%	5.00
2024	150,000,000	2.04%	1.23%	6.89
2026	75,000,000	2.12%	1.19%	9.39
2027	130,000,000	2.30%	1.20%	9.80
Total/Wtd Avg	$ 1,494,000,000	1.75%	1.22%	4.60

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

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

Dividends

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

As mentioned above, our distribution requirements are based on taxable income rather than GAAP net income. The primary differences between taxable income and GAAP net income include (i) unrealized gains and losses associated with investment and derivative portfolios which are marked-to-market in current income for GAAP purposes, but excluded from taxable income until realized or settled, (ii) temporary differences related to amortization of premiums and discounts paid on investments, (iii) the timing and amount of deductions related to stock-based compensation, (iv) temporary differences related to the recognition of certain terminated derivatives and (v) taxes. Undistributed taxable income is based on current estimates and is not finalized until we file our annual tax return, typically in September of the following year. As of June 30, 2017 the Company had estimated undistributed taxable income of approximately $1.74 per share.

The following table details our common stock dividends during the six month ended June 30, 2017 and June 30, 2016:

2017

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/10/2017	3/21/2017	4/28/2017	$ 0.475
6/8/2017	6/19/2017	7/31/2017	0.475

2016

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/10/2016	3/21/2016	4/29/2016	$ 0.475
6/9/2016	6/20/2016	7/29/2016	0.475

The following tables detail our preferred stock dividends during the six months ended June 30, 2017 and June 30, 2016:

2017

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/16/2017	2/28/2017	3/17/2017	$ 0.51563
8.25% Series A	5/15/2017	5/31/2017	6/19/2017	0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/16/2017	2/28/2017	3/17/2017	$ 0.50
8.00% Series B	5/15/2017	5/31/2017	6/19/2017	0.50

2016

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/12/2016	2/29/2016	3/17/2016	$ 0.51563
8.25% Series A	5/13/2016	5/31/2016	6/17/2016	0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/12/2016	2/29/2016	3/17/2016	$ 0.50
8.00% Series B	5/13/2016	5/31/2016	6/17/2016	0.50

Liquidity and capital resources

Our liquidity determines our ability to meet our cash obligations, including commitments to make distributions to our stockholders, pay our expenses, finance our investments and satisfy other general business needs. Our principal sources of cash as of June 30, 2017 consisted of borrowings under repurchase agreements, payments of principal and interest we receive on our Agency RMBS and credit portfolio, cash generated from our operating results, and proceeds from capital market transactions. We typically use cash to repay principal and interest on our repurchase agreements, to purchase real estate securities, loans and other real estate related assets, to make dividend payments on our capital stock, and to fund our operations. At June 30, 2017, we had $113.9 million available to support our liquidity needs, comprised of $29.2 million of cash, $66.0 million of Agency RMBS, and $18.7 million of Agency Interest-Only securities that have not been pledged as collateral under any of our financing agreements. Refer to the "Contractual obligations" section of this Item 2 for additional obligations that could impact our liquidity.

Leverage

The amount of leverage we may deploy for particular assets depends upon our Manager's assessment of the credit and other risks of those assets, and also depends on any limitations placed upon us through covenants contained in our master repurchase agreements. We generate income principally from the yields earned on our investments and, to the extent that leverage is deployed, on the difference between the yields earned on our investments and our cost of borrowing and the cost of any hedging activities. Subject to maintaining both our qualification as a REIT for U.S. federal income tax purposes and our Investment Company Act exemption, to the extent leverage is deployed, we may use a number of sources to finance our investments.

As of June 30, 2017, we had MRAs with 39 counterparties, allowing us to utilize leverage in our operations. As of June 30, 2017, we had debt outstanding of $2.3 billion from 26 counterparties, inclusive of repurchase agreements through affiliated entities. The borrowings under repurchase agreements have maturities between July 3, 2017 and July 1, 2019. These agreements generally include customary representations, warranties, and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each lending agreement, typical supplemental terms include requirements of minimum equity, leverage ratios, performance triggers or other financial ratios. If we fail to meet or satisfy any covenants, supplemental terms or representations and warranties, we would be in default under these agreements and our lenders could elect to declare all amounts outstanding under the agreements to be immediately due and payable, enforce their respective interests against collateral pledged under such agreements and restrict our ability to make additional borrowings. Certain financing agreements may contain cross-default provisions, so that if a default occurs under any one agreement, the lenders under our other agreements could also declare a default.

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

The following table presents contractual maturity information for our repurchase agreements at June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Overnight	$ 79,442,000	$ 70,899,000
30 days or less	1,272,542,000	961,185,000
31-60 days	453,727,000	465,776,000
61-90 days	230,737,000	129,119,000
91-180 days	86,047,352	16,897,000
Greater than 180 days	142,731,389	266,632,715
Total: Non-GAAP Basis	$ 2,265,226,741	$ 1,910,508,715
Less: Investments in Debt and Equity of Affiliates	$ 8,484,353	$ 9,998,909
Total: GAAP Basis	$ 2,256,742,388	$ 1,900,509,806

As described above in the “Financing activities” section of this Item 2, we entered into the Resecuritization in 2014 that resulted in the consolidation of the VIE created with the SPE. We recorded the proceeds from the issuance of the secured financing in the “Cash Flows from Financing Activities” section of the consolidated statement of cash flows. See Note 3 to the Notes to Consolidated Financial Statements (unaudited) for more detail.

As described above in the “Financing activities” section of this Item 2, we originated a $12.0 million commercial loan and transferred the Participation Interest to an unaffiliated third party. We recorded proceeds from the transfer in the “Cash Flows from Financing Activities” section of the consolidated statement of cash flows. The commercial loan was paid off in full in February 2017. The principal and interest due on the loan participation was paid from these proceeds.

The following table presents information at June 30, 2017 with respect to each counterparty that provides us with financing for which we had greater than 5% of our stockholders’ equity at risk.

Counterparty	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
JP Morgan Securities, LLC	$ 50,493,355	81	7%
RBC (Barbados) Trading Bank Corporation	35,982,610	19	5%
Credit Suisse Securities, LLC	34,600,293	22	5%

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

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

Margin requirements

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

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

Stock repurchase program

In November 2015, our board of directors authorized a stock repurchase program (the "Repurchase Program") to repurchase up to $25.0 million of our outstanding common stock. Such authorization does not have an expiration date. As part of the Repurchase Program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. Open market repurchases will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. Subject to applicable securities laws, the timing, manner, price and amount of any repurchases of common stock under the Repurchase Program may be determined by us in our discretion, using available cash resources. The Repurchase Program may be suspended or discontinued by us at any time without prior notice, and the authorization does not obligate us to acquire any particular amount of common stock. No shares were repurchased under the Repurchase Program during the six months ended June 30, 2017 and approximately $14.6 million of common stock remained authorized for future share repurchases under the Repurchase Program. During the six months ended June 30, 2016, we repurchased 432,853 shares of common stock at a total cost of approximately $5.9 million and at an average cost per share of $13.56, including brokerage, commissions and clearing fees.

