

AG Mortgage Investment Trust, Inc.
Form 10-Q
November 05, 2015

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 September 30, 2015

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 **27-5254382**
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

245 Park Avenue, 26th Floor **10167**
New York, New York
(Address of Principal Executive Offices) (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 filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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 October 31, 2015, there were 28,412,925 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)**

	September 30, 2015	December 31, 2014
Assets		
Real estate securities, at fair value:		
Agency - \$1,386,686,075 and \$1,691,194,581 pledged as collateral, respectively	\$ 1,511,770,924	\$ 1,808,314,746
Non-Agency - \$1,088,370,200 and \$1,088,398,641 pledged as collateral, respectively	1,141,674,101	1,140,077,928
ABS - \$56,294,507 and \$66,693,243 pledged as collateral, respectively	56,294,507	66,693,243
CMBS - \$132,425,798 and \$96,920,646 pledged as collateral, respectively	138,606,755	100,520,652
Residential mortgage loans, at fair value - \$73,196,700 and \$73,407,869 pledged as collateral, respectively	79,526,198	85,089,859
Commercial loans, at fair value - \$62,800,000 pledged as collateral	72,800,000	72,800,000
U.S. Treasury securities, at fair value - \$126,566,328 and \$0 pledged as collateral, respectively	126,566,328	-
Investments in affiliates	41,834,369	20,345,131
Excess mortgage servicing rights, at fair value	455,743	628,367
Linked transactions, net, at fair value	-	26,695,091
Cash and cash equivalents	48,118,818	64,363,514
Restricted cash	39,975,602	34,477,975
Interest receivable	11,321,499	11,886,019
Receivable on unsettled trades - \$49,463,611 and \$0 pledged as collateral, respectively	51,364,775	-
Receivable under reverse repurchase agreements	25,687,500	-
Derivative assets, at fair value	53,007	11,382,622
Other assets	16,147,164	10,543,072
Due from broker	3,294,102	4,586,912
Total Assets	\$ 3,365,491,392	\$ 3,458,405,131
Liabilities		
Repurchase agreements	\$ 2,213,921,641	\$ 2,644,955,948
FHLBC advances	351,694,000	-
Securitized debt	32,804,051	39,777,914
	25,197,266	-

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Obligation to return securities borrowed under reverse repurchase agreements, at fair value		
Payable on unsettled trades	9,540,502	-
Interest payable	2,833,873	2,461,494
Derivative liabilities, at fair value	18,184,072	8,608,209
Dividend payable	17,046,562	17,031,609
Due to affiliates	5,029,665	4,850,807
Accrued expenses	1,822,912	2,285,339
Taxes payable	1,339,716	1,743,516
Due to broker	139,702	4,015,152
Total Liabilities	2,679,553,962	2,725,729,988
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 28,410,937 and 28,386,015 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	284,110	283,861
Additional paid-in capital	586,222,271	586,051,751
Retained earnings/(deficit)	(61,782,956)	(14,874,474)
Total Stockholders' Equity	685,937,430	732,675,143
Total Liabilities & Stockholders' Equity	\$ 3,365,491,392	\$ 3,458,405,131

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 September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net Interest Income				
Interest income	\$ 33,506,151	\$ 36,197,633	\$ 107,164,687	\$ 106,419,808
Interest expense	8,506,994	6,819,731	23,595,601	19,750,086
	24,999,157	29,377,902	83,569,086	86,669,722
Other Income				
Net realized gain/(loss)	(4,710,086)	10,539,221	(16,513,340)	9,261,721
Income/(loss) from linked transactions, net	-	3,481,936	-	11,018,043
Realized loss on periodic interest settlements of derivative instruments, net	(3,340,497)	(5,260,449)	(10,030,453)	(17,341,950)
Unrealized gain/(loss) on real estate securities and loans, net	7,238,103	(19,457,277)	(3,758,180)	52,563,595
Unrealized gain/(loss) on derivative and other instruments, net	(19,523,287)	9,459,244	(22,645,097)	(33,639,291)
	(20,335,767)	(1,237,325)	(52,947,070)	21,862,118
Expenses				
Management fee to affiliate	2,481,816	2,548,601	7,490,997	7,556,613
Other operating expenses	3,390,191	3,140,272	9,754,131	8,523,178
Servicing fees	174,999	157,016	494,997	319,733
Equity based compensation to affiliate	51,069	67,562	164,487	222,221
Excise tax	375,000	533,539	1,125,000	1,408,539
	6,473,075	6,446,990	19,029,612	18,030,284
Income/(loss) before income tax benefit/(expense) and equity in earnings/(loss) from affiliates	(1,809,685)	21,693,587	11,592,404	90,501,556
Income tax benefit/(expense)	-	172,709	-	79,914
Equity in earnings/(loss) from affiliates	1,512,037	523,316	2,713,834	4,159,667
Net Income/(Loss)	(297,648)	22,389,612	14,306,238	94,741,137
Dividends on preferred stock	3,367,354	3,367,354	10,102,062	10,102,062

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Net Income/(Loss) Available to Common Stockholders	\$ (3,665,002) \$ 19,022,258	\$ 4,204,176	\$ 84,639,075
Earnings/(Loss) Per Share of Common Stock				
Basic	\$ (0.13	) \$ 0.67	\$ 0.15	\$ 2.98
Diluted	\$ (0.13	) \$ 0.67	\$ 0.15	\$ 2.98
Weighted Average Number of Shares of Common Stock Outstanding				
Basic	28,410,937	28,384,238	28,396,006	28,377,681
Diluted	28,410,937	28,405,069	28,405,900	28,396,797

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 Preferred Stock	8.00 % Series B Cumulative Redeemable Preferred Stock	Additional Paid-in Capital	Retained Earnings/(Deficit)	Total
	Shares	Amount					
Balance at January 1, 2014	28,365,655	\$283,657	\$49,920,772	\$111,293,233	\$585,619,488	\$(42,686,416)	\$704,430,734
Grant of restricted stock and amortization of equity based compensation	18,692	187	-	-	324,147	-	324,334
Common dividends declared	-	-	-	-	-	(51,082,601)	(51,082,601)
Preferred Series A dividends declared	-	-	-	-	-	(3,202,062)	(3,202,062)
Preferred Series B dividends declared	-	-	-	-	-	(6,900,000)	(6,900,000)
Net Income/(Loss)	-	-	-	-	-	94,741,137	94,741,137
Balance at September 30, 2014	28,384,347	\$283,844	\$49,920,772	\$111,293,233	\$585,943,635	\$(9,129,942)	\$738,311,542
Balance at January 1, 2015	28,386,015	\$283,861	\$49,920,772	\$111,293,233	\$586,051,751	\$(14,874,474)	\$732,675,143
Offering costs	-	-	-	-	(83,651)	-	(83,651)
Grant of restricted stock and amortization of	24,922	249	-	-	254,171	-	254,420

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equity based compensation							
Common dividends declared	-	-	-	-	-	(51,112,658)	(51,112,658)
Preferred Series A dividends declared	-	-	-	-	-	(3,202,062)	(3,202,062)
Preferred Series B dividends declared	-	-	-	-	-	(6,900,000)	(6,900,000)
Net Income/(Loss)	-	-	-	-	-	14,306,238	14,306,238
Balance at September 30, 2015	28,410,937	\$284,110	\$49,920,772	\$111,293,233	\$586,222,271	\$(61,782,956)	\$685,937,430

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)**

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	
Cash Flows from Operating Activities			
Net income/(loss)	\$ 14,306,238	\$ 94,741,137	
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:			
Net realized (gain)/loss	16,513,340	(9,261,721)
Net amortization of premium	11,797,776	13,736,544	
Net realized and unrealized (gains)/losses on securities underlying linked transactions	-	(3,503,633)
Unrealized (gains)/losses on derivative and other instruments, net	22,645,097	(52,563,595)
Unrealized (gains)/losses on real estate securities and loans, net	3,758,180	33,639,291	
Equity based compensation to affiliate	164,487	222,221	
Equity based compensation expense	89,933	108,147	
Income from investments in affiliates in excess of distributions received	(1,795,368	)	(583,442
Change in operating assets/liabilities:			
Interest receivable	944,438	352,904	
Other assets	815,753	(3,342,267)
Due from broker	1,292,810	(2,091,374)
Interest payable	(823,532	)	(1,079,037
Due to affiliates	178,858	93,183	
Accrued expenses	(462,427	)	1,939,323
Taxes payable	(403,800	)	(121,813
Net cash provided by (used in) operating activities	69,021,783	72,285,868	
Cash Flows from Investing Activities			
Purchase of real estate securities	(489,228,386	)	(731,253,700
Purchase of residential mortgage loans	-	)	(84,482,849
Purchase of commercial loans	-	)	(72,084,833
Purchase of U.S. treasury securities	(684,540,277)	-
Investments in affiliates	(19,250,900	)	3,276,182
Purchase of excess mortgage servicing rights	-	)	(730,146
Purchase of securities underlying linked transactions	-	)	(32,170,974
Proceeds from sale of real estate securities	417,999,930	)	674,416,942
Proceeds from sale of securities underlying linked transactions	-	)	26,056,464
Proceeds from sales of U.S. treasury securities	555,424,853)	-
Principal repayments on real estate securities	411,140,001	)	421,911,718
Principal repayments on residential mortgage loans	5,874,157	)	642,946
Principal repayments on securities underlying linked transactions	-)	43,017,323
Receipt of premium for interest rate swaptions	-)	433,750

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Payment of premium for interest rate swaptions	-	(745,500))
Net proceeds from (payment made) on reverse repurchase agreements	(25,690,492)	(775,216)
Net proceeds from (payment made) on sales of securities borrowed under reverse repurchase agreements	20,846,574	(395,472))
Net settlement of interest rate swaps	(12,078,785	)	109,276
Net settlement of TBAs	2,229,102	2,663,476	
Net settlement of IO Indexes	-	(569,230))
Purchase of FHLBC Stock	(7,035,900)	-
Cash flows provided by (used in) other investing activities	2,404,319	(8,426,524))
Restricted cash provided by (used in) investing activities	9,287,368	(10,287,254))
Net cash provided by (used in) investing activities	187,381,564	230,606,379	
Cash Flows from Financing Activities			
Offering costs	(83,651)	-
Borrowings under repurchase agreements	22,704,300,626	16,715,523,064	
Borrowings under FHLBC advances	351,694,000	-	
Borrowings under repurchase agreements underlying linked transactions	-	1,437,647,348	
Repayments of repurchase agreements	(23,248,698,806	)	(16,866,810,786)
Repayments of repurchase agreements underlying linked transactions	-	(1,529,386,730))
Net collateral received from (paid to) derivative counterparty	(20,304,766	)	(15,671,180)
Net collateral received from (paid to) repurchase counterparty	1,894,321	(25,497,101))
Net collateral received from (paid to) FHLBC	(250,000)	-
Dividends paid on common stock	(51,097,705	)	(51,072,886)
Dividends paid on preferred stock	(10,102,062	)	(10,102,062)
Net cash provided by (used in) financing activities	(272,648,043	)	(345,370,333)
Net change in cash and cash equivalents	(16,244,696	)	(42,478,086)
Cash and cash equivalents, Beginning of Period	64,363,514	86,190,011	
Cash and cash equivalents, End of Period	\$ 48,118,818	\$ 43,711,925	
Supplemental disclosure of cash flow information:			
Cash paid for interest on repurchase agreements	\$ 21,692,580	\$ 21,017,503	
Cash paid for income tax	\$ 1,554,101	\$ 1,579,928	
Real estate securities recorded upon unlinking of Linked Transactions	\$ 139,778,263	\$ 87,154,830	
Repurchase agreements recorded upon unlinking of Linked Transactions	\$ 113,363,873	\$ 73,501,051	
Transfer from residential mortgage loans to other assets	\$ 2,036,743	\$ 1,022,903	
Supplemental disclosure of non-cash financing and investing activities:			
Common stock dividends declared but not paid	\$ 17,046,562	\$ 17,030,608	
Decrease of securitized debt	\$ 7,513,512	\$ -	

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

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2015

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 enterprise such as Fannie Mae or Freddie Mac, 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 enterprise 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.”

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 commercial and residential mortgage loans as “mortgage loans” or “loans.”

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”). The 11 regional FHLBs provide short- and long-term secured loans, called “advances,” to their members. FHLB members may use a variety of real estate related assets, including the aforementioned real estate securities, as collateral for advances. Membership in the FHLBC obligates MITT Insurance to purchase FHLBC membership stock and activity stock, the latter being a percentage of the advances it obtains from the FHLBC. MITT Insurance may seek short- and long-term advances (together, “FHLBC Advances”) from the FHLBC.

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. The Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility with respect to the Manager’s 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 presentation 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.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2015

Previously the Company classified gains and losses related to linked transactions in the “Net realized gain/(loss)” line item, however the Company subsequently included such gains and losses in the “Income/(loss) from linked transactions, net” line item prior to the adoption of Accounting Standards Update (“ASU”) 2014-11 Transfers and Servicing (Topic 860), “Repurchase to Maturity Transactions, Repurchase Financings and Disclosures” as the Company believes this presentation is most consistent with the accounting for other components of net income on linked transactions captured within that line. Refer to Note 7 for further detail on the adoption of ASU 2014-11.

Cash and cash equivalents

Cash is comprised of cash on deposit with financial institutions. The Company classifies highly liquid investments with original maturities of three months or less from the date of purchase as cash equivalents. The Company held no cash equivalents at September 30, 2015 or December 31, 2014. The Company places its cash with high credit quality institutions to minimize credit risk exposure. Any cash held by the Company as collateral is included in the due to broker line item on the consolidated balance sheet and in cash flows from financing 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. Restricted cash is carried at cost, which approximates fair value.

Offering costs

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

Use of estimates

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

Earnings/(Loss) per share

In accordance with the provisions of Accounting Standards Codification (“ASC”) 260, “Earnings per Share,” the Company calculates basic income/(loss) per share by dividing net income/(loss) available to common stockholders for the period by weighted-average shares of the Company’s common stock outstanding for that period. Diluted income per share takes into account the effect of dilutive instruments, such as stock options, warrants, unvested restricted stock, and unvested restricted stock units but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding.

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.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2015

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, ASC 325 or ASC 310-30. The Company has chosen to make a fair value election pursuant to ASC 825 for its real estate securities portfolio. Real estate securities are recorded at fair market value on the consolidated balance sheet 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, “Debt and Equity Securities,” which requires the securities to be carried at fair value on the consolidated balance sheet 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, “Loans and Debt Securities Acquired with Deteriorated Credit Quality” 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 an investment 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, "Beneficial Interests in Securitized Financial Assets," 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 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 which the Company previously recorded an OTTI charge if the performance of such security subsequently improves.

Securities in an unrealized loss position at September 30, 2015 are not considered other than temporarily impaired 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. 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.

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Accounting for mortgage loans

Investments in mortgage loans are recorded in accordance with ASC 310-10. 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 sheet 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, “Loans and Debt Securities Acquired with Deteriorated Credit Quality.” 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 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.

Investments in affiliates

The Company's unconsolidated ownership interests in affiliates are accounted for using the equity method. The underlying entities have chosen to make a fair value election on its financial instruments pursuant to ASC 825; as such the Company will treat its investments in affiliates consistently with this election. The investments in affiliates is recorded at fair market value on the consolidated balance sheet and periodic changes in fair market value will be recorded in current period earnings on the consolidated statement of operation as a component of "Equity in earnings/(loss) from affiliates." Capital contributions, distributions and profits and losses of such entities are allocated in accordance with the terms of the applicable agreements.

Excess mortgage servicing rights

The Company has acquired the right to receive the excess servicing spread related to excess mortgage servicing rights ("MSRs"). The Company has chosen to make a fair value election pursuant to ASC 825 for MSRs. MSRs are recorded at fair market value on the consolidated balance sheet 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."

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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. Refer to Note 3 for more detail.

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

Under ASC 860-10, after a transfer of financial assets that meets the criteria for treatment as a sale—legal isolation, ability of transferee to pledge or exchange the transferred assets without constraint and transferred control—an entity

recognizes the financial and servicing assets it acquired or retained and the liabilities it has incurred, derecognizes financial assets it has sold and derecognizes liabilities when extinguished. The transferor would then determine the gain or loss on sale of financial assets by allocating the carrying value of the underlying mortgage between securities or loans sold and the interests retained based on their fair values. The gain or loss on sale is the difference between the cash proceeds from the sale and the amount allocated to the securities or loans sold. When a transfer of financial assets does not qualify for sale accounting, ASC 860-10 requires the transfer to be accounted for as a secured borrowing with a pledge of collateral.

From time to time, the Company may securitize mortgage loans it holds if such financing is available. These transactions will be recorded in accordance with ASC 860-10 and will be accounted for as either a “sale” and the loans will be removed from the consolidated balance sheet or as a “financing” and will be classified as “real estate securities” on the consolidated balance sheet, 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, “Investments—Debt and Equity Securities” or ASC 325-40, “Beneficial Interests in Securitized Financial Assets,” as applicable. Total interest income is recorded in the “Interest income” line item on the consolidated statement of operations.