Equity distribution agreement

On May 5, 2017, we entered into an equity distribution agreement with each of Credit Suisse Securities (USA) LLC and JMP Securities LLC (collectively, the "Sales Agents"), which we refer to as the "Equity Distribution Agreements", pursuant to which we may sell up to $100.0 million aggregate offering price of shares of our common stock from time to time through the Sales Agents, as defined in Rule 415 under the Securities Act of 1933. As of June 30, 2017, we sold 99,932 shares of common stock under the Equity Distribution Agreements for net proceeds of approximately $1.8 million.

Real estate securities

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

Forward-looking statements regarding liquidity

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

Contractual obligations

Management agreement

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

For purposes of calculating the management fee, "Stockholders' Equity" means the sum of the net proceeds from any issuances of equity securities (including preferred securities) since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance, and excluding any future equity issuance to the Manager), plus our retained earnings at the end of such quarter (without taking into account any non-cash equity compensation expense or other non-cash items described below incurred in current or prior periods), less any amount that we pay for repurchases of our common stock, excluding any unrealized gains, losses or other non-cash items that have impacted stockholders' equity as reported in our financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income, and excluding one-time events pursuant to changes in GAAP, and certain other non-cash charges after discussions between the Manager and our independent directors and after approval by a majority of our independent directors. Stockholders' Equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown on our financial statements. For the three months and six months ended June 30, 2017, we incurred management fees of approximately $2.4 million and $4.9 million, respectively. For the three months and six months ended June 30, 2016, we incurred management fees of approximately $2.4 million and $4.9 million, respectively.

Our Manager uses the proceeds from its management fee in part to pay compensation to its officers and personnel, who, notwithstanding that certain of them also are our officers, receive no compensation directly from us. We are required to reimburse our Manager or its affiliates for operating expenses which are incurred by our Manager or its affiliates on our behalf, including certain salary expenses and other expenses relating to legal, accounting, due diligence and other services. Our reimbursement obligation is not subject to any dollar limitation; however, the reimbursement is subject to an annual budget process which combines guidelines from the Management Agreement with oversight by our board of directors. Of the $2.8 million and $5.6 million of Other operating expenses for the three and six months ended June 30, 2017, respectively, we have accrued $1.7 million and $3.4 million, respectively, representing a reimbursement of expenses. Of the $2.7 million and $5.7 million of Other operating expenses for the three and six months ended June 30, 2016, respectively, we have accrued $1.7 million and $3.5 million, respectively, representing a reimbursement of expenses.

Share-based compensation

Pursuant to the Manager Equity Incentive Plan and the Equity Incentive Plan, we can award up to 277,500 shares of common stock in the form of restricted stock, stock options, restricted stock units or other types of awards to our directors, officers, advisors, consultants and other personnel and to our Manager. As of June 30, 2017, 128,514 shares of common stock were available to be awarded under the equity incentive plans. Awards under the equity incentive plans are forfeitable until they become vested. An award will become vested only if the vesting conditions set forth in the applicable award agreement (as determined by the compensation committee) are satisfied. The vesting conditions may include performance of services for a specified period, achievement of performance goals, or a combination of both. The compensation committee also has the authority to provide for accelerated vesting of an award upon the occurrence of certain events in its discretion.

As of June 30, 2017, we have granted an aggregate of 48,736 shares of restricted common stock to our independent directors and 100,250 shares of restricted common stock to our Manager under our equity incentive plans. As of June 30, 2017, 48,736 and 80,247 shares of restricted common stock granted to our independent directors and Manager, respectively, have vested.

On July 1, 2014, we granted 60,000 restricted stock units to our Manager that represent the right to receive an equivalent number of shares of our common stock to be issued if and when such units vest. Annual vesting of approximately 20,000 units occurred or will occur on each of July 1, 2015, July 1, 2016, and July 1, 2017. The units do not entitle the participant the rights of a holder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The vesting of such units is subject to the continuation of the management agreement. If the management agreement terminates, all unvested units then held by our Manager or its transferee shall be immediately cancelled and forfeited without consideration. On each of July 1, 2015 and July 1, 2016, approximately 20,000 restricted stock units vested, and as of June 30, 2017, approximately 20,000 units remained unvested.

On July 1, 2017, the Company granted 60,000 restricted stock units to the Manager that represent the right to receive an equivalent number of shares of the Company's common stock if and when the units vest. Annual vesting of approximately 20,000 units will occur on each of July 1, 2018, July 1, 2019, and July 1, 2020. The units do not entitle the participant the rights of a holder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The vesting of such units is subject to the continuation of the management agreement. If the management agreement terminates, all unvested units then held by the Manager or the Manager's transferee shall be immediately cancelled and forfeited without consideration.

Other

We have presented a table that details the contractual maturity of our financing arrangements at June 30, 2017 in the "Liquidity and capital resources" section for this Item 2. As of June 30, 2017 and December 31, 2016, we are obligated to pay accrued interest on our repurchase agreements in the amount of $3.5 million and $2.5 million, respectively, inclusive of accrued interest accounted for through investments in debt and equity of affiliates, and exclusive of accrued interest on any financing utilized through AG Arc.

Off-balance sheet arrangements

We have entered into TBA positions to facilitate the future purchase or sale of Agency RMBS. We record TBA purchases and sales on the trade date and present the purchase or receipt net of the corresponding payable or receivable until the settlement date of the transaction. As of June 30, 2017, we had a net long TBA position with a net payable amount of $311.4 million and fair market values of $0.3 million and $1.8 million, recognized in the "Derivative assets, at fair value" and "Derivative liabilities, at fair value" line items, respectively, on our consolidated balance sheets.

Our investments in debt and equity of affiliates are comprised of real estate securities and loans, our interest in AG Arc, associated repurchase agreements and interest receivable/payable on such accounts. Investments in debt and equity of affiliates are accounted for using the equity method of accounting. As of June 30, 2017, our real estate securities and loans and interest in AG Arc had a fair market value of $92.9 million. As of June 30, 2017, these investments, inclusive of associated repurchase agreements and interest receivable/payable had a fair market value of $84.7 million which is included in the "Investments in debt and equity of affiliates" line item on our consolidated balance sheets.