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

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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 judgmentally 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.

Other investments

The Company's subsidiary, MITT Insurance, is a member of, and owns capital stock in, the FHLBC. The FHLBC provides MITT Insurance with credit capacity and authorizes advances based on the security of pledged investments, provided the Company meets certain creditworthiness standards. FHLBC Advances, included in the "FHLBC advances" line item on the Company's consolidated balance sheets, are a funding source for the Company. As a condition of its membership in the FHLBC, MITT Insurance is required to maintain a FHLBC stock investment, both for membership and for the level of advances from the FHLBC to MITT Insurance. At September 30, 2015, the Company had stock in the FHLBC totaling \$7.0 million. The Company did not hold FHLBC stock at December 31, 2014. 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 sheet. 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 September 30, 2015, 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. As of September 30, 2015, the Company had dividend income on its FHLBC stock of \$17.1 thousand that is included in "Interest income" on the Company's consolidated statements of operations.

Repurchase agreements and FHLBC Advances

The Company finances the acquisition of certain assets within its portfolio through the use of repurchase agreements and FHLBC Advances. Repurchase agreements and FHLBC Advances are treated as collateralized financing transactions and are 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.

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The Company pledges certain securities or loans as collateral under repurchase agreements with financial institutions, and certain securities as collateral under FHLBC Advances with the FHLBC, 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, including the FHLBC, 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 September 30, 2015 and December 31, 2014, the Company has met all margin call requirements.

On June 12, 2014, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2014-11. This amendment requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. If all derecognition criteria are met, the initial transferee will account for the initial transfer as a purchase and the related repurchase agreement component of the transaction will be accounted for as a secured borrowing. Public business entities are required to apply the accounting changes for the first interim or annual reporting period beginning after December 15, 2014. Entities must present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.

Prior to the adoption of ASU 2014-11, in instances where the Company acquired assets through repurchase agreements with the same counterparty from whom the assets were purchased, ASC 860-10 required the initial transfer of a financial asset and repurchase financing that were entered into contemporaneously with, or in contemplation of, one another to be considered linked unless all of the criteria found in ASC 860-10 were met at the inception of the transaction. If the transaction met all of the conditions, the initial transfer was accounted for separately from the repurchase financing, and the Company recorded the assets and the related financing on a gross basis on its consolidated balance sheet with the corresponding interest income and interest expense recorded on a gross basis in the consolidated statement of operations. If the transaction was determined to be linked, the Company recorded the initial transfer and repurchase financing on a net basis and recorded a forward commitment to purchase assets as a derivative instrument with changes in market value being recorded on the consolidated statement of operations. Such forward commitments were recorded at fair value with subsequent changes in fair value recognized in income. The Company referred to these transactions as Linked Transactions. The Company recorded interest income, interest expense, and gains and losses related to linked transactions in the "Income/(loss) from linked transactions, net" line item on the consolidated statement of operations. When a transaction was no longer considered to be linked, the real estate asset and related repurchase financing was reported on a gross basis. The unlinking of a transaction caused a realized event in which the fair value of the real estate asset as of the date of unlinking became the cost basis of the real estate asset. The difference between the fair value on the unlinking date and the existing cost basis of the security was the realized gain or loss. Recognition of effective yield for such security was calculated

prospectively using the new cost basis. ASU 2014-11 eliminated this guidance for repurchase financings and instead requires that entities consider the initial transfer and the related repurchase agreement separately when applying the derecognition requirements of ASC 860-10. This guidance effectively changes the accounting for linked financings to secured borrowing accounting. Refer to Note 7 for more detail.

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, 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 September 30, 2015 and December 31, 2014, the Company did not have any 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.

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."

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TBAs are exempt from ASC 815 and are accounted for under ASC 320 if there is no other way to purchase or sell that security, if delivery or receipt of that security and settlement will occur within the shortest period possible for that type of security and if it is probable at inception and throughout the term of the individual contract that physical delivery or receipt of the security will occur (referred to as the “regular-way” exception). Unrealized gains and losses associated with TBA contracts not subject to the regular-way exception or 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 sheet 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.

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 provisions and not financial accounting principles.

The Company has elected to treat certain 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.

While a domestic TRS will generate net income/(loss), a domestic TRS can 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 consolidated subsidiaries as a foreign 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.

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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 Topic 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 are therefore not considered to be participating shares. Restricted stock units granted to the Manager do not entitle the participant the rights of a shareholder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The restricted stock units are not considered to be participating shares. 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 the restricted common shares and restricted stock units granted to the Manager.

Recent accounting pronouncements

In May 2014, the FASB issued 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 is continuing to evaluate its method of adoption and the impact this ASU will have on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" ("ASU 2014-13"). This guidance applies to a reporting entity that is required to consolidate a collateralized financing entity under the Variable Interest Entities Subsections of Subtopic 810-10 when (1) the reporting entity measures all of the financial assets and the financial liabilities of that consolidated collateralized financing entity at fair value in the consolidated financial statements based on other Topics and (2) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings. The amendments in this Update clarify that when the measurement alternative is elected, a reporting entity's consolidated net income (loss) should reflect the reporting entity's own economic interests in the collateralized financing entity, including (1) changes in the fair value of the beneficial interests retained by the reporting entity and (2) beneficial interests that represent compensation for services. Beneficial interests retained by the reporting entity that represent compensation for services (for example, management fees or servicing fees) and nonfinancial assets that are held temporarily by a collateralized financing entity should be measured in accordance with other applicable Topics. The amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The Company is currently assessing the impact of this guidance.

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In February 2015, the FASB issued ASU 2015-02, “Consolidation” (“ASU 2015-02”). The amendments in this update affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments, (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, (2) eliminate the presumption that a general partner should consolidate a limited partnership, (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships partnership, and (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in this update are effective for annual periods, and interim periods within those annual periods beginning after December 15, 2015. The Company is currently assessing the impact of this guidance.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), to simplify the presentation of debt issuance costs. Debt issuance costs are specific incremental third party costs—other than those paid to the lender—that are directly attributable to issuing a debt instrument. Under the new guidance, debt issuance costs will be presented as a direct deduction from the carrying value of the associated debt, consistent with the existing presentation of a debt discount. Before the FASB issued this simplification, debt issuance costs were capitalized as an asset (i.e., a deferred charge). For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently assessing the impact of this guidance.

In August 2015, the FASB issued ASU 2015-15, “Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements” (“ASU 2015-15”), to simplify the presentation of debt issuance costs, specifically, line-of-credit arrangements. Debt issuance costs are specific incremental third party costs—other than those paid to the lender—that are directly attributable to issuing a debt instrument. The ASU states that the Securities and Exchange Commission (“SEC”) would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are outstanding borrowings under that arrangement. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently assessing the impact of this guidance.

3. Real Estate Securities

The following tables present the current principal balance, premium or discount, amortized cost, gross unrealized gain, gross unrealized loss, fair market value, weighted average coupon rate and weighted average effective yield of the Company's real estate securities portfolio at September 30, 2015 and December 31, 2014. 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 or Freddie Mac. 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 enterprise. Real estate securities that are accounted for as a component of linked transactions are not reflected in the tables set forth in this note. See Note 7 for further details on linked transactions.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2015

The following table details the Company's real estate securities portfolio as of September 30, 2015:

	Current Face	Premium / (Discount)	Amortized Cost	Gross Unrealized (1)		Fair Value	Weighted Average Coupon (2)
				Gains	Losses		
Agency RMBS:							
20 Year Fixed Rate	\$47,764,013	\$2,283,431	\$50,047,444	\$1,150,800	\$-	\$51,198,244	3.84%
30 Year Fixed Rate	865,589,633	40,032,928	905,622,561	14,891,135	(1,271,170)	919,242,526	3.79%
Fixed Rate CMO	78,888,496	701,214	79,589,710	2,999,839	-	82,589,549	3.00%
ARM Interest Only	372,451,993	(22,326)	372,429,667	8,313,590	(156,979)	380,586,278	2.41%
Credit Investments:	662,110,539	(585,468,365)	76,642,174	3,135,362	(1,623,209)	78,154,327	3.34%
Non-Agency RMBS	1,787,704,133	(664,934,585)	1,122,769,548	26,102,684	(7,198,131)	1,141,674,101	3.11%
ABS	57,007,070	(404,636)	56,602,434	582,060	(889,987)	56,294,507	5.26%
CMBS	235,256,553	(103,336,586)	131,919,967	1,763,198	(721,741)	132,961,424	5.08%
CMBS Interest Only	52,357,700	(46,918,596)	5,439,104	206,227	-	5,645,331	1.92%
Total	\$4,159,130,130	\$(1,358,067,521)	\$2,801,062,609	\$59,144,895	\$(11,861,217)	\$2,848,346,287	3.32%

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

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The following table details the Company's real estate securities portfolio as of December 31, 2014:

	Current Face	Premium / (Discount)	Amortized Cost	Gross Unrealized (1)		Fair Value	Weighted Average Coupon (2)
				Gains	Losses		
Agency RMBS:							
20 Year Fixed Rate	\$ 125,538,084	\$ 6,009,532	\$ 131,547,616	\$ 2,267,721	\$(72,467)	\$ 133,742,870	3.72%
30 Year Fixed Rate	973,102,647	46,665,955	1,019,768,602	17,222,909	(967,492)	1,036,024,019	3.90%
Fixed Rate CMO	88,345,864	880,994	89,226,858	1,548,517	-	90,775,375	3.00%
ARM	421,043,957	(888,105)	420,155,852	7,570,945	(189,430)	427,537,367	2.42%
Interest Only Credit	754,905,240	(638,264,371)	116,640,869	5,941,701	(2,347,455)	120,235,115	4.51%
Investments:							
Non-Agency RMBS	1,303,432,523	(181,488,454)	1,121,944,069	24,415,728	(6,281,869)	1,140,077,928	4.26%
ABS	67,696,117	(379,648)	67,316,469	322,074	(945,300)	66,693,243	5.15%
CMBS	220,026,552	(127,623,416)	92,403,136	2,138,358	(146,791)	94,394,703	5.13%
CMBS Interest Only	52,357,700	(46,424,765)	5,932,935	193,014	-	6,125,949	1.85%
Total	\$ 4,006,448,684	\$(941,512,278)	\$ 3,064,936,406	\$ 61,620,967	\$(10,950,804)	\$ 3,115,606,569	3.97%

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its real estate securities portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and loans, net line item. 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 at September 30, 2015 and December 31, 2014:

As of	Less than 12 months		Greater than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2015	\$ 635,617,488	\$(8,116,431)	\$ 127,987,863	\$(3,744,786)

December 31, 2014 551,097,657 (6,921,385) 224,261,493 (4,029,419)

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 September 30, 2015 the Company recognized \$3.2 million of OTTI on certain securities, which is included in the “Net realized gain/(loss)” line item on the consolidated statement of operations. The Company recorded the \$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, \$0.4 million related to securities where OTTI was not previously recognized. For the nine months ended September 30, 2015 the Company recognized \$7.1 million of OTTI on certain securities, which is included in the “Net realized gain/(loss)” line item on the consolidated statement of operations. The Company recorded the \$7.1 million of OTTI due to an adverse change in cash flows, where the fair values of the securities were less than their carrying amounts. Of the \$7.1 million of OTTI recorded, \$2.2 million related to securities where OTTI was not previously recognized.

AG Mortgage Investment Trust Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****September 30, 2015**

For the three months ended September 30, 2014 the Company recognized \$0.4 million of OTTI on certain securities, 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 on certain securities, where the fair values of the securities were less than their carrying amounts. Of the \$0.4 million of OTTI recorded, \$0.4 million related to securities where OTTI was not previously recognized. For the nine months ended September 30, 2014 the Company recognized \$1.7 million of OTTI on certain securities, which is included in the “Net realized gain/(loss)” line item on the consolidated statement of operations. The Company recorded the \$1.7 million of OTTI due to an adverse change in cash flows, where the fair values of the securities were less than their carrying amounts. Of the \$1.7 million of OTTI recorded, \$0.6 million related to securities where OTTI was not previously recognized.

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

All of the principal and interest payments on the Agency RMBS have an explicit guarantee by either an agency of the U.S. government or a U.S. government-sponsored enterprise.

The following table details weighted average life by Agency RMBS, Agency Interest-Only (“IO”) and Credit Investments as of September 30, 2015:

Weighted Average Life (3)	Agency RMBS (1)		Agency IO			Credit Investments	
	Fair Value	Amortized Cost	Weighted Average Coupon	Fair Value	Amortized Cost	Weighted Average Fair Value Coupon	Fair Value
Less than or equal to 1 year	\$-	\$-		\$-	\$-	-	\$78,170,400
Greater than one year and less than or equal to five years	106,045,472	104,480,774	2.59%	63,045,851	62,591,791	3.11%	512,464,212
	1,320,328,936	1,296,088,071	3.43%	15,108,476	14,050,383	5.26%	628,310,245

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Greater than five years and
less than or equal to ten
years

Greater than ten years	7,242,189	7,120,537	4.25%	-	-	-	117,630,506
Total	\$1,433,616,597	\$1,407,689,382	3.37%	\$78,154,327	\$76,642,174	3.34%	\$1,336,575,363

(1) For purposes of this table, Agency RMBS represent securities backed by Fixed Rate 20 Year and Fixed Rate 30 Year mortgages, ARMs and Fixed Rate CMOs.

(2) For purposes of this table, Credit Investments represent Non-Agency RMBS, ABS, CMBS and CMBS Interest Only 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 by Agency RMBS, Agency IO and Credit Investments as of December 31, 2014:

Weighted Average Life (3)	Agency RMBS (1)		Agency IO		Credit Investments		
	Fair Value	Amortized Cost	Weighted Average Coupon	Fair Value	Amortized Cost	Weighted Average Coupon	Fair Value
Less than or equal to 1 year	\$-	\$-	-	\$-	\$-	-	\$39,522,038
Greater than one year and less than or equal to five years	72,253,477	71,713,942	2.57%	67,356,372	67,199,203	4.16%	621,179,587
Greater than five years and less than or equal to ten years	1,486,360,763	1,461,439,648	3.49%	52,878,743	49,441,666	5.13%	562,808,169
Greater than ten years	129,465,391	127,545,338	3.54%	-	-	-	83,782,029
Total	\$1,688,079,631	\$1,660,698,928	3.45%	\$120,235,115	\$116,640,869	4.51%	\$1,307,291,8

(1) For purposes of this table, Agency RMBS represent securities backed by Fixed Rate 20 Year and Fixed Rate 30 Year mortgages, ARMs and Fixed Rate CMOs.

(2) For purposes of this table, Credit Investments represent Non-Agency RMBS, ABS, CMBS and CMBS Interest Only 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.

principal.

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

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AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2015

For the three months ended September 30, 2015, the Company sold 3 securities for total proceeds of \$30.1 million, with an additional \$51.3 million of proceeds on 3 unsettled security sales as of quarter end, recording realized gains of \$1.4 million and realized losses of \$0.2 million, respectively. For the nine months ended September 30, 2015, the Company sold 38 securities for total proceeds of \$418.0 million, recording realized gains of \$9.3 million and realized losses of \$2.0 million, respectively.

For the three months ended September 30, 2014, the Company sold 15 securities for total proceeds of \$324.5 million, with an additional \$151.9 million of proceeds on 10 unsettled security sales as of quarter end, recording realized gains of \$11.7 million and realized losses of \$0.8 million, respectively. For the nine months ended September 30, 2014, the Company sold 44 securities for total proceeds of \$674.4 million, with additional proceeds on the aforementioned unsettled security sale as of September 30, 2014, recording realized gains of \$13.7 million and realized losses of \$4.8 million, inclusive of related tax provisions.

For the three and nine months ended September 30, 2015, the Company sold 1 security held within affiliated entities for total gross proceeds of \$0.5 million, recording realized gains of \$0.1 million. For the three and nine months ended September 30, 2014, the Company sold 12 securities held within affiliated entities for total gross proceeds of \$31.0 million, recording realized gains of \$3.6 million.

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

The Company invests in credit sensitive commercial and residential real estate assets through affiliated entities, and has applied the equity method of accounting for such investments. As of September 30, 2015, the investments had a fair market value of \$62.3 million and a weighted average yield of 10.67%. The underlying entities financed the acquisition of certain investments with repurchase agreements. As of September 30, 2015, the repurchase agreement balance, collateral pledged, and rate were \$20.2 million, \$27.2 million and 3.00%, respectively. As of December 31, 2014, the investments accounted for at fair value were \$42.0 million with a weighted average yield of 12.13%. As of December 31, 2014, the repurchase agreement balance, collateral pledged, and rate were \$21.3 million, \$28.4 million and 3.00%, respectively. The Company has presented these investments and any related repurchase financing net on the consolidated balance sheet in the "Investments in affiliates" line item, and all income statement components on the consolidated statement of operations within "Equity in earnings/(loss) from affiliates."

The underlying affiliated entities evaluate their investments for OTTI on at least a quarterly basis. The determination of whether these investments are other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of an investment is less than its amortized cost at the balance sheet date, the investment is considered impaired, and the impairment is designated as either “temporary” or “other-than-temporary.”

For the nine months ended September 30, 2015, the underlying affiliated entities recognized \$1.7 million of OTTI on certain investments held, which is included in the “Equity in earnings/(loss) from affiliates” line item on the consolidated statement of operations. The underlying affiliated entities recorded the \$1.7 million of OTTI due to an adverse change in cash flows on certain investments, where the fair values of the investments were less than their carrying amounts. The \$1.7 million related to investments where OTTI was not previously recognized. No OTTI was recorded on investments held through affiliated entities for the three months ended September 30, 2015 or September 30, 2014 or nine months ended September 30, 2014.

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 a 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. Refer to Note 2 for more detail.

In 2014, the Company entered into a resecuritization transaction that resulted in the Company consolidating the VIE created with the SPE which was used to facilitate the transaction. The Company concluded that the entity created to facilitate this transaction was a VIE. The Company also determined the VIE created to facilitate the resecuritization transaction should be consolidated by the Company and treated as a secured borrowing, based on consideration of its involvement in the VIE, including the design and purpose of the SPE, and whether its involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the VIE. As of September 30, 2015 and December 31, 2014, the resecuritized asset had an aggregate fair value of \$40.1 million and \$47.6 million, respectively. As of September 30, 2015 and December 31, 2014, the fair market value of the consolidated tranche was \$32.8 million and \$39.8 million, respectively, which is included in the Company’s consolidated balance sheet as “Non-Agency RMBS.” As of September 30, 2015 and December 31, 2014, the aggregate security has a weighted average coupon of 5.53% and 5.50%, respectively, and a weighted average yield of 6.05% and 5.14%, respectively. As of September 30, 2015, and December 31, 2014, the Company has recorded secured financing of \$32.8 million and \$39.8 million, respectively, on the consolidated balance sheet in the “Securitized debt” 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 for the year ended December 31, 2014. As of September 30, 2015 and December 31, 2014, the consolidated tranche had a weighted average life of 4.19 years and 3.40 years, respectively and a weighted average yield of 3.70% and 3.75%, 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.

AG Mortgage Investment Trust Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****September 30, 2015****4. Loans****Residential Mortgage Loans**

On February 28, 2014, the Company acquired a residential mortgage loan portfolio with an aggregate unpaid principal balance and acquisition fair value of \$59.0 million and \$34.9 million, respectively. On February 18, 2014, the Company entered into a Master Repurchase Agreement and Securities Contract (“Repurchase facility”) to finance acquisitions of residential mortgage loans. See Note 6 for further detail on the Company’s loan repurchase facility.

On July 31, 2014, the Company acquired a residential mortgage loan portfolio with an aggregate unpaid principal balance and acquisition fair value of \$13.7 million and \$5.7 million, respectively.

On September 30, 2014, the Company acquired a residential mortgage loan portfolio with an aggregate unpaid principal balance and acquisition fair value of \$50.5 million and \$44.0 million, respectively.

The table below details certain information regarding the Company’s residential mortgage loan portfolio as of September 30, 2015:

	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gross Unrealized (1)		Fair Value	Weighted Average		Life (Years) (2)
				Gains	Losses		Coupon Yield	Yield	
Residential mortgage loans	\$ 107,528,058	\$(30,888,971)	\$ 76,639,087	\$ 2,887,111	\$ -	\$ 79,526,198	5.48 %	8.13 %	6.15

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its loan portfolio. Unrealized gains and losses are recognized in current period earnings in the unrealized gain/(loss) on real estate securities and

loans, net line item. The gross unrealized stated above represents inception to date unrealized gains (losses).

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

The table below details certain information regarding the Company's residential mortgage loan portfolio as of December 31, 2014:

	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gross Unrealized (1)		Fair Value	Weighted Average		
				Gains	Losses		Coupon Yield	Life (Years)	(2)
Residential mortgage loans	\$ 119,882,836	\$(35,534,525)	\$ 84,348,311	\$ 1,101,473	\$(359,925)	\$ 85,089,859	5.53%	8.90%	5.65

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

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

The table below summarizes the distribution of the Company's residential mortgage loans at fair value:

Loan Type	September 30, 2015		December 31, 2014	
	Fair Value	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance
Re-Performing	\$ 66,586,540	\$ 84,980,145	\$ 68,581,824	\$ 89,493,175
Non-Performing	12,939,658	22,547,913	16,508,035	30,389,661
	\$ 79,526,198	\$ 107,528,058	\$ 85,089,859	\$ 119,882,836

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."

AG Mortgage Investment Trust Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****September 30, 2015**

For the three months ended September 30, 2015 the Company recognized \$0.2 million of OTTI on certain loan pools, which is included in the “Net realized gain/(loss)” line item on the consolidated statement of operations. The Company recorded the \$0.2 million of OTTI due to an adverse change in cash flows, where the fair values of the loan pools were less than their carrying amounts. The \$0.2 million related to non-performing loan pools with an unpaid principal balance of \$18.8 million and an average fair market value of \$11.7 million where OTTI was previously recognized. For the nine months ended September 30, 2015 the Company recognized \$0.6 million of OTTI on certain loan pools, which is included in the “Net realized gain/(loss)” line item on the consolidated statement of operations. The Company recorded the \$0.6 million of OTTI due to an adverse change in cash flows, where the fair values of the loan pools were less than their carrying amounts. The \$0.6 million related to non-performing and re-performing loan pools with unpaid principal balances of \$18.8 million and \$46.9 million, respectively, and an average fair market value of \$12.3 million and \$41.6 million, respectively, where OTTI was not previously recognized. No OTTI was recorded on loans for the three or nine months ended September 30, 2014.

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

Concentration of Credit Risk	September 30, 2015		December 31, 2014	
Percentage of fair value of mortgage loans with unpaid principal balance to current property value in excess of 100%	96	%	98	%
Percentage of fair value of mortgage loans secured by properties in the following states:				
Representing 5% or more of fair value:				
New York	17	%	16	%
California	11	%	11	%
Florida	7	%	8	%
Maryland	6	%	5	%

The Company records interest income on a level-yield basis. The accretable discount is determined by the excess of the Company’s estimate of undiscounted principal, interest, and other cash flows expected to be collected over its initial investment in the mortgage loan. The following is a summary of the changes in the accretable portion of discounts for the three and nine months ended September 30, 2015 and September 30, 2014, respectively:

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	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Beginning Balance	\$33,530,324	\$ 16,456,567	\$38,008,263	\$ -
Additions	-	21,135,814	-	38,295,030
Accretion	(1,446,159)	(694,427)	(4,736,246)	(982,312)
Reclassifications from/(to) non-accretable difference	5,504,905	(431,066)	5,292,345	(431,066)
Disposals	(126,739)	(294,910)	(1,102,031)	(709,674)
Ending Balance	\$37,462,331	\$ 36,171,978	\$37,462,331	\$ 36,171,978

As of September 30, 2015, the Company's residential mortgage loan portfolio is comprised of 533 conventional loans with original loan balances between \$9,000 and \$1.1 million.

AG Mortgage Investment Trust Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****September 30, 2015****Commercial Loans**

The following tables present the current principal balance, premium or discount, amortized cost, gross unrealized gain, gross unrealized loss, fair market value, weighted average coupon rate and weighted average effective yield of the Company's commercial loan portfolio at September 30, 2015.

	Current Face	Premium (Discount)	Amortized Cost	Gross Unrealized (1) Gains	Losses	Fair Value	Weighted Average			Life (Years) (6)	Stated Maturity Date (7)
							Coupon (5)	Yield			
Loan A (2)	\$30,000,000	\$(139,529)	\$29,860,471	\$139,529	\$-	\$30,000,000	6.50 %	7.87 %	1.71	June 5, 2017	
Loan B (3)	32,800,000	(66,332)	32,733,668	66,332	-	32,800,000	5.00 %	5.66 %	0.78	July 1, 2016	
Loan C (4)	10,000,000	(39,771)	9,960,229	39,771	-	10,000,000	13.50%	16.41%	0.85	February 1, 2017	
	\$72,800,000	\$(245,632)	\$72,554,368	\$245,632	\$-	\$72,800,000	6.79 %	8.05 %	1.17		

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

(2) Loan A is comprised of a first mortgage and mezzanine loan of \$20.0 million and \$10.0 million, respectively.

(3) Loan B is comprised of a first mortgage and mezzanine loan of \$31.8 million and \$1.0 million, respectively.

(4) Loan C is mezzanine loan.

(5) Each commercial loan investment has a variable coupon rate.

(6) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.

(7) The Company has the contractual right to receive a balloon payment.

The following tables present the current principal balance, premium or discount, amortized cost, gross unrealized gain, gross unrealized loss, fair market value, coupon rate and effective yield of the Company's commercial loan portfolio at December 31, 2014.

	Current Face	Premium (Discount)	Amortized Cost	Gross Unrealized (1) Gains	Losses	Fair Value	Coupon (5)	Yield	Life (Years) (6)	Stated Maturity Date (7)
Loan A (2)	\$30,000,000	\$(240,326)	\$29,759,674	\$240,326	\$-	\$30,000,000	6.50 %	8.76 %	2.77	June 5, 2017
Loan B (3)	32,800,000	(189,506)	32,610,494	189,506	-	32,800,000	5.00 %	6.15 %	1.45	July 1, 2016
Loan C (4)	10,000,000	(66,187)	9,933,813	66,187	-	10,000,000	13.50%	15.77%	1.61	February 1, 2017
	\$72,800,000	\$(496,019)	\$72,303,981	\$496,019	\$-	\$72,800,000	6.79 %	8.55 %	2.02	

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

(2) Loan A is comprised of a first mortgage and mezzanine loan of up to \$24.0 million and \$12.0 million, respectively, of which \$20.0 million and \$10.0 million has been advanced.

(3) Loan B is comprised of a first mortgage and mezzanine loan of \$31.8 million and \$1.0 million, respectively.

(4) Loan C is mezzanine loan.

(5) Each commercial loan investment has a variable coupon rate.

(6) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.

(7) The Company has the contractual right to receive a balloon payment.

During the three and nine months ended September 30, 2015 the Company recorded \$0.1 million and \$0.3 million of discount accretion, respectively. During the three and nine months ended September 30, 2014 the Company recorded \$0.1 million and \$0.2 million of discount accretion, respectively.

5. Fair Value Measurements

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

Values for the Company's securities, securitized debt, derivatives and loan portfolios 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.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2015

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

The fair value of the Company's mortgage loans 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.

The securities underlying the Company's linked transactions were valued using similar techniques to those used for the Company's securities portfolio. The value of the underlying security was then netted against the carrying amount (which approximates fair value) of the repurchase agreement at the valuation date. Additionally, 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.

As a condition to membership in the FHLBC, the Company is required to purchase and hold a certain amount of FHLBC stock, which is considered a non-marketable, long-term investment. Because this stock can only be transacted at its par value, and only to the FHLBC, cost approximates fair value. The Company categorizes the fair value measurement of these assets as Level 3.

AG Mortgage Investment Trust Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****September 30, 2015**

The following table presents the Company's financial instruments measured at fair value as of September 30, 2015:

	Level 1	Level 2	Level 3	Total
Assets:				
Agency RMBS:				
20 Year Fixed Rate	\$-	\$51,198,244	\$-	\$51,198,244
30 Year Fixed Rate	-	919,242,526	-	919,242,526
Fixed Rate CMO	-	82,589,549	-	82,589,549
ARM	-	380,586,278	-	380,586,278
Interest Only	-	78,154,327	-	78,154,327
Credit Investments:				
Non-Agency RMBS	-	684,423,159	457,250,942	1,141,674,101
ABS	-	-	56,294,507	56,294,507
CMBS	-	45,128,345	87,833,079	132,961,424
CMBS Interest Only	-	-	5,645,331	5,645,331
Residential mortgage loans	-	-	79,526,198	79,526,198
Commercial loans	-	-	72,800,000	72,800,000
U.S. Treasury securities	126,566,328	-	-	126,566,328
Excess mortgage servicing rights	-	-	455,743	455,743
Derivative assets	-	53,007	-	53,007
FHLBC stock	-	-	7,035,900	7,035,900
Total Assets Carried at Fair Value	\$126,566,328	\$2,241,375,435	\$766,841,700	\$3,134,783,463
Liabilities:				
Securitized debt	\$-	\$(32,804,051)	\$-	\$(32,804,051)
Securities borrowed under reverse repurchase agreements	(25,197,266)	-	-	(25,197,266)
Derivative liabilities	-	(18,184,072)	-	(18,184,072)
Total Liabilities Carried at Fair Value	\$(25,197,266)	\$(50,988,123)	\$-	\$(76,185,389)

The following table presents the Company's financial instruments measured at fair value as of December 31, 2014.

Level 1	Level 2	Level 3	Total
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Assets:

Agency RMBS:

20 Year Fixed Rate	\$	-	\$ 133,742,870	\$-	\$ 133,742,870
30 Year Fixed Rate	-		1,036,024,019	-	1,036,024,019
Fixed Rate CMO	-		90,775,375	-	90,775,375
ARM	-		427,537,367	-	427,537,367
Interest Only	-		120,235,115	-	120,235,115

Credit Investments:

Non-Agency RMBS	-		684,841,649	455,236,279	1,140,077,928
ABS	-		-	66,693,243	66,693,243
CMBS	-		55,051,429	39,343,274	94,394,703
CMBS Interest Only	-		-	6,125,949	6,125,949
Residential mortgage loans	-		-	85,089,859	85,089,859
Commercial loans	-		-	72,800,000	72,800,000
Excess mortgage servicing rights	-		-	628,367	628,367
Linked transactions	-		21,612,360	5,082,731	26,695,091
Derivative assets	-		11,382,622	-	11,382,622
Total Assets Carried at Fair Value	\$	-	\$2,581,202,806	\$730,999,702	\$3,312,202,508

Liabilities:

Securitized debt	\$	-	\$(39,777,914)	) \$-	\$(39,777,914)
Derivative liabilities	-		(8,608,209)	) -	(8,608,209)
Total Liabilities Carried at Fair Value	\$	-	\$(48,386,123)	) \$-	\$(48,386,123)

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 nine months ended September 30, 2015 and September 30, 2014.

AG Mortgage Investment Trust Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****September 30, 2015**

The following tables present additional information about the Company's investments 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**September 30, 2015**

	Non-Agency RMBS	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights
Beginning balance	\$473,132,679	\$61,094,356	\$57,496,354	\$5,766,991	\$80,725,305	\$72,800,000	\$529,946
Transfers (1):							
Transfers into level 3	-	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-
Purchases	53,167,192	874,687	31,612,824	-	-	-	-
Reclassification of security type (2)	-	-	-	-	-	-	-
Proceeds from sales	-	(4,531,720)	-	-	-	-	-
Proceeds from settlement	(73,510,966)	(409,759)	(630,232)	-	(1,312,484)	-	(45,680)
Total net gains/(losses) (3)							
Included in net income	4,462,037	(733,057)	(645,867)	(121,660)	113,377	-	(28,523)
Included in other comprehensive income (loss)	-	-	-	-	-	-	-
Ending Balance	\$457,250,942	\$56,294,507	\$87,833,079	\$5,645,331	\$79,526,198	\$72,800,000	\$455,743
Change in unrealized appreciation/(depreciation) for level 3 assets still held as of September 30, 2015 (4)	\$4,282,182	\$(807,769)	\$(377,641)	\$(121,660)	\$304,127	\$-	\$7,984

(1) Transfers are assumed to occur at the beginning of the period.

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(2) Primarily represents an accounting reclassification between a linked transaction and a real estate security.