Certain related person transactions

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

Grants of restricted common stock

As of June 30, 2017, we have granted an aggregate of 48,736 shares of restricted common stock to our independent directors and 100,250 shares of restricted common stock to our Manager under our equity incentive plans. As of June 30, 2017, 48,736 and 80,247 shares of restricted common stock granted to our independent directors and Manager, respectively, have vested. See Note 10 to the Notes to Consolidated Financial Statements (unaudited) for further detail on restricted stock grants.

Red Creek

In connection with our investments in residential loans and Securitized Whole Loans, we may engage asset managers to provide advisory, consultation, asset management and other services to formulate and implement strategic plans to manage, collect and dispose of loans in a manner that is reasonably expected to maximize the amount of proceeds from each loan. Beginning in November 2015, we engaged Red Creek Asset Management LLC ("Asset Manager"), an affiliate of the Manager and direct subsidiary of Angelo, Gordon, as the asset manager for certain of our residential loans and Securitized Whole Loans. The Asset Manager acknowledges that we will at all times have and retain ownership and control of all loans and that the Asset Manager will not acquire (i) title to any loan, (ii) any security interest in any loan, or (iii) any other rights or interests of any kind or any nature whatsoever in or to any loan. We pay separate arm's-length asset management fees (as assessed and confirmed by a third party valuation firm) for the Asset Manager's services related to non-performing loans and reperforming loans. For the three and six months ended June 30, 2017, the fees paid by us to the Asset Manager, inclusive of fees paid through affiliated entities, totaled $44,824 and $95,290, respectively. For the three and six months ended June 30, 2016, the fees paid by us to the Asset Manager, inclusive of fees paid through affiliated entities, totaled $69,254 and $135,526, respectively.

Arc Home

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

Our investment in Arc Home, which is conducted through AG Arc, one of our subsidiaries, is reflected on the “Investments in debt and equity of affiliates” line item on our consolidated balance sheets and had a fair value of $17.7 and $12.9 million on June 30, 2017 and December 31, 2016, respectively. On March 8, 2016, an affiliate of the Manager (“the Affiliate”) became a member of AG Arc. The Affiliate acquired an ownership interest in AG Arc which resulted in our ownership interest being reduced on a pro-rata basis.

Arc Home may sell loans that it either purchases from third parties or originates to us, to third parties or to affiliates of our Manager. Arc Home may also enter into agreements with us, third parties, or affiliates of our Manager to sell rights to receive the excess servicing spread related to the MSR on the mortgage loans that it either purchases from third parties or originates. In March of 2017, we entered into an agreement with Arc Home to purchase rights to receive the excess servicing spread related to certain of its MSRs at fair value for approximately $2.7 million.

In connection with the our investments in Excess MSRs purchased through Arc Home, we pay a sourcing fee to Arc Home based on the net equity invested by us for these investments. For the three and six months ended June 30, 2017, the sourcing fees paid by us to Arc Home totaled $3,443. No sourcing fees were paid by us to Arc Home for the three or six months ended June 30, 2016.

Management agreement

On June 29, 2011 we entered into a management agreement with our Manager, which governs the relationship between us and our Manager and describes the services to be provided by our Manager and its compensation for those services. The terms of our management agreement, including the fees payable by us to Angelo, Gordon, were not negotiated at arm’s length, and its terms may not be as favorable to us as if they had been negotiated with an unaffiliated party. Our Manager, pursuant to the delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility of its day-to-day duties and obligations arising under our management agreement. For further detail on the Management Agreement, see the “Contractual obligations–Management agreement” section of this Item 2.

Other transactions with affiliates

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

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

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

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

Critical accounting policies

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

Investments in real estate securities

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

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

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

Investments in mortgage loans

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

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

Investments in debt and equity of affiliates

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

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

Our investments in debt and equity of affiliates are recorded at fair market value on our consolidated balance sheets in the "Investments in debt and equity of affiliates" line item and periodic changes in fair market value are recorded in current period earnings on our consolidated statement of operations as a component of "Equity in earnings/(loss) from affiliates." Capital contributions, distributions and profits and losses of such entities are allocated in accordance with the terms of the applicable agreements.

Interest income

Interest income on our real estate securities and loan portfolios is accrued based on the actual coupon rate and the outstanding principal balance of such securities. We have elected to record interest in accordance with ASC 835-30-35-2 using the effective interest method for all securities and loans accounted for under the fair value option (ASC 825). As such, premiums and discounts are amortized or accreted into interest income over the lives of the respective investments. We estimate future expected cash flows at the time of purchase and determine the effective interest rate based on these estimated cash flows and our purchase price. At least quarterly, these estimated cash flows are assessed and a revised yield is computed based on the current amortized cost of the investment, as needed. As further explained below, there are uncertainties and contingencies involved in estimating cash flows, which are difficult to predict and are subject to future events that may impact our estimates and, as a result, our interest income.

On at least a quarterly basis for our real estate securities accounted for under ASC 320-10 and ASC 310-20, "Nonrefundable Fees and Other Costs" (generally Agency RMBS), prepayments of the underlying collateral must be estimated, which directly affect the speed at which we amortize such securities. If actual and anticipated cash flows differ from previous estimates; we recognize a "catch-up" adjustment in the current period to the amortization of premiums for the impact of the cumulative change in the effective yield through the reporting date.

Similarly, we also reassess the cash flows on at least a quarterly basis for our real estate securities accounted for under ASC 325-40, "Beneficial Interests in Financial Assets" (generally Non-Agency RMBS, ABS, CMBS and interest-only securities). In estimating these cash flows, there are a number of assumptions that are subject to uncertainties and contingencies. These include the rate and timing of principal and interest receipts (including assumptions of prepayments, repurchases, defaults and liquidations), the pass-through or coupon rate and interest rate fluctuations. In addition, interest payment shortfalls due to delinquencies on the underlying mortgage loans have to be estimated. Differences between previously estimated cash flows and current actual and anticipated cash flows are recognized prospectively through an adjustment of the yield over the remaining life of the security based on the current amortized cost of the investment as adjusted for credit impairment, if any.

Other-than-temporary impairment

We evaluate real estate securities for OTTI on at least a quarterly basis. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a real estate security is less than its amortized cost at the balance sheet date, the security is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary."

When a real estate security is impaired, an OTTI is considered to have occurred if (i) we intend to sell the security (i.e. a decision has been made as of the reporting date) or (ii) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If we intend to sell the security or if it is more likely than not that we will be required to sell the real estate security before recovery of its amortized cost basis, the entire amount of the impairment loss, if any, is recognized in earnings as a realized loss and the cost basis of the security is adjusted to its fair value. Additionally, for real estate securities accounted for under ASC 325-40, an OTTI is deemed to have occurred when there is an adverse change in the expected cash flows to be received and the fair value of the security is less than its carrying amount. In determining whether an adverse change in cash flows occurred, the present value of the remaining cash flows, as estimated at the initial transaction date (or the last date previously revised), is compared to the present value of the expected cash flows at the current reporting date. The estimated cash flows reflect those a "market participant" would use and include observations of current information and events and assumptions related to fluctuations in interest rates, prepayment speeds and the timing and amount of potential credit losses. Cash flows are discounted at a rate equal to the current yield used to accrete interest income. Any resulting OTTI adjustments are reflected in the "Net realized gain/(loss)" line item on the consolidated statement of operations.

Increases in interest income may be recognized on a security on which the Company previously recorded OTTI if the performance of such security subsequently improves. The determination as to whether an OTTI exists is subjective, given that such determination is based on information available at the time of assessment as well as our estimate of the future performance and cash flow projections for the individual security. As a result, the timing and amount of an OTTI constitutes an accounting estimate that may change materially over time.

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

Interest income and other-than-temporary impairment recognition on mortgage loans and real estate securities acquired with deteriorated credit quality

When we purchase mortgage loans and real estate securities that have shown evidence of credit deterioration since origination, we will analyze such investments to determine if the application of ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" is warranted. If it is determined that it is probable we will not collect all contractual cash flows on those assets, we will apply the guidance found in ASC 310-30. For purposes of mortgage loan income recognition, we aggregate loans acquired that have common risk characteristics into a pool and use a composite interest rate and expectation of cash flows expected to be collected for such pool.

Interest income is recognized on a level-yield basis over the life of the loan or security as long as cash flows can be reasonably estimated. The level-yield is determined by the excess of our initial estimate of undiscounted expected principal, interest, and other cash flows expected to be collected over our initial investment in the mortgage loan or security (accretable yield). The excess of contractually required cash flows over cash flows expected to be collected (nonaccretable difference) is not recognized as an adjustment of yield.

On at least a quarterly basis, we update our estimate of the cash flows expected to be collected for loans and real estate securities. If based on the most current information and events it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, we will recognize these changes prospectively through an adjustment of the investment's yield over its remaining life. We will adjust the amount of accretable yield by reclassification from the nonaccretable difference. The adjustment is accounted for as a change in estimate in conformity with ASC 250 with the amount of periodic accretion adjusted over the remaining life of the loan. Decreases in cash flows expected to be collected from previously projected cash flows, which includes all cash flows originally expected to be collected by the investor plus any additional cash flows expected to be collected arising from changes in estimate after acquisition, are recognized as impairment.

Derivatives

We enter into various types of derivative instruments to hedge our exposure to market risk. We used or may use derivative instruments such as interest rate swaps, Futures and credit derivatives as instruments to reduce such exposure, and other instruments including long and short positions in U.S. Treasury securities to manage interest rate risk. We account for derivative financial instruments in accordance with ASC 815-10, "Derivatives and Hedging."

In valuing our derivatives, we consider both our own creditworthiness and the creditworthiness of our counterparties, along with collateral provisions contained in each derivative agreement, from both our and our counterparties' perspective. All of our derivatives are either subject to bilateral collateral arrangements or clearing in accordance with the Dodd-Frank Act. For swaps cleared under the Dodd Frank Act, a Central Counterparty Clearing House now stands between us and the over-the-counter derivative counterparties. In order to access such clearing, we have entered into clearing agreements with futures commissions merchants ("FCMs"). We present derivative assets and liabilities on a gross basis.

Inflation

Virtually all of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance far more than inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates.

Other matters

We intend to conduct our business so as to maintain our exempt status under, and not to become regulated as an investment company for purposes of the Investment Company Act. If we failed to maintain our exempt status under the Investment Company Act and became regulated as an investment company, our ability to, among other things, use leverage would be substantially reduced and, as a result, we would be unable to conduct our business as described in this report. Accordingly, we monitor our compliance with both the 55% Test and the 80% Test of the Investment Company Act in order to maintain our exempt status. As of December 31, 2016, we determined that we maintained compliance with both the 55% Test and the 80% Test requirements.

We calculate that at least 75% of our assets were real estate assets, cash and cash items and government securities for the year ended December 31, 2016. We also calculate that our revenue qualifies for the 75% gross income test and for the 95% gross income test rules for the year ended December 31, 2016. Overall, we believe that we met the REIT income and asset tests. We also believe that we met all other REIT requirements, including the ownership of our common stock and the distribution of our net income. Therefore, for the year ended December 31, 2016, we believe that we qualified as a REIT under the Code.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The primary components of our market risk relate to interest rates, liquidity, prepayment rates and credit risk. While we do not seek to avoid risk completely, we seek to assume risk that can be quantified from historical experience and to actively manage that risk, to earn sufficient returns to justify taking those risks and to maintain capital levels consistent with the risks we undertake.

Interest rate risk

Interest rate risk is highly sensitive to many factors, including governmental monetary, fiscal and tax policies, domestic and international economic and political considerations and other factors beyond our control. We are subject to interest rate risk in connection with both our investments and the financing under our repurchase agreements. We generally seek to manage this risk by monitoring, the reset index and interest rate related to our target assets and our financings; by structuring our financing agreements to have a range of maturity terms, amortizations and interest rate adjustment periods; and using hedging instruments to adjust interest rate sensitivity of our target assets and borrowings.

Interest rate effects on net interest income

Our operating results depend in large part upon differences between the yields earned on our investments and our cost of borrowing and upon the effectiveness of our interest rate hedging activities. The majority of our repurchase agreements are short term in nature with an initial term of between 30 and 90 days. The financing rate on these agreements will generally be determined at the outset of each transaction by reference to prevailing short-term rates plus a spread. As a result, our borrowing costs will tend to increase during periods of rising short-term interest rates as we renew, or “roll”, maturing transactions at the higher prevailing rates. When combined with the fact that the income we earn on our fixed interest rate investments will remain substantially unchanged, this will result in a narrowing of the net interest spread between the related assets and borrowings and may even result in losses. We have obtained term financing on certain borrowing arrangements. The financing on term facilities generally are fixed at the outset of each transaction by reference to a pre-determined interest rate plus a spread.

In an attempt to offset the increase in funding costs related to rising short term interest rates, our Manager enters into hedging transactions structured to provide us with positive cash flow in the event short term interest rates rise. Our Manager accomplishes this through the use of interest rate derivatives. Some hedging strategies involving the use of derivatives are highly complex, may produce volatile returns and may expose us to increased risks relating to counterparty defaults.