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

Unrealized gain/(loss) on real estate securities and loans, net	\$3,656,566
Net realized gain/(loss)	(610,259)
Total	\$3,046,307

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

Unrealized gain/(loss) on real estate securities and loans, net	\$3,287,223
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Three Months Ended

September 30, 2014

	Non-Agency RMBS	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Service Rights
Beginning balance	\$548,337,038	\$43,095,198	\$19,289,905	\$6,629,380	\$34,841,048	\$72,800,000	\$730,140
Transfers (1):							
Transfers into level 3	-	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-
Purchases	126,990,580	56,736,048	8,468,211	-	49,407,678	-	-
Reclassification of security type (2)	-	-	-	-	-	-	-
Proceeds from sales	(75,994,907)	(21,617,858)	88,283	-	-	-	-
Proceeds from settlement	(134,372,644)	(2,008,936)	(354,761)	-	(154,506)	-	(50,390)
Total net gains/ (losses) (3)							
Included in net income	(1,496,864)	(169,331)	(225,330)	(274,955)	(383,236)	-	-
Included in other comprehensive income (loss)	-	-	-	-	-	-	-
Ending Balance	\$463,463,203	\$76,035,121	\$27,266,308	\$6,354,425	\$83,710,984	\$72,800,000	\$679,750
Change in unrealized appreciation/(depreciation) for level 3 assets still held as of September 30, 2014 (4)	\$(3,417,387)	\$(240,323)	\$(225,331)	\$(274,954)	\$(444,083)	\$27,579	\$-

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- (1) Transfers are assumed to occur at the beginning of the period.
- (2) Represents an accounting reclassification between a linked transaction and a real estate security.
- (3) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Income/(loss) from linked transactions, net	\$188,680
Unrealized gain/(loss) on real estate securities and loans, net	(6,348,850)
Interest income	3,799,134
Total	\$(2,361,036)

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

Income/(loss) from linked transactions, net	\$(834,215)
Unrealized gain/(loss) on real estate securities and loans, net	(4,574,499)
Total	\$(5,408,714)

AG Mortgage Investment Trust Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****September 30, 2015****Nine Months Ended****September 30, 2015**

	Non-Agency RMBS	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Service Rights
Beginning balance	\$455,236,279	\$66,693,243	\$39,343,274	\$6,125,949	\$85,089,859	\$72,800,000	\$628,300,000
Transfers (1):							
Transfers into level 3	20,308,267	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-
Purchases	155,697,425	4,902,187	64,255,113	-	-	-	-
Reclassification of security type (2)	24,129,591	-	-	-	-	-	-
Proceeds from sales	(26,645,804)	(14,930,908)	(13,870,892)	-	-	-	-
Proceeds from settlement	(180,086,327)	(972,861)	(1,735,301)	-	(5,874,156)	-	(144,000,000)
Total net gains/(losses) (3)							
Included in net income	8,611,511	602,846	(159,115)	(480,618)	310,495	-	(28,500,000)
Included in other comprehensive income (loss)	-	-	-	-	-	-	-
Ending Balance	\$457,250,942	\$56,294,507	\$87,833,079	\$5,645,331	\$79,526,198	\$72,800,000	\$455,700,000
Change in unrealized appreciation/(depreciation) for level 3 assets still held as of September 30, 2015 (4)	\$9,786,843	\$477,606	\$(297,737)	\$(480,618)	\$935,233	\$-	\$20,800,000

(1) Transfers are assumed to occur at the beginning of the period.

(2) Primarily represents an accounting reclassification between a linked transaction and a real estate security.

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

Unrealized gain/(loss) on real estate securities and loans, net \$9,441,605

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Net realized gain/(loss)	(585,009)
Total	\$8,856,596

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

Unrealized gain/(loss) on real estate securities and loans, net \$10,442,189

**Nine Months Ended
September 30, 2014**

	Non-Agency RMBS	ABS	CMBS	Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Servicing
Beginning balance	\$309,840,562	\$71,344,784	\$23,972,043	\$6,324,735	\$-	\$-	\$-
Transfers (1):							
Transfers into level 3	-	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-
Purchases	376,356,600	66,320,548	8,468,211	-	84,482,849	72,084,833	730,14
Reclassification of security type (2)	26,752,862	-	-	-	-	-	-
Proceeds from sales	(91,759,940)	(45,409,687)	(5,586,445)	-	-	-	-
Proceeds from settlement	(163,379,361)	(16,254,316)	(919,156)	-	(608,604)	-	(50,39
Total net gains/(losses) (3)							
Included in net income	5,652,480	33,792	1,331,655	29,690	(163,261)	715,167	-
Included in other comprehensive income (loss)	-	-	-	-	-	-	-
Ending Balance	\$463,463,203	\$76,035,121	\$27,266,308	\$6,354,425	\$83,710,984	\$72,800,000	\$679,75

Change in unrealized appreciation/(depreciation) for level 3 assets still held as of September 30, 2014 (4)

	\$3,528,920	\$(178,003)	\$496,313	\$29,691	\$(163,261)	\$742,746	\$-
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(1) Transfers are assumed to occur at the beginning of the period.

(2) Represents an accounting reclassification between a linked transaction and a real estate security.

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

Income/(loss) from linked transactions, net	\$1,847,309
Unrealized gain/(loss) on real estate securities and loans, net	3,419,516
Net realized loss	4,180,007

Total	\$9,446,832
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(4) Unrealized gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Income/(loss) from linked transactions, net	\$821,929
Unrealized gain/(loss) on real estate securities and loans, net	4,456,406
Total	\$5,278,335

During the nine months ended September 30, 2015, the Company transferred a \$20.3 million Non-Agency RMBS into the Level 3 category from the Level 2 category of the fair value hierarchy under ASC 820 as this security exhibited indications of reduced levels of market transparency. Examples of such indications include a reduction in observable transactions or executable quotes involving this security or similar securities. Changes in these indications could impact price transparency, and thereby cause a change in level designations in future periods. The Company did not have any transfers of assets or liabilities into or out of Level 3 of the fair value hierarchy during the three and nine months ended September 30, 2014 or during the three months ended September 30, 2015.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2015

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		Valuation Technique	Unobservable Input	Range (Weighted Average)			
	September 30, 2015							
Non-Agency RMBS	\$457,250,942	Discounted Cash Flow	Projected Collateral Prepayments	Yield	2.98% - 22.73% (5.85%)			
				Projected Collateral Losses	0.00% - 30.00% (8.89%)			
				Projected Collateral Severities	0.00% - 74.23% (34.23%)			
				Yield	2.44% - 7.63% (5.65%)			
				ABS	\$56,294,507	Discounted Cash Flow	Projected Collateral Prepayments	20.00% - 100.00% (26.60%)
								Projected Collateral Losses	2.00% - 8.30% (2.52%)
CMBS	\$87,833,079	Discounted Cash Flow	Projected Collateral Prepayments	0.00% - 20.00% (0.87%)				
				Projected Collateral Losses	0.00% - 0.00% (0.00%)			
				Projected Collateral Severities	0.00% - 0.00% (0.00%)			
				Yield	4.12% - 12.77% (5.60%)			
				CMBS Interest Only	\$5,645,331	Discounted Cash Flow	Projected Collateral Prepayments	100.00% - 100.00% (100.00%)
								Projected Collateral Losses

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			Projected Collateral Severities	0.00% - 0.00% (0.00%)
			Yield	6.09% - 27.41% (8.13%)
Residential Mortgage Loans	\$79,526,198	Discounted Cash Flow	Projected Collateral Prepayments	3.46% - 7.94% (6.87%)
			Projected Collateral Losses	4.65% - 10.91% (7.54%)
			Projected Collateral Severities	30.61% - 39.42% (34.75%)
			Yield	5.66% - 16.41% (8.05%)
Commercial Loans	\$72,800,000	Discounted Cash Flow	Credit Spread	4.75 bps - 13.25 bps (6.54 bps)
			Recovery Percentage*	100.00% - 100.00% (100.00%)
Excess Mortgage Servicing Rights	\$455,743	Discounted Cash Flow	Yield	-9.72% - 2.63% (0.77%)
FHLBC stock	\$7,035,900	**	Yield	4.00% - 4.00% (4.00%)

* Represents the proportion of the principal expected to be collected relative to the loan balances as of September 30, 2015.

** Fair value of the FHLBC stock approximates outstanding face amount as the Company's wholly-owned subsidiary is restricted from trading the stock and can only put the stock back to the FHLBC, at the FHLBC's discretion, at par.

Asset Class	Fair Value at December 31, 2014	Valuation Technique	Unobservable Input	Range (Weighted Average)
			Yield	0.29% - 35.48% (5.30%)
Non-Agency RMBS	\$ 455,236,279	Discounted Cash Flow	Projected Collateral Prepayments	0.00% - 12.00% (3.21%)
			Projected Collateral Losses	0.00% - 35.00% (13.07%)
			Projected Collateral Severities	0.00% - 80.00% (36.04%)
			Yield	4.62% - 7.95% (5.55%)
ABS	\$ 66,693,243	Discounted Cash Flow	Projected Collateral Prepayments	20.00% - 100.00% (88.56%)
			Projected Collateral Losses	0.00% - 8.30% (5.13%)
			Projected Collateral Severities	0.00% - 50.00% (7.15%)
			Yield	4.80% - 10.52% (6.34%)

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CMBS	\$ 39,343,274	Discounted Cash Flow	Projected Collateral Prepayments	0.00% - 0.00% (0.00%)
			Projected Collateral Losses	0.00% - 0.00%
			Projected Collateral Severities	0.00% (0.00%)
			Yield	5.72% - 5.78% (5.73%)
CMBS Interest Only	\$ 6,125,949	Discounted Cash Flow	Projected Collateral Prepayments	100.00% - 100.00% (100.00%)
			Projected Collateral Losses	0.00% (0.00%)
			Projected Collateral Severities	0.00% (0.00%)
			Yield	5.60% - 23.67% (8.90%)
Residential Mortgage Loans	\$ 85,089,859	Discounted Cash Flow	Projected Collateral Prepayments	1.98% - 8.36% (6.44%)
			Projected Collateral Losses	4.47% - 9.64% (6.20%)
			Projected Collateral Severities	20.93% - 41.94% (27.65%)
			Yield	6.15% - 15.77% (8.55%)
Commercial Loans	\$ 72,800,000	Discounted Cash Flow	Credit Spread	4.75 bps - 13.25 bps (6.54 bps)
			Recovery Percentage**	100.00% - 100.00% (100.00%)
Excess Mortgage Servicing Rights	\$ 628,367	Discounted Cash Flow	Yield	9.09% - 12.52% (9.78%)
Linked			Yield	4.49% - 6.45% (5.50%)
Transactions*	\$ 5,082,731	Discounted Cash Flow	Projected Collateral Prepayments	3.00% - 12.00% (6.94%)
			Projected Collateral Losses	4.00% - 14.00% (8.09%)
			Projected Collateral Severities	42.00% - 60.00% (52.87%)

*Linked Transactions are comprised of unobservable inputs from Non-Agency RMBS investments.

** Represents the proportion of the principal expected to be collected relative to the loan balances as of December 31, 2014.

AG Mortgage Investment Trust Inc. and Subsidiaries

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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 classified as a component of Linked Transactions are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

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

6. Repurchase Agreements and FHLBC Advances

The Company pledges certain real estate securities and loans as collateral under repurchase agreements with financial institutions, and certain securities as collateral under FHLBC Advances with the FHLBC, the terms and conditions of which are negotiated on a transaction-by-transaction basis. Repurchase agreements involve the sale and a simultaneous agreement to repurchase the transferred assets or similar assets at a future date. FHLBC Advances involve loan advances made to the Company by the FHLBC in exchange for real estate securities as collateral. The amount borrowed generally is equal to the fair value of the assets pledged less an agreed-upon discount, referred to as a "haircut." Generally, FHLBC Advances collateralized by Agency RMBS typically allow for lower effective "haircuts" than those required under the Company's repurchase agreements. Repurchase agreements and FHLBC Advances entered into by the Company are accounted for as financings and require the repurchase of the transferred assets at the end of each agreement's term, typically 30 to 90 days. The carrying amount of the Company's repurchase agreements and FHLBC Advances approximates fair value. 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 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. 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 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 Company maintains a level of liquidity in the form of cash and unpledged Agency whole-pool 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 information regarding the Company's repurchase agreements secured by real estate securities as of September 30, 2015:

Repurchase Agreements Maturing Within:	Repurchase Agreements		Collateral Pledged			
	Balance	Weighted Average Rate	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
30 days or less	\$1,491,676,000	1.05 %	12.5 %	\$1,734,639,052	\$1,655,248,961	\$5,891,8
31-60 days	92,177,000	1.67 %	17.1 %	111,993,863	110,888,189	431,700
61-90 days	36,753,000	1.91 %	27.9 %	51,201,252	50,532,827	94,417
Greater than 90 days	372,341,952	1.59 %	10.8 %	448,858,356	437,199,956	1,192,6
Total / Weighted Average	\$1,992,947,952	1.20 %	12.7 %	\$2,346,692,523	\$2,253,869,933	\$7,610,6

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The following table presents certain information regarding the Company's repurchase agreements secured by real estate securities as of December 31, 2014:

Repurchase Agreements Maturing Within:	Repurchase Agreements		Collateral Pledged			
	Balance	Weighted Average Rate	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
30 days or less	\$1,969,873,000	0.75 %	10.4 %	\$2,205,969,794	\$2,174,485,394	\$6,903,4
31-60 days	220,953,000	1.11 %	12.2 %	253,788,749	249,993,183	816,574
61-90 days	51,090,128	1.26 %	13.1 %	60,149,910	58,111,076	171,277
Greater than 90 days	329,966,102	1.84 %	17.7 %	416,125,338	408,496,220	1,105,2
Total / Weighted Average	\$2,571,882,230	0.93 %	11.5 %	\$2,936,033,791	\$2,891,085,873	\$8,996,5

The following table presents certain information regarding the Company's FHLBC Advances secured by real estate securities as of September 30, 2015:

FHLBC Advances Maturing Within:	FHLBC Advances		Collateral Pledged			
	Balance	Weighted Average Rate	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
30 days or less	\$188,099,000	0.21 %	2.0 %	\$191,869,462	\$190,007,426	\$564,611
31-60 days	64,600,000	0.30 %	1.3 %	65,421,180	64,555,603	167,003
61-90 days	-	-	-	-	-	-
Greater than 90 days	98,995,000	0.50 %	2.8 %	101,807,462	99,056,356	245,974
Total / Weighted Average	\$351,694,000	0.31 %	2.0 %	\$359,098,104	\$353,619,385	\$977,588

The Company had no FHLBC Advances as of December 31, 2014.

The following table presents certain information regarding the Company's repurchase agreements secured by interests in residential mortgage loans as of September 30, 2015:

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Repurchase Agreements Maturing Within:	Repurchase Agreements			Collateral Pledged			Accrued Interest
	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	
30 days or less	\$-	-	-	-	\$-	\$-	\$-
31-60 days	-	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-	-
Greater than 90 days	51,465,189	2.70%	2.94%	29.5%	73,196,700	70,700,016	81,906
Total / Weighted Average	\$51,465,189	2.70%	2.94%	29.5%	\$73,196,700	\$70,700,016	\$81,906

The following table presents certain information regarding the Company's repurchase agreements secured by interests in residential mortgage loans as of December 31, 2014:

Repurchase Agreements Maturing Within:	Repurchase Agreements			Collateral Pledged			Accrued Interest
	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	
30 days or less	\$-	-	-	-	\$-	\$-	\$-
31-60 days	-	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-	-
Greater than 90 days	50,573,718	2.93%	3.08%	31.1%	73,407,869	73,084,817	709,585
Total / Weighted Average	\$50,573,718	2.93%	3.08%	31.1%	\$73,407,869	\$73,084,817	\$709,585

The following table presents certain information regarding the Company's repurchase agreements secured by interests in commercial mortgage loans as of September 30, 2015:

Repurchase Agreements Maturing Within:	Repurchase Agreements			Collateral Pledged			Accrued Interest
	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	
30 days or less	\$-	-	-	-	\$-	\$-	\$-
31-60 days	-	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-	-
Greater than 90 days	42,796,000	2.44%	2.74%	31.8%	62,800,000	62,594,139	846,633
Total / Weighted Average	\$42,796,000	2.44%	2.74%	31.8%	\$62,800,000	\$62,594,139	\$846,633

The following table presents certain information regarding the Company's repurchase agreements secured by commercial mortgage loans as of December 31, 2014:

Repurchase Agreements Maturing Within:	Repurchase Agreements			Collateral Pledged			Accrued Interest
	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	

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		Rate		Haircut				
30 days or less	\$-	-	-	-	\$-	\$-	\$-	
31-60 days	-	-	-	-	-	-	-	
61-90 days	-	-	-	-	-	-	-	
Greater than 90 days	22,500,000	2.50%	2.83%	64.2%	62,800,000	62,370,168	533,832	
Total / Weighted Average	\$22,500,000	2.50%	2.83%	64.2%	\$62,800,000	\$62,370,168	\$533,832	

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AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2015

The following table presents certain information regarding the Company's repurchase agreements secured by interests in U.S. Treasury securities as of September 30, 2015:

Repurchase Agreements Maturing Within:	Repurchase Agreements		Collateral Pledged			
	Balance	Weighted Average Rate	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
Overnight	\$ 126,712,500	0.42 %	-0.12 %	\$ 126,566,328	\$ 126,321,250	\$ 101,506
30 days or less	-	-	-	-	-	-
31-60 days	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-
Greater than 90 days	-	-	-	-	-	-
Total / Weighted Average	\$ 126,712,500	0.42 %	-0.12 %	\$ 126,566,328	\$ 126,321,250	\$ 101,506

The Company did not hold any positions in U.S. Treasury securities at December 31, 2014.