Interest rate effects on fair value

Another component of interest rate risk is the effect that changes in interest rates will have on the market value of the assets that we acquire.

Generally, in a rising interest rate environment, the fair value of our real estate securities and loan portfolios would be expected to decrease, all other factors being held constant. In particular, the portion of our real estate securities and loan portfolios with fixed-rate coupons would be expected to decrease in value more severely than that portion with a floating-rate coupon. This is because fixed-rate coupon assets tend to have significantly more duration or price sensitivity to changes in interest rates, than floating-rate coupon assets. Fixed-rate assets currently comprise a majority of our portfolio.

The fair value of our investment portfolio could change at a different rate than the fair value of our liabilities when interest rates change. We measure the sensitivity of our portfolio to changes in interest rates by estimating the duration of our assets and liabilities. Duration is the approximate percentage change in fair value for a 100 basis point parallel shift in the yield curve. In general, our assets have higher duration than our liabilities. In order to reduce this exposure we use hedging instruments to reduce the gap in duration between our assets and liabilities.

We calculate estimated effective duration (i.e., the price sensitivity to changes in risk-free interest rates) to measure the impact of changes in interest rates on portfolio value. We estimate duration based on third-party models. Different models and methodologies can produce different effective duration estimates for the same securities. We allocate the net duration by asset type based on the interest rate sensitivity.

On June 30, 2017, we computed an estimated net effective duration of 1.44 years, comprised of 2.45 Agency RMBS duration, 1.02 of credit investment duration, (1.97) hedge duration and (0.06) liability duration.

The following table quantifies the estimated changes in net interest income and GAAP equity should interest rates go up or down by 50 and 100 basis points, assuming (i) the yield curves of the rate shocks will be parallel to each other and the current yield curve and (ii) all other market risk factors remain constant. These estimates were compiled using a combination of third-party services and models, market data and internal models. All changes in income and equity are measured as percentage changes from the projected net interest income and GAAP equity from our base interest rate scenario. The base interest rate scenario assumes spot and forward interest rates, which existed as of June 30, 2017. Actual results could differ materially from these estimates.

Agency RMBS assumptions attempt to predict default and prepayment activity at projected interest rate levels. To the extent that these estimates or other assumptions do not hold true, actual results will likely differ materially from projections and could be larger or smaller than the estimates in the table below. Moreover, if different models were employed in the analysis, materially different projections could result. In addition, while the table below reflects the estimated impact of interest rate increases and decreases on a static portfolio as of June 30, 2017, our Manager may from time to time sell any of our investments as a part of the overall management of our investment portfolio.

Change in Interest Rates (basis points) (1)(2)	Change in Market Value as a Percentage of GAAP Equity	Change in Market Value as a Percentage of Assets	Percentage Change in Projected Net Interest Income
+100	-10.3%	-2.2%	-4.3%
+50	-4.7%	-1.0%	-2.1%
-50	3.0%	0.6%	1.6%
-100	4.1%	0.9%	2.5%

(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.

Certain assumptions have been made in connection with the calculation of the information set forth in the foregoing interest rate sensitivity table and, as such, there can be no assurance that assumed events will occur or that other events will not occur that would affect the outcomes. The base interest rate scenario assumes interest rates at June 30, 2017. Furthermore, while we generally expect to retain such assets and the associated interest rate risk to maturity, future purchases and sales of assets could materially change our interest rate risk profile.

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.

Liquidity risk

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

Liquidity risk – repurchase agreements

We pledge real estate securities or mortgage loans and cash as collateral to secure our repurchase transactions. Should the fair value of our real estate securities or mortgage loans pledged as collateral decrease (as a result of rising interest rates, changes in prepayment speeds, widening of credit spreads or otherwise), we will likely be subject to margin calls for additional collateral from our financing counterparties. Should the fair value of our real estate securities or mortgage loans decrease materially and suddenly, margin calls will likely increase causing an adverse change to our liquidity position which could result in substantial losses. In addition, we cannot be assured that we will always be able to roll our repurchase transactions at their scheduled maturities which could cause material additional harm to our liquidity position and result in substantial losses. Further, should funding conditions tighten as they did in 2007 - 2009, our repurchase agreement counterparties may increase our margin requirements on new financings, including repurchase transactions that we roll at maturity with the same counterparty, which would require us to post additional collateral and would reduce our ability to use leverage and could potentially cause us to incur substantial losses.

In January 2016, the FHFA issued the Final Rule, which expressly excludes captive insurance companies, including our captive insurance company, from being eligible for membership in the FHLBC and prohibits the FHLBC from making any more advances or extending any existing advances to our captive insurance company. Under the Final Rule, the FHLBC must wind down its relationships with our captive insurance company by February 19, 2017. The FHLBC cannot make any new advances or extend any existing advances to our captive insurance company. On June 30, 2017, we had no advances outstanding with the FHLBC and do not consider them a source for liquidity.

Liquidity risk - derivatives

The terms of our interest rate swaps and futures require us to post collateral in the form of cash or Agency RMBS to our counterparties to satisfy two types of margin requirements: variation margin and initial margin.

We and our swap and futures counterparties are both required to post variation margin to each other depending upon the daily moves in prevailing benchmark interest rates. The amount of this variation margin is derived from the mark to market valuation of our swap or futures. Hence, as our swaps or futures lose value in a falling interest rate environment, we are required to post additional variation margin to our counterparties on a daily basis; conversely, as our swaps or futures gain value in a rising interest rate environment, we are able to recall variation margin from our counterparties. By recalling variation margin from our swap or futures counterparties, we are able to partially mitigate the liquidity risk created by margin calls on our repurchase transactions during periods of rising interest rates.

Initial margin works differently. Collateral posted to meet initial margin requirements is intended to create a safety buffer to benefit our counterparties if we were to default on our payment obligations under the terms of the swap or futures and our counterparties were forced to unwind the swap or futures. For our non-centrally cleared instruments, the initial margin is set at the outset of each trade as a fixed percentage of the notional amount of the instrument. This means that once we post initial margin at the outset of a non-centrally cleared instrument, we will have no further posting obligations as it pertains to initial margin. However, the initial margin on our centrally cleared instruments 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 instruments will likewise increase, potentially by a substantial amount. These margin increases will have a negative impact on our liquidity position and will likely impair the intended liquidity risk mitigation effect of our swaps and futures discussed above.