Although repurchase agreements and FHLBC Advances are committed borrowings until maturity, the lender retains the right to mark the underlying collateral to fair value. A reduction in the value of pledged assets resulting from changes in market conditions or factor changes would require the Company to provide additional collateral or cash to fund margin calls. The following table presents information with respect to the Company's posting of collateral under repurchase agreements and FHLBC Advances at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Fair Value of investments pledged as collateral under repurchase agreements and FHLBC advances:		
Agency RMBS (1)	\$ 1,428,700,122	\$ 1,684,021,261
Non-Agency RMBS	1,088,370,200	1,088,398,641
ABS	56,294,507	66,693,243
CMBS	132,425,798	96,920,646
Residential Mortgage Loans	73,196,700	73,407,869
Commercial Mortgage Loans	62,800,000	62,800,000

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U.S. Treasury Securities	126,566,328	-
Cash pledged (i.e., restricted cash) under repurchase agreements	11,541,255	13,374,600
Total collateral pledged under Repurchase agreements and FHLBC advances	\$ 2,979,894,910	\$ 3,085,616,260

(1) Collateral for FHLBC advances consist solely of Agency RMBS

The following table presents information with respect to the Company's total borrowings under repurchase agreements and FHLBC Advances at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Repurchase agreements secured by investments:		
Agency RMBS	\$ 1,000,868,000	\$ 1,583,911,000
Non-Agency RMBS	851,648,952	860,019,230
ABS	44,506,000	52,993,000
CMBS	95,925,000	74,959,000
Residential Mortgage Loans	51,465,189	50,573,718
Commercial Mortgage Loans	42,796,000	22,500,000
U.S. Treasury Securities	126,712,500	-
FHLBC advances secured by investments:		
Agency RMBS	351,694,000	-
Gross Liability for Repurchase agreements and FHLBC advances	\$ 2,565,615,641	\$ 2,644,955,948

The following table presents both gross information and net information about repurchase agreements and FHLBC Advances eligible for offset in the consolidated balance sheet as of September 30, 2015:

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet			
			Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments Posted	Cash Collateral Posted	Net Amount
Repurchase Agreements	\$ 2,213,921,641	\$ -	\$ 2,213,921,641	\$ 2,213,921,641	\$ -	\$ -
FHLBC advances	351,694,000	-	351,694,000	351,694,000	-	-
Total	\$ 2,565,615,641	\$ -	\$ 2,565,615,641	\$ 2,565,615,641	\$ -	\$ -

AG Mortgage Investment Trust Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****September 30, 2015**

The following table presents both gross information and net information about repurchase agreements eligible for offset in the consolidated balance sheet as of December 31, 2014:

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Not Offset in the Consolidated Balance Sheet				
		Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments Posted	Cash Collateral Posted	Net Amount
Repurchase Agreements	\$ 2,644,955,948	\$ -	\$ 2,644,955,948	\$ 2,644,955,948	\$ -	\$ -

The Company had no FHLBC Advances as of December 31, 2014.

The Company seeks to transact with several different financing counterparties in order to reduce the exposure to any single counterparty. The Company has entered into master repurchase agreements (“MRAs”) or loan agreements with such counterparties. As of September 20, 2015 and December 31, 2014 the Company had 38 and 34 financing counterparties, under which it had outstanding debt with 23 and 22 counterparties on a GAAP basis, respectively.

At September 30, 2015 the following table reflects amounts at risk under its repurchase agreement borrowings and FHLBC Advances greater than 5% of the Company’s equity with any counterparty, excluding repurchase agreements through affiliated entities.

Counterparty	Amount at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity	
Wells Fargo Bank, N.A.	\$ 81,635,168	579	12	%
Credit Suisse Securities, LLC	46,023,761	57	7	%
RBC (Barbados) Trading Bank Corporation	44,346,026	27	6	%
JP Morgan Securities, LLC	39,254,456	377	6	%

At December 31, 2014, the following table reflects amounts at risk under the Company's repurchase agreements greater than 5% of its equity with any counterparty, excluding repurchase agreements accounted for as linked transactions and repurchase agreements through affiliated entities.

Counterparty	Amount at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity	
Wells Fargo Bank, N.A.	\$ 92,478,572	509	13	%
Credit Suisse Securities, LLC	85,479,003	117	12	%
JP Morgan Securities, LLC	51,502,631	168	7	%
Merrill Lynch, Pierce, Fenner & Smith Incorporated	42,082,013	13	6	%
Goldman, Sachs & Co.	32,078,210	18	4	%

In addition to the amount at risk in the table above, at December 31, 2014, the Company had repurchase agreements with Credit Suisse Securities, LLC, and JP Morgan Securities, LLC and Goldman, Sachs & Co. determined to be linked. The amount at risk including linked transactions is \$88.3 million, \$52.8 million and \$39.2 million, respectively, with weighted average maturities of 114 days, 165 days and 16 days, respectively, representing approximately 12%, 7%, and 5% of stockholders' equity, respectively.

On April 13, 2015, the Company, AG MIT LLC and AG MIT CMO, LLC, each a direct, wholly-owned subsidiary of the Company, entered into an Amendment Number 2 to the Master Repurchase and Securities Contract (the "Second Renewal") with Wells Fargo Bank, National Association ("Wells Fargo") to finance AG MIT's or AG MIT CMO's acquisition of certain consumer asset-backed securities and commercial mortgage-backed securities as well as residential, Non-Agency Securities. The Second Renewal amends the repurchase agreement entered into by the Company, AG MIT and AG MIT CMO with Wells Fargo Bank, National Association, in 2014. Each transaction under the Second Renewal will have its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The Second Renewal includes a 270 day evergreen structure providing for the automatic renewal of the agreement each day for a new term of 270 days unless Wells Fargo notifies AG MIT and AG MIT CMO that it has decided not to renew, at which point the agreement will terminate 270 days after the date of nonrenewal. The Second Renewal also increased the aggregate maximum borrowing capacity to \$200 million and extended the maturity date to April 13, 2017. At the request of AG MIT and AG MIT CMO, Wells Fargo may grant a 90 day extension of the maturity date. The Second Renewal contains representations, warranties, covenants, events of default and indemnities that are substantially identical to those in the previous repurchase agreements and are customary for agreements of this type. As of September 30, 2015, the Company had \$106.9 million of debt outstanding under this facility.

AG Mortgage Investment Trust Inc. and Subsidiaries

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On February 27, 2015, AG MIT WFB1 2014 LLC, (“AG MIT WFB1”), a direct, wholly-owned subsidiary of the Company, entered into Amendment Number Three of the Master Repurchase Agreement and Securities Contract, (as so amended, the “WFB1 Repurchase Agreement”) with Wells Fargo Bank 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 26, 2016 and a facility termination date of February 27, 2017. The maximum aggregate borrowing capacity available under the WFB1 Repurchase Agreement is \$100.0 million. At the request of the Company, Wells Fargo may grant a one year extension of the facility termination date. The WFB1 Repurchase Agreement contains representations, warranties, covenants, events of default and indemnities that are customary for agreements of this type. The WFB1 Repurchase Agreement also contains financial covenants that are the same as those in the Second Renewal Agreement. As of September 30, 2015, the Company had \$51.5 million of debt outstanding under the WFB1 Repurchase Agreement.

On September 17, 2014, AG MIT CREL, LLC (“AG MIT CREL”), an indirect, wholly-owned subsidiary of the Company, entered into a Master Repurchase Agreement and Securities Contract, dated as of September 17, 2014 (the “CREL Repurchase Agreement”), with Wells Fargo to finance AG MIT CREL’s acquisition of certain beneficial interests in one or more commercial mortgage loans. Each transaction under the CREL Repurchase Agreement will have its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The CREL Repurchase Agreement provides for a funding period ending September 17, 2016 and an initial facility termination date of September 17, 2016 (the “Initial Termination Date”), subject to satisfaction of certain terms of the extensions. AG MIT CREL has three (3) one-year options to extend the term of the CREL Repurchase Agreement: (i) the first for an additional one year period (the “First Extension Period”) ending September 17, 2017 (the “First Extended Termination Date”), (ii) the second for an additional one year period (the “Second Extension Period”) ending September 17, 2018 (the “Second Extended Termination Date”) and (iii) the third for an additional one year period ending September 17, 2019 (the “Third Extended Termination Date”). For each of the Initial Termination Date, the First Extended Termination Date, the Second Extended Termination Date and the Third Extended Termination Date, if such day is not a Business Day, such date shall be the next succeeding Business Day. Each option shall be exercisable in each case no more than ninety (90) days and no fewer than thirty (30) days prior to the initial facility termination date, the First Extended Termination Date or the Second Extended Termination Date, as the case may be. The maximum aggregate borrowing capacity available under the CREL Repurchase Agreement is \$150.0 million. Under the CREL Repurchase Agreement, Wells Fargo’s recourse against the Company and AG MIT, LLC in the event of a default is limited to \$80 million.

On August 4, 2015, the Company, AG MIT CREL and AG MIT, LLC, entered into an Omnibus Amendment No. 1 to Master Repurchase and Securities Contract, Guarantee Agreement and Fee and Pricing Letter (the “Amendment”) with

Wells Fargo. The 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 (the "Guarantee"), and the Fee and Pricing Letter, dated as of September 17, 2014, between AG MIT CREL and Wells Fargo. The Amendment lowered the maximum aggregate borrowing capacity available under the CREL Repurchase Agreement from \$150 million to approximately \$42.8 million. The 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, LLC, the Company was able to remove certain financial covenants on AG MIT CREL that limited the amount that could be borrowed under the CREL Repurchase Agreement. The Amendment also eliminated the fee for the portion of the repurchase facility that was unused. In connection with the execution of the Amendment, AG MIT CREL borrowed an additional \$20.3 million so that as of August 4, 2015 the outstanding borrowings under the Repurchase Agreement totaled approximately \$42.8 million. The Company records its financing at cost, which approximates its estimated fair value. As of September 30, 2015, the Company had \$42.8 million of debt outstanding under this facility.

The CREL Repurchase Agreement contains representations, warranties, covenants, events of default and indemnities that are customary for agreements of this type. It also contains financial covenants that are the same as the financial covenants in the Second Renewal Agreement.

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.

As discussed in Note 2, for any transactions determined to be linked, the initial transfer and repurchase financing will be recorded as a forward commitment to purchase assets. At December 31, 2014, the Company had repurchase agreements of \$113.4 million that were accounted for as linked. These linked repurchase agreements are not included in the above tables. There were no linked transactions as of September 30, 2015. See Note 7 for details.

AG Mortgage Investment Trust Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****September 30, 2015****7. Derivatives**

The Company's derivatives may include interest rate swaps ("swaps"), swaptions, TBAs, MBS options, IO Indexes and linked transactions. Derivatives have not been designated as hedging instruments. The Company may also enter into non-derivative instruments to manage interest rate risk, including Agency IO securities and long and short positions in U.S. treasury securities.

The following table presents the fair value of the Company's derivative instruments and their balance sheet location at September 30, 2015 and December 31, 2014.

Derivative Instrument	Designation	Balance Sheet Location	September 30, 2015	December 31, 2014
Interest rate swaps	Non-Hedge	Derivative liabilities, at fair value	\$ (18,103,211)	\$ (8,608,209)
Interest rate swaps	Non-Hedge	Derivative assets, at fair value	42,068	9,902,151
TBAs	Non-Hedge	Derivative liabilities, at fair value	(80,861)	-
TBAs	Non-Hedge	Derivative assets, at fair value	10,939	1,480,471
Long positions on U.S. Treasuries	Non-Hedge	U.S. Treasury securities, at fair value	126,566,328	-
Short positions on U.S. Treasuries	Non-Hedge	Obligation to return securities borrowed under reverse repurchase agreements, at fair value (1)	(25,197,266)	-
Linked transactions	Non-Hedge	Linked transactions, net, at fair value	-	26,695,091

(1) The Company's obligation to return securities borrowed under reverse repurchase agreements as of September 30, 2015 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:

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Non-hedge derivatives held long/(short):	September 30, 2015	December 31, 2014
Notional amount of Pay Fix/Receive Float Interest Rate Swap Agreements	\$ 1,055,000,000	\$ 1,441,000,000
Notional amount of Receive Fix/Pay Float Interest Rate Swap Agreements	(5,000,000)	(5,000,000)
Notional amount of TBAs	-	225,000,000
Notional amount of long positions on U.S. Treasuries	126,000,000	-
Notional amount of short positions on U.S. Treasuries	(25,000,000)	-
Notional amount of Linked Transactions (1)	-	150,836,900

(1) Represents the current face of the securities comprising linked transactions as of December 31, 2014.

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

Non-hedge derivatives gain (loss): Statement of Operations Location		Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Interest rate swaps, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	\$(19,936,455)	\$ 10,991,593	\$(20,450,309)	\$(32,450,309)
Interest rate swaps, at fair value	Net realized gain/(loss)	16,624	(1,787,879)	(12,078,785)	109,300
Swaptions, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	-	176,087	-	(40,000)
Swaptions, at fair value	Net realized gain/(loss)	-	(250,000)	-	(11,000)
TBAs (1)	Unrealized gain/(loss) on derivative and other instruments, net	539,454	(2,292,387)	(1,550,392)	(20,000)
TBAs	Net realized gain/(loss)	(609,375)	2,889,453	2,229,102	2,600,000
IO Index, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	-	28,071	-	66,000
IO Index, at fair value	Net realized gain/(loss)	-	(131,368)	-	(45,000)
MBS Options, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	-	-	-	38,000
MBS Options, at fair value	Net realized gain/(loss)	-	-	-	19,000
Linked transactions	Income/(loss) from linked transactions, net	-	3,481,936	-	11,000
Long positions on U.S. Treasuries	Unrealized gain/(loss) on derivative and other instruments, net	245,078	-	245,078	-
Long positions on U.S. Treasuries	Net realized gain/(loss)	(115,313)	-	(3,293,047)	-
Short positions on U.S. Treasuries	Unrealized gain/(loss) on derivative and other instruments, net	(476,171)	555,880	(830,859)	(56,000)
Short positions on U.S. Treasuries	Net realized gain/(loss)	(1,862,109)	(634,826)	(3,013,867)	(69,000)

(1) For the three months ended September 30, 2015, had no TBA dollar roll net interest income and net losses of \$0.1 million due to price changes. For the nine months ended September 30, 2015, realized and unrealized gains and losses

from purchases and sales of TBAs consisted of \$2.2 million of net TBA dollar roll net interest income and net losses of \$1.5 million due to price changes. For the three months ended September 30, 2014, realized and unrealized gains and losses from purchases and sales of TBAs consisted of \$1.2 million of net TBA dollar roll net interest income and net losses of \$0.6 million due to price changes. For the nine months ended September 30, 2014, realized and unrealized gains and losses from purchases and sales of TBAs consisted of \$1.5 million of net TBA dollar roll net interest income and net gains of \$1.0 million due to price changes.

AG Mortgage Investment Trust Inc. and Subsidiaries

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The following table presents both gross information and net information about derivative and other instruments eligible for offset in the consolidated balance sheet as of September 30, 2015:

Description	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet			Net Amount
			Net Amounts of Assets (Liabilities) Presented in Consolidated Balance Sheet	Financial Instruments (Posted)/Received	Cash Collateral (Posted)/Received	
Receivable Under Reverse Repurchase Agreements	\$ 25,687,500	\$ -	\$ 25,687,500	\$ 25,197,266	\$ -	\$ 490,234
Derivative Assets (1)						
Interest Rate Swaps	\$ 49,647	\$ -	\$ 49,647	\$ -	\$ -	\$ 49,647
TBAs	10,939	-	10,939	-	-	10,939
Total Derivative Assets	\$ 60,586	\$ -	\$ 60,586	\$ -	\$ -	\$ 60,586
Derivative Liabilities (2)						
Interest Rate Swaps	\$ (14,637,242)	\$ -	\$ (14,637,242)	\$ -	\$ (14,637,242)	\$ -
TBAs	(80,861)	-	(80,861)	(80,861)	-	-
Total Derivative Liabilities	\$ (14,718,103)	\$ -	\$ (14,718,103)	\$ (80,861)	\$ (14,637,242)	\$ -

(1) Included in Derivative Assets on the consolidated balance sheet is \$60,586 less accrued interest of \$7,579 for a total of \$53,007.

(2) Included in Derivative Liabilities on the consolidated balance sheet is \$14,718,103 plus accrued interest of \$3,465,969 for a total of \$18,184,072.

The following table presents both gross information and net information about derivative instruments eligible for offset in the consolidated balance sheet as of December 31, 2014:

Description	Gross Amounts Not Offset in the Consolidated Balance Sheet					
	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets (Liabilities) Present in Consolidated Balance Sheet	Financial Instruments (Purchased)/Received	Cash Collateral (Posted)/Received	Net Amount
Linked Transactions (1)	\$ 139,778,263	\$ (113,363,873)	\$ 26,414,390	\$ (26,414,390)	\$ -	\$ -
Derivative Assets (2)						
Interest Rate Swaps	\$ 13,369,511	\$ -	\$ 13,369,511	\$ -	\$ 3,907,000	\$ 9,462,511
TBAs	1,480,471	-	1,480,471	-	1,480,471	-
Total Derivative Assets	\$ 14,849,982	\$ -	\$ 14,849,982	\$ -	\$ 5,387,471	\$ 9,462,511
Derivative Liabilities (3)						
Interest Rate Swaps	\$ (7,506,798)	\$ -	\$ (7,506,798)	\$ -	\$ (7,506,798)	\$ -
Total Derivative Liabilities	\$ (7,506,798)	\$ -	\$ (7,506,798)	\$ -	\$ (7,506,798)	\$ -

(1) Included in Linked Transactions on the consolidated balance sheet is security fair market value of \$139,778,263, less repurchase agreements of \$(113,363,873), plus net accrued interest of \$280,701 for a total of \$26,695,091.