Our TBA dollar roll contracts are also subject to margin requirements governed by the Mortgage-Backed Securities Division ("MBSD") of the Fixed Income Clearing Corporation and by our prime brokerage agreements, which may establish margin levels in excess of the MBSD. Such provisions require that we establish an initial margin based on the notional value of the TBA contract, which is subject to increase if the estimated fair value of our TBA contract or the estimated fair value of our pledged collateral declines. The MBSD has the sole discretion to determine the value of our TBA contracts and of the pledged collateral securing such contracts. In the event of a margin call, we must generally provide additional collateral, either securities or cash, on the same business day.

Our Manager seeks to mitigate our liquidity risks by maintaining a prudent level of leverage, monitoring our liquidity position on a daily basis and maintaining a substantial cushion of cash and unpledged real estate securities and loans in our portfolio in order to meet future margin calls. In addition, our Manager seeks to further mitigate our liquidity risk by (i) diversifying our exposure across a broad number of financing counterparties, (ii) limiting our exposure to any single financing counterparty and (iii) monitoring the ongoing financial stability of our financing counterparties.

Prepayment risk

Premiums arise when we acquire real estate assets at a price in excess of the principal balance of the mortgages securing such assets (i.e., par value). Conversely, discounts arise when we acquire assets at a price below the principal balance of the mortgages securing such assets. Premiums paid on our assets are amortized against interest income and accretable purchase discounts on our assets are accreted to interest income. Purchase premiums on our assets, which are primarily carried on our Agency RMBS, are amortized against interest income over the life of each respective asset using the effective yield method, adjusted for actual prepayment activity. An increase in the prepayment rate, as measured by the CPR, will typically accelerate the amortization of purchase premiums, thereby reducing the yield or interest income earned on such assets. Generally, if prepayments on our Non-Agency RMBS or mortgage loans are less than anticipated, we expect that the income recognized on such assets would be reduced due to the slower accretion of purchase discounts, and impairments could result.

As further discussed in the "Critical Accounting Policies" section above, differences between previously estimated cash flows and current actual and anticipated cash flows caused by changes to prepayment or other assumptions are adjusted retrospectively through a "catch up" adjustment for the impact of the cumulative change in the effective yield through the reporting date for securities accounted for under ASC 320-10 (generally, Agency RMBS) or adjusted prospectively through an adjustment of the yield over the remaining life of the investment for investments accounted for under ASC 325-40 (generally, Non-Agency RMBS, ABS, CMBS and interest-only securities) and mortgage loans accounted for under ASC 310-30.

In addition, our interest rate hedges are structured in part based upon assumed levels of future prepayments within our real estate securities or mortgage loan portfolio. If prepayments are slower or faster than assumed, the life of the real estate securities or mortgage loans will be longer or shorter than assumed, respectively, which could reduce the effectiveness of our Manager's hedging strategies and may cause losses on such transactions.

Our Manager seeks to mitigate our prepayment risk by investing in real estate assets with a variety of prepayment characteristics as well as by attempting to maintain in our portfolio a mix of assets purchased at a premium with assets purchased at a discount.

Real estate value risk

Residential and commercial property values are subject to volatility and may be affected adversely by a number of factors outside of our control, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing or commercial real estate); construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. Decreases in property values reduce the value of the collateral underlying our RMBS and CMBS portfolios as well as the potential sale proceeds available to repay our loans in the event of a default. In addition, substantial decreases in property values can increase the rate of strategic defaults by residential mortgage borrowers which can impact and create significant uncertainty in the recovery of principal and interest on our investments.

Credit risk

Although we expect to encounter only de minimis credit risk in our Agency RMBS portfolio, we are exposed to the risk of potential credit losses from an unanticipated increase in borrower defaults as well as general credit spread widening on any Non-Agency assets in our portfolio, including residential and commercial mortgage loans as well as Non-Agency RMBS, ABS and CMBS. We seek to manage this risk through our Manager's pre-acquisition due diligence process and, if available, through the use of non-recourse financing, which limits our exposure to credit losses to the specific pool of collateral which is the subject of the non-recourse financing. Our Manager's pre-acquisition due diligence process includes the evaluation of, among other things, relative valuation, supply and demand trends, the shape of various yield curves, prepayment rates, delinquency and default rates, recovery of various sectors and vintage of collateral.

Basis risk

Basis risk refers to the possible decline in our book value triggered by the risk of incurring losses on the fair value of our Agency RMBS as a result of widening market spreads between the yields on our Agency RMBS and the yields on comparable duration Treasury securities. The basis risk associated with fluctuations in fair value of our Agency RMBS may relate to factors impacting the mortgage and fixed income markets other than changes in benchmark interest rates, such as actual or anticipated monetary policy actions by the Federal Reserve, market liquidity, or changes in required rates of return on different assets. Consequently, while we use interest rate swaps and other hedges to protect against moves in interest rates, such instruments will generally not protect our net book value against basis risk.

ITEM 4. 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, 2017. 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.

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

ITEM 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, 2016 and our subsequent filings, which are available on the Securities and Exchange Commission's website at www.sec.gov, and in the "Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections herein.

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

In June 2017, Wells Fargo Bank, N.A., in its capacity as trustee in 20 residential mortgage-backed securitizations, withheld more than $90 million due to the bondholders of the securities in those securitizations. The funds were withheld to cover potential legal costs in suits brought by investors to recover losses suffered during the financial crisis in which the investors claim that the trustees breached certain duties to such investors. It is not clear if Wells Fargo & Co., as trustee in other deals, will withhold funds to cover legal expenses in these other deals or whether other financial institutions, as trustees in these types of securitizations, will withhold funds for similar reasons. We do not hold bonds in any of the 20 residential mortgage-backed securitizations where Wells Fargo Bank, N.A. withheld funds. However, if funds are withheld by trustees in securitizations where we hold securities, we do could incur losses that may materially and adversely affect our financial condition and results of operations.

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
*3.1	Articles of Amendment and Restatement of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of Amendment No. 2 to our Registration Statement on Form S-11, filed with the Securities and Exchange Commission on April 18, 2011 (“Pre-Effective Amendment No. 2”).
*3.2	Amended and Restated Bylaws of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of Pre-Effective Amendment No. 2.
*3.3	Articles Supplementary of 8.25% Series A Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 of Form 8-K, filed with the Securities and Exchange Commission on August 2, 2012.
*3.4	Articles Supplementary of 8.00% Series B Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 of Form 8-K, filed with the Securities and Exchange Commission on September 24, 2012.
*4.1	Specimen Stock Certificate of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 4.1 of Pre-Effective Amendment No. 2.
*4.2	Specimen 8.25% Series A Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 4.1 of Form 8-K, filed with the Securities and Exchange Commission on August 2, 2012.
*4.3	Specimen 8.00% Series B Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 4.1 of Form 8-K, filed with the Securities and Exchange Commission on September 24, 2012.
*10.1	Form of Registration Rights Agreement by and between the Company and the purchasers of units and shares in the private placement, dated June 29, 2011, incorporated by reference to Exhibit 10.1 of Amendment No. 7 to our Registration Statement on Form S-11, filed with the Securities and Exchange Commission on June 29, 2011 (“Pre-Effective Amendment No. 7”).
*10.2	Form of Management Agreement, dated June 29, 2011 by and between the Company and AG REIT Management, LLC, incorporated by reference to Exhibit 10.3 of Amendment No. 3 to our Registration Statement on Form S-11, filed with the Securities and Exchange Commission on April 25, 2011.**

*10.3	Equity Incentive Plan, dated July 6, 2011, incorporated by reference to Exhibit 10.4 of Pre-Effective Amendment No. 2.**
*10.4	Manager Equity Incentive Plan, dated July 6, 2011, incorporated by reference to Exhibit 10.5 of Pre-Effective Amendment No. 2.**
*10.5	Form of Manager Equity Incentive Plan Restricted Stock Award Agreement, dated July 6, 2011, incorporated by reference to Exhibit 10.6 of Pre-Effective Amendment No. 2.**
*10.6	Form of Equity Incentive Plan Restricted Stock Award Agreement, dated July 6, 2011, incorporated by reference to Exhibit 10.7 of Pre-Effective Amendment No. 2.**
*10.7	Form of Indemnification Agreement, dated July 6, 2011, by and between the Company and the Company's directors and officers, incorporated by reference to Exhibit 10.10 of Pre-Effective Amendment No. 7.
*10.8	Amended and Restated Master Repurchase and Securities Contract dated as of April 12, 2013 between AG MIT, LLC, AG Mortgage Investment Trust, Inc. and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.1 of Form 8-K, filed with the Securities and Exchange Commission on April 15, 2013.
*10.9	Guarantee Agreement dated as of April 9, 2012 by AG Mortgage Invest Trust, Inc. in favor of Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.2 of Form 8-K, filed with the Securities and Exchange Commission on April 10, 2012.
*10.10	Amended and Restated Master Repurchase and Securities Contract dated as of February 11, 2014 between AG MIT WFB1 2014 LLC and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.1 of Form 8-K, filed with the Securities and Exchange Commission on February 21, 2014.
*10.11	Guarantee Agreement dated as of February 11, 2014 by AG MIT, LLC and AG Mortgage Invest Trust, Inc. in favor of Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.2 of Form 8-K, filed with the Securities and Exchange Commission on February 21, 2014.
*10.12	Master Repurchase and Securities Contract dated as of September 17, 2014, as amended by Omnibus Amendment No.1, dated as of August 4, 2015, between AG MIT CREL LLC and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.1 of Form 8-K, filed with the Securities and Exchange Commission on September 18, 2014.
*10.13	Guarantee Agreement dated as of September 17, 2014 as amended by Omnibus Amendment No.1, dated as of August 4, 2015, by AG MIT, LLC and AG Mortgage Investment Trust, Inc. in favor of Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.2 of Form 8-K, filed with the Securities and Exchange Commission on September 18, 2014.
*10.14	Form of Restricted Stock Unit Award Agreement, dated July 1, 2014, incorporated by reference to Exhibit 10.14 on Form 10-Q, filed with the Securities and Exchange Commission on November 6, 2014.**
*10.15	Omnibus Amendment No.1 to Master Repurchase and Securities Contract, Guarantee Agreement and Fee and Pricing Letter dated as of August 4, 2015 between AG MIT CREL, LLC and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 10.15 of Form 10-Q , filed with the Securities and Exchange Commission on August 6, 2015.
10.16	Form of Restricted Stock Unit Award Agreement, dated July 1, 2017.**
31.1	Certification of David N. Roberts pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Brian C. Sigman pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of David N. Roberts pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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101.SCH	XBRL Taxonomy Extension Schema Document

101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Fully or partly previously filed.
** Management contract or compensatory plan or arrangement.

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 9, 2017	By: /s/ David N. Roberts
	David N. Roberts
	Chief Executive Officer (principal executive officer)
August 9, 2017	By: /s/ Brian C. Sigman
	Brian C. Sigman
	Chief Financial Officer and Treasurer (principal financial officer and principal accounting officer)

AG MORTGAGE INVESTMENT TRUST, INC.

FORM 10-Q
June 30, 2017

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* Fully or partly previously filed.
** Management contract or compensatory plan or arrangement.

Exhibit 10.16

FORM OF RESTRICTED STOCK UNIT AWARD AGREEMENT
UNDER THE
AG MORTGAGE INVESTMENT TRUST, INC.
MANAGER EQUITY INCENTIVE PLAN

Name of Manager:	AG REIT Management, LLC (the "*Manager*")
Total Number of Restricted Stock Units Subject to the Award:	[ ] (the "*RSUs*")
Award Date:	[ ] (the "*Award Date*")
Vesting Schedule:	One-Third (1/3) of the RSUs will vest annually following the Award Date. [ ] RSUs to vest on [ ] [ ] RSUs to vest on [ ] [ ] RSUs to vest on [ ]

This Restricted Stock Unit Award Agreement (the "*Award Agreement*") is between AG Mortgage Investment Trust, Inc. (the "*Company*") and the Manager. The Company hereby grants to the Manager a Restricted Stock Unit Award, subject to vesting and certain other restrictions as provided in this Award Agreement, under the AG Mortgage Investment Trust, Inc. Manager Equity Incentive Plan, as the same may be amended from time to time (the "*Plan*"). Accordingly, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Manager hereby agree as follows:

1. Award of Restricted Stock Units. The Company hereby grants the Manager, effective as of the Award Date, the number of RSUs set forth above under "Total Number of Restricted Stock Units Subject to the Award," upon the terms and conditions set forth in the Plan and this Award Agreement (as described herein, the "*Award*").

2. Acceptance of Award. The Manager shall have no rights with respect to the Award and this Award Agreement unless the Manager has read and acknowledged this Award Agreement prior to the close of business on the first business day on or after the tenth calendar day following the Award Date by signing and delivering to the Company a copy of this Award Agreement.

3. Settlement. On or as soon as practicable after each vesting date described in the "Vesting Schedule" above or Section 6 below, the Company shall settle the vested RSUs by issuing to the Manager or to the holder of such RSUs pursuant to a transfer permitted under Section 4, one share of the Company's common stock ("Share") for each vested RSU.