(2) Included in Derivative Assets on the consolidated balance sheet is \$14,849,982 less accrued interest of \$(3,467,360) for a total of \$11,382,622.

(3) Included in Derivative Liabilities on the consolidated balance sheet is \$(7,506,798) plus accrued interest of \$(1,101,411) for a total of \$(8,608,209).

At September 30, 2015, the Company had real estate securities with a fair value of \$7.4 million and \$28.2 million of cash pledged as collateral against certain derivatives. At December 31, 2014, the Company had real estate securities with a fair value of \$7.2 million and \$21.1 million of cash pledged as collateral against certain derivatives. The Company had \$3.9 million of cash received as collateral against certain derivatives. The Company pledged assets accounted for within linked transactions with a fair value of \$139.6 million as collateral against the related linked repurchase agreements.

Interest Rate Swaps

To help mitigate exposure to higher short-term interest rates, the Company uses currently-paying and may use forward-starting, one- and three-month LIBOR-indexed, pay-fixed, receive-variable, interest rate swap agreements. This arrangement establishes a relatively stable fixed rate on related borrowings because the variable-rate payments received on the swap agreements largely offset interest accruing on the related borrowings, 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.

AG Mortgage Investment Trust Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****September 30, 2015**

The following table presents information about the Company's interest rate swaps as of September 30, 2015:

Maturity	Notional Amount	Weighted Average Pay Rate		Weighted Average Receive Rate		Weighted Average Years to Maturity
2017	\$ 30,000,000	0.78	%	0.40	%	2.01
2018	210,000,000	1.05	%	0.33	%	2.51
2019	260,000,000	1.27	%	0.31	%	3.89
2020	290,000,000	1.67	%	0.32	%	4.51
2022	70,000,000	1.75	%	0.33	%	6.77
2023	160,000,000	2.31	%	0.33	%	7.67
2025	40,000,000	2.48	%	0.33	%	9.68
Total/Wtd Avg	\$ 1,060,000,000	1.55	%	0.33	%	4.71

The following table presents information about the Company's interest rate swaps as of December 31, 2014:

Maturity	Notional Amount	Weighted Average Pay Rate		Weighted Average Receive Rate		Weighted Average Years to Maturity
2017	\$ 80,000,000	0.86	%	0.27	%	2.68
2018	210,000,000	1.05	%	0.23	%	3.26
2019	350,000,000	1.39	%	0.23	%	4.59
2020	440,000,000	1.61	%	0.23	%	5.24
2022	50,000,000	1.69	%	0.23	%	7.68
2023	278,000,000	2.43	%	0.23	%	8.52
2024	38,000,000	2.75	%	0.23	%	9.18
Total/Wtd Avg	\$ 1,446,000,000	1.62	%	0.24	%	5.47

TBAs

The Company has entered into TBA positions to facilitate the future purchase or sale of Agency RMBS. Pursuant to these TBAs, the Company agrees to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered or received would not be identified until shortly (generally two days) before the TBA settlement date. 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, and 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 securities purchased or sold for a forward settlement date are typically priced at a discount to agency securities 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 securities over the roll period (interest income less implied financing cost) and is commonly referred to as dollar roll income/(loss). The Company presents the purchase or sale of TBAs net of the corresponding payable or receivable until the settlement date of the transaction. Contracts for the purchase or sale of Agency RMBS are accounted for as derivatives if the delivery of the Agency security and settlement extends beyond the shortest period possible for that type of security and if it is probable at inception and throughout the term of the individual contract that physical delivery or receipt of the security will occur (referred to as the “regular-way” exception). Our maximum exposure to loss represents the net payable amount until the settlement date. As of September 30, 2015, the Company’s maximum exposure to loss on TBAs was \$0.1 million. As of December 31, 2014, the Company’s maximum exposure to loss on TBAs was \$235.2 million.

AG Mortgage Investment Trust Inc. and Subsidiaries

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September 30, 2015

The following table presents information about the Company's TBAs for the three and nine months ended September 30, 2015 and September 30, 2014:

For the Three Months Ended September 30, 2015

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TBAs - Short	\$ -	\$ 35,000,000	\$ (35,000,000)	\$ -	\$ -	\$ (69,922)	\$ 10,939	\$ (80,861)

For the Three Months Ended September 30, 2014

	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	\$ 85,000,000	\$ 375,000,000	\$ (260,000,000)	\$ 200,000,000	\$ 210,640,620	\$ (210,843,359)	\$ -	\$ (202,739)
TBAs - Short	\$ -	\$ 493,000,000	\$ (493,000,000)	\$ -	\$ -	\$ 390	\$ 142,652	\$ (142,262)

For the Nine Months Ended September 30, 2015

	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Notional Amount	Fair Value of Period End	Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	\$ 225,000,000	\$ 915,000,000	\$ (1,140,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -
TBAs - Short	\$ -	\$ 254,000,000	\$ (254,000,000)	\$ -	\$ -	\$ (69,922)	\$ 10,939	\$ (80,861)

For the Nine Months Ended September 30, 2014

	Beginning Notional Amount	Buys or Sells or Covers	Sales or Shorts	Ending Notional Amount	Fair Value as of Period End	Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs								
-	\$ -	\$ 535,000,000	\$(335,000,000)	\$ 200,000,000	\$ 210,640,620	\$(210,843,359)	\$ -	\$(202,739)
Long TBAs								
-	\$ -	\$ 740,000,000	\$(740,000,000)	\$ -	\$ -	\$ 390	\$ 142,652	\$(142,262)
Short								

Linked Transactions

In June 2014, the FASB issued final guidance for repurchase financings, ASU 2014-11, “Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures,” which requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. If all derecognition criteria are met, the initial transferee will account for the initial transfer as a purchase and the related repurchase agreement component of the transaction will be accounted for as a secured borrowing. ASU 2014-11 also requires repurchase-to-maturity transactions to be accounted for as secured borrowings as if the transferor retains effective control, even though the transferred financial assets are not returned to the transferor at settlement. The accounting changes are effective for public business entities for the first interim or annual period beginning after December 15, 2014. Entities are required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.

The Company has adopted this guidance as of January 1, 2015. This change had no effect on net income or stockholders’ equity, but did impact the amounts reported on the consolidated balance sheet and the consolidated statement of operations. The Company has disaggregated amounts previously netted together in the “Linked transactions, net, at fair value” line item on the consolidated balance sheet and has presented these amounts gross. As of January 1, 2015, the Company made a cumulative-effect adjustment to transfer real estate securities with values of \$124.9 million and \$14.9 million to the “Non-Agency” and “CMBS” line items, respectively, and to transfer secured borrowings of \$113.4 million to the “Repurchase agreements” line item on the consolidated balance sheet. As part of the cumulative-effect adjustment the Company also transferred interest receivable and payable of \$0.4 million and \$0.1 million to the “Interest receivable” and “Interest payable” line items, respectively. There was no effect on prior periods as the FASB did not require full retrospective application. As a result, disclosures for periods prior to January 1, 2015 will not be comparable to disclosures subsequent to that date.

Under previous GAAP, when the initial transfer of a financial asset and repurchase financing are entered into contemporaneously with, or in contemplation of, one another, the transaction was considered linked unless all of the criteria found in ASC 860-10 were met at the inception of the transaction. If the transaction was determined to be linked, the Company recorded the initial transfer and repurchase financing on a net basis and recorded a forward commitment to purchase assets as a derivative instrument. Gains and losses were recorded together with net interest income in the “Income/(loss) from linked transactions, net” line item on the consolidated statement of operations. When, or if a transaction was no longer considered linked, the security and related repurchase agreement was recorded on a gross basis. The fair value of linked transactions reflected the value of the underlying security’s fair market value netted with the respective linked repurchase agreement borrowings and net accrued interest. Disclosures required

under previous GAAP have been presented for periods under which the superseded guidance applied.

AG Mortgage Investment Trust Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****September 30, 2015**

The following table presents certain information related to the securities accounted for as a part of linked transactions during the three and nine months ended September 30, 2014:

Instrument	Current Face	Amortized Cost	Fair Value	Net Accrued Interest	For the Three Months Ended September 30, 2014			
					Net Interest Income	Unrealized Gain/(Loss)	Net Realized Gain/(Loss)	Amount Included in Statement of Operations
Non-Agency RMBS	\$153,230,815	\$141,726,229	\$144,288,301	\$325,379	\$1,611,819	\$(1,365,000)	\$3,217,466	\$3,464,285
CMBS	15,000,000	14,420,341	14,819,434	20,623	348,835	(1,050,471)	719,287	17,651
Total	\$168,230,815	\$156,146,570	\$159,107,735	\$346,002	\$1,960,654	\$(2,415,471)	\$3,936,753	\$3,481,936

(1) Actual maturities of mortgage-backed securities are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

The following table presents certain information related to the repurchase agreements accounted for as a part of linked transactions as of September 30, 2014:

Instrument	Repurchase Agreement	Weighted Average Interest Rate	Weighted Average Years to Maturity
Non-Agency RMBS	\$120,431,603	1.60	% 0.05
CMBS	10,675,332	1.68	% 0.08
	\$131,106,935	1.61	% 0.06

For the three months ended September 30, 2014 two Non-Agency RMBS securities with a total fair value of \$15.6 million and the related repurchase agreement borrowing of \$12.1 million became unlinked, and the Company recorded a net realized gain of \$0.2 million from the unlinking of the Linked Transactions. For the nine months ended September 30, 2014 four Non-Agency RMBS with fair value of \$87.2 million and related repurchase agreement

borrowings of \$73.5 million became unlinked, and the Company recorded a net realized loss of \$2.0 million from the unlinking of the Linked Transactions.

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 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 September 30, 2015 and September 30, 2014, the Company’s outstanding warrants, unvested shares of restricted common stock and unvested restricted stock units were as follows:

	September 30, 2015	September 30, 2014
Warrants	1,007,500	1,007,500
Restricted stock granted to the Manager	-	-
Restricted stock units granted to the Manager	40,006	60,000
Restricted stock granted to the independent directors	-	-

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 nine months ended September 30, 2015 and September 30, 2014, the Company excluded the effects of such from the computation of diluted earnings per share because their effect would be anti-dilutive.

Shares of restricted stock held by the Manager and independent directors accrue dividends, but are not paid until vested and are therefore not considered to be participating shares. Restricted stock units granted to the manager do not entitle the participant the rights of a shareholder of the Company’s common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The restricted stock units are not considered to be participating shares. The dilutive effects of these shares and restricted stock units are only included in diluted weighted average shares outstanding.

AG Mortgage Investment Trust Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****September 30, 2015**

The following table presents a reconciliation of the earnings and shares used in calculating basic and diluted EPS for the three and nine months ended September 30, 2015 and September 30, 2014:

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Numerator:				
Net income/(loss) available to common stockholders for basic and diluted earnings per share	\$ (3,665,002	) \$ 19,022,258	\$ 4,204,176	\$ 84,639,075
Denominator:				
Basic weighted average common shares outstanding	28,410,937	28,384,238	28,396,006	28,377,681
Dilutive effect of manager and director restricted stock, and restricted stock units	-	20,831	9,894	19,116
Dilutive weighted average common shares outstanding	28,410,937	28,405,069	28,405,900	28,396,797
Basic Earnings/(Loss) Per Share of Common Stock:	\$ (0.13	) \$ 0.67	\$ 0.15	\$ 2.98
Diluted Earnings/(Loss) Per Share of Common Stock:	\$ (0.13	) \$ 0.67	\$ 0.15	\$ 2.98

Excluded from the computation of diluted earnings per share because its effect would be anti-dilutive was manager restricted stock units of 14,661 for the three months ended September 30, 2015.

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 September 30, 2015 and September 30, 2014, the Company recorded excise tax expense of \$0.3 million and \$0.5 million, respectively. For the nine months ended September 30, 2015 and September 30, 2014, the Company recorded excise tax expense of \$1.1 million and \$1.4 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 and local tax examinations.

The Company has elected to treat certain 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 consolidated subsidiaries as a foreign 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.

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 September 30, 2015 and December 31, 2014. The Company's federal income tax returns for the last three 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.

AG Mortgage Investment Trust Inc. and Subsidiaries

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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 September 30, 2015 and December 31, 2014, 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 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 and nine months ended September 30, 2015, the Company incurred a management fee of approximately \$2.5 million and \$7.5 million, respectively. For the three and nine months ended September 30, 2014, the Company incurred a management fee of approximately \$2.6 million and \$7.6 million, respectively.

Termination fee

The termination fee, payable for the Company's termination of the management agreement without cause or the Manager's termination of the management agreement upon a default in the performance 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 September 30, 2015 and December 31, 2014, no event of termination of the management agreement had occurred.

Expense reimbursement

The Company is required to reimburse the Manager for operating expenses related to the Company that are either incurred by the Manager or 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 expenses are evaluated in accordance with its policy. The reimbursement is subject to an annual budget process which combines guidelines found in the Management Agreement with oversight by the Company's board of directors. The Company will not reimburse the Manager for the salaries and other compensation of its personnel except that the Company will be responsible for expenses incurred by the Manager in employing the Company's chief financial officer, general counsel and other employees as further described below.

The Company will reimburse the Manager or its affiliates for the allocable share of the compensation, including, without limitation, annual base salary, bonus, any related withholding taxes and employee benefits paid to (i) the Company's chief financial officer based on the percentage of his time spent on Company affairs, (ii) the Company's general counsel based on the percentage of his 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 will devote such portion of their time to the Company's affairs as is necessary to enable the Company to operate its business.

For the three and nine months ended September 30, 2015, the Company expensed into Other operating expenses \$2.1 million, and \$5.8 million, respectively, of reimbursable expenses payable to the Manager. For the three and nine months ended September 30, 2014, the Company expensed into Other operating expenses \$1.7 million, and \$5.0 million, respectively, of reimbursable expenses payable to the Manager. The Manager did not waive any expense reimbursements for these periods.

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Restricted stock grants

On July 6, 2011 (the date of consummation of the IPO), the Company entered into (i) a restricted stock award agreement with the Manager under the Manager Equity Incentive Plan, pursuant to which the Manager received 40,250 shares of the Company's common stock, which vest ratably on a quarterly basis over a three-year period that began on October 1, 2011 and (ii) restricted stock award agreements with the Company's four initial independent directors under the Equity Incentive Plan, pursuant to which each of the four initial independent directors received 1,500 shares of the Company's common stock that vest in equal installments over three years on each annual anniversary of the grant date. Following the election of Arthur Ainsberg as an independent director at the 2013 Annual Meeting of Stockholders, 500 shares of the Company's common stock that vested on July 6, 2014 were granted to Mr. Ainsberg under the Equity Incentive Plan. As of July 6, 2014, an aggregate of 46,750 shares awarded to the Manager and the independent directors were fully vested.

Pursuant to the Manager Equity Incentive Plan and the Equity Incentive Plan, 277,500 shares of common stock were available to be awarded. As of September 30, 2015, 144,214 shares of common stock were available to award under the plan. Awards under the equity incentive plans are forfeitable until they become vested. An award will become vested only if the vesting conditions set forth in the award agreement (as determined by the board of directors or the compensation committee, as applicable) are satisfied. The vesting conditions may include performance of services for a specified period, achievement of performance goal, or a combination of both. The board of directors or the compensation committee, as applicable, also has authority to provide for accelerated vesting upon the occurrence of certain events.

On July 1, 2014, the Company granted 60,000 restricted stock units to the Manager that represent the right to receive an equivalent number of shares of the Company's common stock to be issued if and when such units vest. Annual vesting of approximately 20,000 units 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. On July 1, 2015, approximately 20,000 restricted stock units vested. As of September 30, 2015, approximately 40,000 units remained outstanding.

The Company also pays a \$90,000 annual base director's fee to each independent director. Base director's fees are paid two-thirds in cash and one-third in restricted common stock. The number of shares of restricted common stock to be issued each quarter to each independent director is determined based on the average of the high and low prices of the

Company's common stock on the New York Stock Exchange on the last trading day of each fiscal quarter. To the extent that any fractional shares would otherwise be issuable and payable to each independent director, a cash payment is made to each independent director in lieu of any fractional shares. All directors' fees are paid pro rata (and restricted stock grants determined) on a quarterly basis in arrears, and shares issued are fully vested and non-forfeitable. These shares may not be sold or transferred during the time of service as an independent member of the Company's board.

Investments in Affiliates

The Company invests in credit sensitive commercial and residential 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 a U.S. government agency. Our maximum exposure to loss with respect to these investments is generally equal to the amount that we invested.

Transactions with affiliates

In July 2015, the Company completed an arms-length investment purchase at fair value. Certain entities managed by an affiliate of the Manager ("Related Entities") had previously formed a joint venture ("Joint Venture") with an unaffiliated third party ("Third Party"). The Joint Venture owns certain multi-family properties whose mortgages form part of the collateral of a securitization wherein the Company purchased certain bond tranches. To ensure an arms-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 is reflected on the "Investment in Affiliates" line item on the consolidated balance sheet and has a combined fair value of \$7.6 million at September 30, 2015.