4. Transferability. RSUs granted herein may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of by the Manager. Notwithstanding the foregoing, the Manager may, per Section 10 of the Plan, allocate all or a portion of the RSUs granted hereunder to the Manager's officers or other personnel of the Manager or its Affiliates. To the extent that any RSUs are transferable, any such transferee shall remain subject to the terms, conditions, and restrictions contained in the Plan and this Award Agreement, and no such transfer shall be effective unless and until the applicable transferee acknowledges in writing to the Company that such transfer is subject to the terms, conditions, and restrictions contained in the Plan and this Award Agreement and the transfer complies with Applicable Laws. To the extent consistent with the terms and conditions contained in the Plan and this Award Agreement, the Manager can subject such transferee to additional restrictions under which the transferred RSUs can be forfeited and returned to the Manager (including, but not limited to, the transferee's termination of employment or other service to the Manager or its Affiliates).

5. Shareholder Rights. Neither the Manager nor any transferee of the RSUs shall have any rights as a stockholder of record with the respect to the RSUs until, and then only to the extent that, Shares are issued in settlement of the vested RSUs. Upon the issuance of Shares in settlement of the vested RSUs, the Manager or the transferee of the RSUs, as applicable, shall have all the rights of a stockholder of record of the Company, including voting rights and to receive dividends on the Shares.

6. Termination of Management Agreement . Upon termination of the Management Agreement either (i) by the Company for Cause (as defined in the Management Agreement) or (ii) by the Manager for Cause (as defined in the Management Agreement) or for any reason other than pursuant to a Termination Notice (as defined in the Management Agreement) that is given in connection with a determination that the compensation payable to the Manager is not fair, all unvested RSUs then held by the Manager or the Manager's transferee shall be immediately cancelled and forfeited without consideration. Upon termination of the Management Agreement for any reason other than as enumerated in the immediately preceding sentence, any RSUs that were not previously vested will become fully vested, and any performance conditions imposed with respect to the Award will be deemed to be fully achieved. In the event of a Change of Control prior to termination of the Management Agreement, all RSUs, to the extent then unvested, shall immediately prior to such Change of Control become fully vested.

7. Tax Treatment. The Manager acknowledges that it will consult with a tax advisor regarding the federal, state, and local tax consequences of the Award of the RSUs, payment of dividends on the Shares issued in settlement of the vested RSUs, the vesting of the RSUs and any other matters related to this Award Agreement. The Manager is not relying on any statements or representations of the Company or any of its agents. The Manager understands that it is responsible for its own tax liability that may arise as a result of this Award of the RSUs or any other matters related to this Agreement.

8. The Plan. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Award Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Award Agreement shall have the definitions set forth in the Plan. The Committee shall have final authority to interpret and construe the Plan and this Award Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Manager and its representatives in respect of any questions arising under the Plan or this Award Agreement.

9. No Right to Continued Service. In consideration of the grant of the Award by the Company, the Manager agrees to render faithful and efficient services to the Company. Nothing in the Plan or this Award Agreement shall confer upon the Manager any right to continue in the service of the Company or any Affiliate or shall interfere with or restrict in any way the rights of the Company and its Affiliates, which rights are hereby expressly reserved, to discharge or terminate the Manager's services at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise by Applicable Laws or in a written agreement between the Manager and the Company or its Affiliates.

10. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Manager at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

11. Securities Matters. The Company shall not be required to issue or deliver any RSUs or Shares until the requirements of any federal or state securities or other Applicable Laws, rules or regulations (including the rules of any securities exchange) as may be determined by the Company to be applicable are satisfied. The Manager acknowledges that the Plan is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, the RSUs are granted and Shares will be issued in settlement of vested RSUs, in each case only in such a manner as to conform to such Applicable Laws. To the extent permitted by Applicable Laws, the Plan and this Award Agreement shall be deemed amended to the extent necessary to conform to such Applicable Laws.

12. Consent to Electronic Delivery. In lieu of receiving documents in paper format, the Manager agrees, to the fullest extent permitted by Applicable Laws, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports, and all other agreements, forms and communications) in connection with this and any other prior or future incentive award or program made or offered by the Company or its predecessors or successors. Electronic delivery of a document to the Manager may be via a Company e-mail system or by reference to a location on a Company intranet site to which the Manager has access.

13. Electronic Signature. All references to signatures of documents in this Award can be satisfied by procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents, including this Award. The Manager's electronic signature is the same as, and shall have the same force and effect as, the Manager's manual signature. Any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan.

14. Entire Award Agreement. This Award Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations, and negotiations in respect thereto.

15. Benefit and Binding Effect. This Award Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors, permitted assigns, and legal representatives. The Company has the right to assign this Award Agreement, and such assignee shall become entitled to all the rights of the Company hereunder to the extent of such assignment.

16. Governing Law. This Award Agreement shall be governed by the laws of the State of Maryland, without giving effect to its conflict or choice of law rules or principles that might otherwise refer construction or interpretation of this Plan to the substantive law of another jurisdiction.

17. Counterparts. This Award Agreement is to be executed in duplicate and may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[*Signature Page Follows*]

AG MORTGAGE INVESTMENT TRUST, INC.

By: ______________________________

Name

Title

Please indicate your acceptance of the terms and conditions of this Award Agreement by signing in the space provided below and returning a signed copy of this Award Agreement to the Company. IF A FULLY EXECUTED COPY OF THIS AGREEMENT HAS NOT BEEN RECEIVED BY THE COMPANY, THE COMPANY SHALL REVOKE ALL SHARES GRANTED TO THE MANAGER, AND AVOID ALL OBLIGATIONS UNDER THIS AGREEMENT.

The undersigned hereby accepts, and agrees to, all terms and provisions of this Award Agreement.

AG REIT MANAGEMENT, LLC

By: ______________________________

Name

Title

Signature Page to Manager Restricted Stock Unit Award Agreement

Exhibit 31.1

I, David N. Roberts, 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 controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 9, 2017

/s/ David N. Roberts
David N. Roberts
Chief Executive Officer

Exhibit 31.2

I, Brian C. Sigman, certify that:

1. I have reviewed this 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 controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 9, 2017

/s/ Brian C. Sigman
Brian C. Sigman
Chief Financial Officer and
Treasurer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of AG Mortgage Investment Trust, Inc. (the "Company") for the quarterly period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David N. Roberts, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

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

/s/ David N. Roberts
David N. Roberts
Chief Executive Officer
August 9, 2017

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of AG Mortgage Investment Trust, Inc. (the "Company") for the quarterly period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian C. Sigman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

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

/s/ Brian C. Sigman
Brian C. Sigman
Chief Financial Officer and
Treasurer
August 9, 2017