The Company, with other investors managed by an affiliate of the Manager (collectively, "Related Parties"), completed two arms-length transactions in May and July of 2015. Each transaction consisted of a securitization of seasoned, fixed-rate and adjustable-rate, non-performing and re-performing mortgage loans secured by first or second liens on one- to four-family properties or cooperative shares and real estate owned. The assets contributed to the securitization were previously held within two private securitizations. The first transaction occurred in May 2015, in which the Company held a 10.00% and 0.00% ownership interest in the assets contributed to the securitization. The remaining interests were owned by certain of the Related Parties. The Company's investment in this securitization is reflected on the "Non-Agency" line item on the consolidated balance sheet and has a fair value of \$2.9 million at September 30, 2015. The second transaction occurred in July 2015, in which the Company held a 7.50% and 0.00% ownership interest in the assets contributed to the securitization. The remaining interests were owned by certain of the Related Parties. The Company's investment in this securitization is reflected on the "Non-Agency" line item on the consolidated balance sheet and has a fair value of \$5.2 million at September 30, 2015.

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11. Equity

On January 24, 2012, the Company completed a follow-on offering of 5,000,000 shares of its common stock and subsequently issued an additional 750,000 shares of common stock pursuant to the underwriters' over-allotment option at a price of \$19.00 per share, for aggregate gross proceeds of approximately \$109.3 million. Net proceeds to the Company from the offering were approximately \$104.0 million, net of issuance costs of approximately \$5.3 million.

On July 13, 2012, the Company filed a shelf registration statement on Form S-3 with the SEC, offering up to \$1.0 billion of our securities, including capital stock. The registration statement was declared effective on July 20, 2012. On May 6, 2015, the Company renewed its shelf registration statement, upsizing the amount of securities, including capital stock, available for issuance to \$750.0 million. At September 30, 2015, approximately \$750.0 million of the Company's securities, including capital stock, was available for issuance under the registration statement.

On August 3, 2012, the Company completed a public offering of 1,800,000 shares of 8.25% Series A Cumulative Redeemable Preferred Stock and subsequently issued an additional 270,000 shares pursuant to the underwriters' over-allotment option with a liquidation preference of \$25.00 per share. The Company received total gross proceeds of approximately \$51.8 million. Net proceeds to the Company from the offering were approximately \$49.9 million, net of underwriting discounts, commissions and expenses. The Company's Series A Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. Under certain circumstances upon a change of control, the Company's Series A Preferred Stock is convertible to shares of the common stock. Holders of the Company's Series A 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% per annum 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 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 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 September 30, 2015, the Company had declared all required quarterly dividends on the Company's Series A Preferred Stock.

On August 15, 2012, the Company completed a public offering of 6,000,000 shares of its common stock and simultaneously issued an additional 900,000 shares pursuant to the underwriters' over-allotment option at a price of \$23.29 per share. The Company received total gross proceeds of approximately \$160.7 million. Net proceeds to the

Company from the offering were approximately \$152.7 million, net of underwriting discounts, commissions and expenses.

On September 6, 2012, the Company entered into an equity distribution agreement with each of Mitsubishi UFJ Securities (USA), Inc., JMP Securities LLC and Brinson Patrick Securities Corporation (the "Sales Agents"), which the Company refers to as the Equity Distribution Agreements, pursuant to which the Company may sell up to 3,000,000 shares of common stock from time to time through the Sales Agents, as defined in Rule 415 under the Securities Act of 1933. As of September 30, 2015, the Company had sold 1,254,854 shares of common stock through the Sales Agents for net proceeds of approximately \$31.3 million with the last sale settling on June 13, 2013.

On September 27, 2012, the Company completed a public offering of 4,000,000 shares of 8.00% Series B Cumulative Redeemable Preferred Stock and issued an additional 600,000 shares pursuant to the underwriters' over-allotment option with a liquidation preference of \$25.00 per share. The Company received total gross proceeds of approximately \$115.0 million. Net proceeds to the Company from the offering were approximately \$111.3 million, net of underwriting discounts, commissions and expenses. The Company's Series B Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. Under certain circumstances upon a change of control, the Company's Series B Preferred Stock is convertible to shares of the common stock. Holders of the Company's 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 8.00% per annum 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 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 September 27, 2017, 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 September 30, 2015, the Company had declared all required quarterly dividends on the Series B Preferred Stock.

AG Mortgage Investment Trust Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****September 30, 2015**

On December 26, 2012, the Company completed a public offering of 3,750,000 shares of its common stock at a price of \$24.33 per share. The Company received total gross proceeds of approximately \$91.2 million. Net proceeds to the Company from the offering were approximately \$87.5 million, net of underwriting discounts, commissions and expenses.

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 stock splits, stock dividends, reorganizations, recapitalizations and the like). No warrants were exercised for the three and nine months ended September 30, 2015 and September 30, 2014.

The following table details the Company’s common stock dividends during the nine months ended September 30, 2015 and September 30, 2014:

2015				
Declaration Date	Record Date	Payment Date	Dividend Per Share	
3/12/2015	3/23/2015	4/30/2015	\$	0.60
6/11/2015	6/22/2015	7/31/2015		0.60
9/10/2015	9/21/2015	10/30/2015		0.60
2014				
Declaration Date	Record Date	Payment Date	Dividend Per Share	
3/5/2014	3/18/2014	4/28/2014	\$	0.60
6/9/2014	6/19/2014	7/28/2014		0.60
9/11/2014	9/22/2014	10/27/2014		0.60

The following table details the Company’s preferred stock dividends during the nine months ended September 30, 2015 and September 30, 2014:

2015

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

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

2014

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

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

12. Commitments and Contingencies

From time to time, the Company may become involved in various claims and legal actions arising in the ordinary course of business. Management is not aware of any significant commitments and contingencies at September 30, 2015 and December 31, 2014.

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

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2015

13. Subsequent Events

On November 3, 2015, the Company's Board of Directors authorized a stock repurchase program ("Repurchase Program"), to repurchase up to \$25.0 million of its outstanding common stock. Such authorization does not have an expiration date. As part of the Repurchase Program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. Open market repurchases will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. Subject to applicable securities laws, the timing, manner, price and amount of any repurchases of common stock under the Repurchase Program may be determined by the Company in its discretion, using available cash resources. Shares of common stock repurchased by the Company under the Repurchase Program, if any, will be cancelled and, until reissued by the Company, will be deemed to be authorized but unissued shares of its common stock. The Repurchase Program may be suspended or discontinued by the Company at any time and without prior notice. The authorization does not obligate the Company to acquire any particular amount of common stock. The Company has not repurchased any shares of common stock under the Repurchase Program.

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 indirect 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, 2014.

Forward-Looking Statements

We make forward-looking statements in this report that are subject to 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 the U.S. government and governmental entities, including the Federal Reserve, and the potential effects of 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. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks identified under the captions "Risk Factors," "Forward-Looking Statements" 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, 2014 which is available on the Securities and Exchange Commission's website at www.sec.gov. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. 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 written or oral forward-looking statements that we make, or that are attributable to us, are expressly qualified by this cautionary notice. We expressly disclaim any obligation to update the information in any public disclosure if any forward-looking statement later turns out to be inaccurate, except as may otherwise be required by law.

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. Our Manager, pursuant to the delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility for its Manager's day-to-day duties and obligations arising under our management agreement.

The majority of our portfolio is comprised of mortgage-backed securities, specifically residential mortgage-backed securities, or RMBS. Certain of 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 a federally-chartered corporation such as the Federal National Mortgage Association, or Fannie Mae, or the Federal Home Loan Mortgage Corporation, or Freddie Mac. We refer to these securities as Agency RMBS. Our Agency RMBS investments include mortgage pass-through securities, securities backed by interest-only strips, collateralized mortgage obligations ("CMOs"), and certain Agency RMBS whose underlying collateral is not identified until shortly (generally two days) before the purchase or sale settlement date ("TBAs").

Our portfolio also includes a significant portion of RMBS that are not issued or guaranteed by a U.S. government agency or a U.S. government-sponsored entity, which we refer to as Non-Agency RMBS. Our Non-Agency RMBS investments may include fixed-and floating- rate securities, including investment grade and non-investment grade. We group our Non-Agency RMBS by credit score at origination into Prime, Alt-A, Subprime, with the exception of RPL/NPL MBS, as defined below, and Securitized Whole Loans, as defined below, which are separately categorized.

RPL/NPL MBS are collateralized by re-performing or non-performing loans. RPL/NPL MBS are purchased primarily in offerings of new issues of such securities at prices at or around par and represent the senior tranches in the securitizations of the loan portfolios collateralizing such securities. These RPL/NPL MBS are structured with significant credit enhancement (typically approximately 50%) to mitigate our exposure to credit risk on these securities. The subordinate tranche(s) absorb(s) all credit losses (until extinguished) and typically receives no cash flow (interest or principal) until the senior tranche is paid off. In addition, these deal structures contain an interest rate step-up feature, whereby the coupon on the senior tranche increases by 300 basis points if the security that we hold has not been redeemed by the issuer after 36 months. We expect that the combination of the priority cash flow of the senior tranche and the 36-month step-up will result in these securities exhibiting short average lives and, accordingly, reduced interest rate sensitivity.

Securitized Whole Loans are whole loans in securitized form that we purchase from a related party or parties. The whole loans are generally re-performing or non-performing. The securitizations typically take the form of debt securities consisting of various classes of notes and a trust certificate. Securitized Whole Loans do not include re-performing or non-performing whole loans that we hold through interests in certain consolidated trusts.

We have invested in other target assets, including asset backed securities, or ABS, and commercial mortgage-backed securities, or CMBS, which, together with Agency RMBS and Non-Agency RMBS, we collectively refer to as real estate securities. We have also invested in commercial and residential mortgage loans, including non-performing and re-performing residential mortgage loans, as well as excess mortgage servicing rights (“MSRs”). We have the discretion to invest in other target assets such as other real estate structured finance products, and other real estate-related loans and securities. Recently, target assets were expanded to include interests in certain types of real estate. Non-Agency RMBS, ABS, CMBS, MSRs and residential and commercial loans are referred to as our credit portfolio and residential and commercial mortgage loans are collectively referred to as loans.

As of September 30, 2015 and per our GAAP consolidated balance sheet, we have a \$3.0 billion investment portfolio comprised of securities, loans and MSRs, which consists of \$1.5 billion, or 50.4%, of Agency RMBS and \$1.5 billion, or 49.6%, of assets in our credit portfolio. Our investment portfolio, gross of investments held within affiliated entities in the credit investments category is \$3.1 billion, which consists of \$1.5 billion, or 49.4%, of Agency RMBS and \$1.6 billion, or 50.6%, of assets in our credit portfolio. We utilize different hedging instruments as a means to mitigate interest rate risk. As of September 30, 2015 we had entered into \$1.1 billion notional amount of interest rate swaps, \$25.0 million notional of short positions in U.S. Treasury securities and \$126.0 million notional of long positions in U.S. Treasury securities. We had no positions in TBAs at September 30, 2015. This compares with a \$3.3 billion investment portfolio per our GAAP consolidated balance sheet as of December 31, 2014, which consisted of \$1.8 billion, or 55.2%, of Agency RMBS and \$1.5 billion, or 44.8%, of assets in our credit portfolio. Our investment portfolio as of December 31, 2014, gross of linked transactions and investments held within affiliated entities in the credit investments category and including TBAs in the Agency RMBS category, was \$3.7 billion, which consisted of \$2.0 billion, or 55.4%, of Agency RMBS and \$1.7 billion, or 44.6%, of assets in our credit portfolio. We also entered into \$1.4 billion notional amount of interest rate swaps as of December 31, 2014. We did not have any positions in U.S. Treasury securities at December 31, 2014. Refer to Note 7 to our financial statements for a discussion of TBAs, and investments held within affiliated entities.

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.

We conduct our operations to qualify and be taxed as a REIT for U.S. federal income tax purposes. Accordingly, we generally will not be subject to federal income tax on our taxable income that we distribute currently to our stockholders as long as we maintain our intended qualification as a REIT. We operate our business in a manner that permits us to maintain our exemption from registration under the Investment Company Act of 1940 (the “Investment Company Act”).

Market and interest rate trends

Inclusive of distressed sales, home prices nationwide increased by 6.9% on a year-over-year basis in August 2015 as compared with August 2014, according to data released by CoreLogic. This marks the 42nd consecutive monthly increase year-over-year in national home prices. The housing market continues to show signs of stabilization, albeit recovery is expected to be somewhat muted for the rest of the year. The U.S. government agencies and central bank policy sponsorship of housing via lower mortgage rates and potential loosening of credit available to potential homeowners, coupled with an improving broader domestic economy, have provided some support for the housing market recovery.

According to CoreLogic, the percent of owners underwater decreased in the second quarter of 2015 to 8.7%, or 4.4 million homes. For much of the country, the negative equity epidemic is lifting due to the rise in home prices over the past three years. CoreLogic predicts home prices to rise an additional 4.7% over the next year. If this occurs, 800,000 homeowners could regain positive equity by July 2016. Additionally, credit performance in terms of serious delinquencies and subsequent default rates continued to improve in 2015 and is anticipated to remain positive in the near future. We believe that current prices for certain Non-Agency RMBS offer attractive risk-adjusted returns. We believe Angelo, Gordon's granular credit-centric approach and deep understanding of government public policy initiatives will provide our Manager strong insight into both Non-Agency and Agency RMBS performance drivers.

During the fourth quarter of 2014, the Federal Open Market Committee ("FOMC") officially exited its large scale asset purchase program, commonly referred to as quantitative easing (QE). However, it continued to maintain its existing policy of reinvesting principal payments from its holdings of Agency RMBS into new purchases of Agency RMBS and of rolling over maturing U.S. Treasury securities at auction through an unspecified date in the future.

The final second quarter gross domestic product (“GDP”) report showed growth increasing to 3.9%, up from 0.6% in the first quarter. The final revision for second quarter GDP showed upward revision to exports, an acceleration in Personal Consumption Expenditures (“PCE”), an upturn in state and local government spending and an acceleration in nonresidential fixed investment, that were partially offset by decelerations in private inventory investment and in federal government spending.

The initial reading on third quarter GDP decelerated to 1.5%, dragged down by a one time inventory adjustment which reduced growth by 1.4%. Growth in consumption was a solid 3.2%, with final sales to domestic purchasers annualized 2.9%. The monthly sales data shows, however, that the strength at the start of the quarter has softened more recently. Likewise, business fixed investment expanded at a moderate 2.1%, which is softer than data from the second quarter. In September, non-farm payrolls disappointed at 142,000 per month, reducing the three month moving average to 177,000 per month but the broad overall level of underemployment continues to decline. Most indicators of housing activity continue to show steady progress. While high frequency retail sales data has been inconsistent during the quarter, overall consumer spending on both goods and services appears to have rebounded. Real consumer spending growth moved above 3% on a trend basis, versus the 2% average seen during most of the recovery. Manufacturing activity and exports continue to pose a drag to recovery in the third quarter, likely due to the tightening conditions brought about by a stronger U.S. dollar. On the inflation front, core PCE and average hourly earnings continue to fall short of where the Federal Reserve (“Fed”) would like to see them.

The FOMC held policy interest rates unchanged in September, and Fed Chairwoman Yellen stated that “recent global economic and financial developments may restrain economic activity somewhat and are likely to put further downward pressure on inflation in the near term.” However, Chairwomen Yellen also stated that interest rates are likely to be raised this year pending labor market improvement and inflation moving back towards the 2% target, leaving the near term path of domestic monetary policy highly uncertain and restraining general risk appetite across a variety of financial markets. The slowing of economic activity in China, as it attempts to transform from an export driven low cost producer to an economy based on domestic consumption and services, has had ripple effects around the globe that will likely persist for some time and keep uncertainty high.

Market technicals deteriorated during the quarter as fears of a global slowdown and a lack of liquidity across markets caused risk appetite to evaporate. MBS, ABS and most credit spreads were wider in September, primary issuance was anemic and pricing generally was under pressure. Fundamental underlying mortgage credit performance, however, continued its pattern of stable to modest improvement in borrower payment rates. CMBS experienced a material spread widening due to a very heavy issuance calendar and deteriorating fundamentals in the retail and hotel sectors. Agency MBS underperformed swap hedges largely due to a decoupling of swap spreads from benchmark U.S. Treasury securities and most other rate/credit spread products. Emerging market central banks have drained foreign-exchange reserves through sales of foreign securities to include US treasuries in an attempt to curb capital flight by strengthening their local currencies. The resulting shift of bonds from permanent central bank funding to more levered balance sheets has in turn pressured bank balance sheets. This increased funding pressure has come at a time of increased regulation and a seasonal uptick in corporate issuance, resulting in a significant tightening of swap spreads during the quarter.

In an effort to diversify our financing of leverage and utilize advantageous funding levels, the Company received \$400 million in FHLBC Advances as of October 2015. We believe the FHLBC Advances can more efficiently and profitably replace a portion of our traditional bank repo borrowings.

The rise in savings rates since the financial crisis, continued low interest rates, steady employment gains and most recently a decline in 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 willingness on the part of federal regulators at the Federal Housing Finance Agency ("FHFA") to further credit expansion and assist household formation. However, we expect that, without an increase in median income, the pace of home price appreciation is likely to moderate over the coming years.

The market movements outlined above have had a meaningful impact on our existing portfolio and may also have a significant impact on our operating results going forward. We believe current market dynamics may impact the availability and cost of financing. Furthermore, we may elect to apply a more dynamic hedging policy than we historically have employed, the cost of which may impact our earnings going forward.

We expect that overall market conditions will continue to impact our operating results and will cause us to adjust our investment and financing strategies over time as new opportunities emerge and risk profiles of our business change.

Recent Government Activity

On March 16, 2014, Senators Tim Johnson (D-SD) and Mike Crapo (R-ID), the two most senior members of the Senate Banking Committee, released a draft bill, the “Housing Finance Reform and Taxpayer Protection Act of 2014”, proposing a comprehensive framework for housing finance reform (the "Johnson-Crapo Bill"), which builds on the bipartisan foundation of the “Housing Finance Reform and Taxpayer Protection Act of 2013” introduced by Senators Bob Corker (R-TN) and Mark Warner (D-VA) in the summer of 2013. The bill would create a new regulator, the Federal Mortgage Insurance Corp. (the “FMIC”). The FMIC's backing for mortgage-backed securities would come in the form of a Mortgage Insurance Fund (the “MIF”), which would be designed to protect investors' losses beyond a 10% first-loss position held by private participants in the market. The MIF would initially be capitalized through assessments charged to Fannie Mae and Freddie Mac, but later that cost would be shifted to private market participants once Fannie Mae and Freddie Mac are wound down over a five year period. The Johnson-Crapo Bill details how regulators would wind-down Fannie Mae and Freddie Mac and how to begin a transition to the new housing finance system. Although the Johnson-Crapo Bill initially received significant support, in May 2014 several Democrat senators withdrew their support and the bill was tabled after being voted out of committee in a divided 13-9 vote.

On March 19, 2015, housing and mortgage financial reform legislation, H.R. 1491, was introduced by congressmen John Delaney (D-MD), James A. Himes (D-CT) and eight cosponsors. The bill is called “The Partnership to Strengthen Homeownership Act,” and is similar to one introduced by the same congressmen in the last Congress (H.R. 5055), which never made it out of committee. H.R. 1491 was assigned to the House Committee on Financial Services on the day it was introduced. Under the proposed legislation, all government guaranteed single-family and multi-family mortgage-backed securities would be supported by a minimum of 5% private sector capital, which would stand in a first loss position. The remaining 95% of the risk would be shared between Ginnie Mae and a private reinsurer on a *pari passu* basis.

Under the bill, Freddie Mac and Fannie Mae would be wound down over a five-year period, and their multifamily businesses will be spun out as separate entities. Ginnie Mae would be required to create and implement a multifamily guarantee that utilizes private sector pricing consistent with the single family model. Freddie Mac and Fannie Mae’s current multifamily businesses would continue to function within the multifamily housing market as purely private organizations with an explicit government guarantee provided by Ginnie Mae and a private sector reinsurer. H.R. 1491 is another bill in a series of legislative attempts, which to date have been unsuccessful, over the last several years to enact meaningful housing finance reform. As a result, we cannot predict whether H.R. 1491 or any other housing- or mortgage-related bill will emerge from committee or be approved by Congress and, if so, what the effect will be.

In May 2015, Senate Banking Committee Chairman Richard Shelby (R-AL) released a draft bill entitled The Regulatory Relief Bill of 2015. If enacted, this bill would reduce the threshold for a financial institution to be deemed a Systemically Important Financial Institution, provide regulatory relief for community banks, broaden the Consumer Financial Protection Bureau Qualified Mortgage rule, and compel the FHFA to remove its proposed rulemaking on FHLB membership qualification. The FHFA rule would reduce the number of financial institutions that could be

members of the FHLB system. Furthermore, any new FHLB membership qualification rules imposed by the FHFA would have to be reviewed by the Government Accounting Office to determine whether such rules would damage the functioning of the FHLB system and its large number of member banks. The draft bill was unable to win the support to bring it to a floor vote in the Senate. In July, Shelby attached the bill to a Senate Appropriations Subcommittee mark-up of the Financial Services and General Government Appropriations Act for Fiscal Year 2016, which won approval. In October 2015, a bill was introduced in the U.S. House of Representatives that, if passed as legislation, would prohibit the FHFA from moving forward with its rule to establish new membership requirements for FHLB system.

In addition to housing finance reform legislation, in May 2014, FHFA Director Mel Watt presented the 2014 Strategic Plan for the Conservatorship of Fannie Mae and Freddie Mac, and the 2014 Conservatorship Scorecard for Fannie Mae and Freddie Mac focusing on how FHFA will manage the conservatorships of Fannie Mae and Freddie Mac under its present statutory mandates. The Strategic Plan tends to favor policies that promote housing affordability, expand credit availability for new and refinanced mortgages, and increase the role of private capital in the mortgage market. On March 16, 2015 the FHFA issued a progress report on the 2014 Strategic Plan and noted that important progress had been made in advancing access to credit, continuing and enhancing loss mitigation and foreclosure prevention efforts, reducing risk to taxpayers by increasing the role of private capital in the mortgage market, and furthering the development of a common securitization platform.

Furthermore, in October 2014, FHFA Director Watt announced a number of general policy initiatives by the FHFA, including restoring a program that allows Fannie Mae and Freddie Mac to guarantee loans with down payments as low as 3%. Director Watt also said that the FHFA was taking steps to bring certainty to the circumstances under which Fannie Mae and Freddie Mac will require originators to repurchase defaulted mortgages that were later discovered to have underwriting defects.

The future of housing finance legislative proposals is highly uncertain. There is no way to know precisely how these proposals would impact housing finance, and what impact, if any, they would have on companies that invest in mortgage-backed securities. Although it is unclear how these proposals would impact housing finance, they generally seek to increase opportunities for private capital in the mortgage market, and such changes could provide new investment opportunities for us as the evolution of the housing finance market continues.

Factors impacting our operating results

Our operating results can be affected by a number of factors and primarily depend on, among other things, 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. Our net interest income, which reflects the amortization of purchase premiums and accretion of purchase discounts, varies primarily as a result of changes in market interest rates and prepayment speeds, as measured by the Constant Prepayment Rate, ("CPR"), on our RMBS, amongst others. Interest rates vary according to the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty. Our operating results can be impacted by unanticipated credit events experienced by borrowers whose mortgage loans are included in our RMBS.

See the caption “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014, which is available on the Securities and Exchange Commission’s website at www.sec.gov, for additional factors that may impact our operating results.

Investment activities

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

In 2012, we accomplished our goal to begin increasing our exposure to credit securities and leveraging the broader Angelo, Gordon platform. Throughout the first quarter of 2013 we remained positioned in Agency RMBS assets that we believed would perform well in an ongoing elevated prepayment environment. During the second quarter of 2013 however, we concurrently elected to increase our hedging activity, perceiving the potential for an increase in interest rate volatility and benchmark interest rates. Throughout 2014, we reduced our hedging activity and rotated into shorter duration Agency RMBS and continued rotating assets away from Agency RMBS into credit securities and loans. In 2015, we continue to base our investment decisions on a variety of factors, including liquidity, duration, interest rate expectations and hedging, and the mix of assets in our portfolio may accordingly shift over time. As of September 30, 2015, we had a portfolio that consisted of 49.4% of Agency RMBS and 50.6% of credit investments.

We finance our investments in real estate securities and loans primarily through short-term borrowings structured as repurchase agreements as well as loans from the FHLBC. The 11 regional FHLBs provide short-term and long-term secured loans, called “advances,” to their members. FHLB members may use a variety of real estate related assets, including Agency RMBS, as collateral for advances. Subject to maintaining our qualification as a REIT and our Investment Company Act exemption, to the extent leverage is deployed, we utilize derivative financial instruments (or hedging instruments), including interest rate swaps, swaption agreements, synthetic IO Indexes and certain non-derivative financial instruments such as Agency Interest-Only securities and 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 cost of our financing and hedging.

In July 2015, our captive insurance subsidiary, MITT Insurance, was granted membership in the FHLBC and commenced obtaining advances from the FHLBC. Membership in the FHLBC permits MITT Insurance to access a variety of products and services offered by the FHLBC, and obligates MITT Insurance to purchase FHLBC

membership stock and activity stock, the latter being a percentage of the advances it obtains from the FHLBC. As with our repo borrowings, if the value of any assets pledged to FHLBC as collateral for advances decreases, the FHLBC could require posting of additional collateral to the amount of advances outstanding.

Throughout Item 2, where we disclose our investment portfolio and the related repurchase agreements and FHLBC Advances that finance it, we have presented this information inclusive of unconsolidated ownership interests in affiliates that are accounted for under GAAP using the equity method, TBAs, which are certain Agency RMBS whose underlying collateral is not identified until shortly (generally two days) before the purchase or sale settlement date, that are accounted for as derivatives for GAAP, long and short positions in U.S treasury securities and transactions considered linked under previous GAAP where we recorded the initial transfer and repurchase financing on a net basis and recorded a forward commitment to purchase assets as a derivative instrument. Our investment portfolio is presented along with a reconciliation to GAAP. The presentation inclusive of investments held within affiliated entities, TBAs and linked transactions is consistent with how the Company's management evaluates the business, and the Company believes this presentation provides the most accurate depiction of its investment portfolio and financial condition.

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The following table presents a reconciliation of certain information related to investments inclusive of investments held within affiliated entities to investments on a GAAP basis as of September 30, 2015:

Instrument	Current Face	Amortized Cost	Unrealized Mark-to- Market	Fair Value	Weighted Average Coupon (1)	Weighted Average Yield (2)	Weighted Average Life (Years) (5)
Agency RMBS:							
20 Year Fixed Rate	\$47,764,013	\$50,047,444	\$ 1,150,800	\$51,198,244	3.84 %	2.84 %	5.53
30 Year Fixed Rate	865,589,633	905,622,561	13,619,965	919,242,526	3.79 %	3.08 %	8.33
Fixed Rate CMO	78,888,496	79,589,710	2,999,839	82,589,549	3.00 %	2.81 %	5.24
ARM	372,451,993	372,429,667	8,156,611	380,586,278	2.41 %	2.72 %	5.26
Inverse Interest Only	165,958,122	30,604,501	1,241,852	31,846,353	6.25 %	8.86 %	4.12
Interest Only Credit	496,152,417	46,037,673	270,301	46,307,974	2.37 %	5.42 %	4.08
Investments: Non-Agency RMBS (2)							
Prime	983,019,990	585,585,341	14,651,237	600,236,578	3.17 %	5.97 %	6.71
Alt A	469,741,049	229,038,568	2,904,041	231,942,609	2.30 %	5.28 %	7.61
Subprime	116,019,901	111,655,929	1,829,284	113,485,213	4.47 %	5.32 %	5.48
RPL/NPL (3)	133,344,022	131,886,625	590,836	132,477,461	4.31 %	5.07 %	1.56
Securitized Whole Loans (4)							
ABS	57,007,070	56,602,434	(307,927)	56,294,507	5.26 %	5.65 %	4.40
CMBS	319,317,528	161,841,366	1,924,350	163,765,716	5.03 %	7.52 %	5.83
CMBS Interest Only	689,011,697	9,302,750	280,754	9,583,504	0.24 %	7.10 %	4.57
Commercial Loans	72,800,000	72,554,368	245,632	72,800,000	6.79 %	8.05 %	1.17
Residential Mortgage Loans	120,287,304	84,777,334	2,887,412	87,664,746	5.49 %	8.06 %	5.75
Excess Mortgage Servicing Rights	75,161,795	455,743	-	455,743	N/A	0.77 %	1.67
Total: Non-GAAP	\$5,167,731,455	\$3,006,049,636	\$ 51,225,284	\$3,057,274,920	3.01 %	4.70 %	5.86

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Basis

Investments in Affiliates	\$753,111,472	\$55,337,829	\$808,863	\$56,146,692	0.40	%	10.67	%	5.01
Total: GAAP Basis	\$4,414,619,983	\$2,950,711,807	\$50,416,421	\$3,001,128,228	3.44	%	4.58	%	6.01

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

(2) 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 719, 680 and 599, respectively.

(3) RPL/NPL MBS are collateralized by re-performing or non-performing loans whose deal structures contain an interest rate step-up feature.

(4) Whole loans purchased by a MITT related party in securitized form.

(5) 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.

The following table presents a reconciliation of certain information related to investments inclusive of unlinked securities, TBAs and investments held within affiliated entities to investments on a GAAP basis as of December 31, 2014:

Instrument	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value	Weighted Average Coupon (1)		Weighted Average Yield (2)		Weighted Average Life (Years) (2)(6)
Agency RMBS:									
20 Year Fixed Rate	\$125,538,084	\$131,547,616	\$2,195,254	\$133,742,870	3.72	%	2.79	%	5.93
30 Year Fixed Rate	973,102,647	1,019,768,602	16,255,417	1,036,024,019	3.90	%	3.15	%	8.29
Fixed Rate CMO	88,345,864	89,226,858	1,548,517	90,775,375	3.00	%	2.81	%	5.86
ARM	421,043,957	420,155,852	7,381,515	427,537,367	2.42	%	2.71	%	5.42
Inverse Interest Only	359,129,451	65,628,075	3,359,820	68,987,895	6.16	%	8.84	%	4.30
Interest Only	395,775,789	51,012,794	234,426	51,247,220	3.02	%	6.38	%	4.64
Fixed Rate 30 Year TBA	225,000,000	235,240,234	1,480,471	236,720,705	3.72	%	N/A		N/A

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Credit									
Investments:									
Non-Agency									
RMBS (3)									
Prime	719,256,334	598,517,111	12,742,780	611,259,891	4.50	%	5.90	%	6.39
Alt A	273,376,875	238,595,194	5,017,721	243,612,915	3.98	%	5.49	%	7.43
Subprime	85,373,582	80,683,905	3,043,202	83,727,107	3.97	%	5.44	%	6.59
RPL/NPL (4)	190,872,760	188,830,099	246,785	189,076,884	4.21	%	4.78	%	2.31
Securitized									
Whole Loans	170,389,872	138,261,702	(987,048)	137,274,654	3.48	%	5.98	%	6.86
(5)									
ABS	67,696,117	67,316,469	(623,226)	66,693,243	5.15	%	5.55	%	4.94
CMBS	272,209,699	120,072,723	2,785,870	122,858,593	4.67	%	7.68	%	6.76
CMBS Interest									
Only	52,357,700	5,932,935	193,014	6,125,949	1.85	%	5.73	%	3.78
Commercial									
Loans	72,800,000	72,303,981	496,019	72,800,000	6.79	%	8.55	%	2.02
Residential									
Mortgage	163,726,985	113,854,029	(357,289)	113,496,740	5.53	%	9.38	%	4.90
Loans									
Excess									
Mortgage									
Servicing	85,883,832	638,666	(10,299)	628,367	N/A		9.78	%	2.01
Rights									
Total:									
Non-GAAP	\$4,741,879,548	\$3,637,586,845	\$ 55,002,949	\$3,692,589,794	4.05	%	4.67	%	6.04
Basis									
Linked									
Transactions	\$ 150,836,900	\$ 137,561,793	\$ 2,216,470	\$ 139,778,263	3.69	%	5.94	%	5.12
Investments in									
Affiliates	\$81,027,296	\$42,557,454	\$ (591,423)	\$41,966,031	5.33	%	12.13	%	5.10
TBAs	\$225,000,000	\$235,240,234	\$ 1,480,471	\$236,720,705	3.72	%	N/A		N/A
Total: GAAP	\$4,285,015,352	\$3,222,227,364	\$ 51,897,431	\$3,274,124,795	4.07	%	4.52	%	6.08
Basis									

(1) Equity residuals, principal only securities and MSR's with a zero coupon rate are excluded from this calculation.

(2) Fixed Rate 30 Year TBA are excluded from this calculation.

(3) 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 722, 672 and 607, respectively.

(4) RPL/NPL MBS are collateralized by re-performing or non-performing loans whose deal structures contain an interest rate step-up feature.

(5) Whole loans purchased by a MITT related party in securitized form.

(6) Actual maturities of investments are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

The following table presents certain information grouped by vintage as it relates to our credit securities portfolio inclusive of securities held within affiliated entities as of September 30, 2015. We have also presented a reconciliation to GAAP.

Credit Securities:	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value	Weighted Average Coupon (1)	Weighted Average Yield (%)	Weighted Average Life (Years) (2)
Pre 2005	\$ 107,754,192	\$ 103,036,287	\$ 2,678,780	\$ 105,715,067	3.31 %	6.24 %	4.81
2005	215,866,478	180,846,603	4,879,247	185,725,850	4.51 %	5.49 %	7.58
2006	388,998,949	244,372,478	5,920,893	250,293,371	4.58 %	6.09 %	6.51
2007	222,724,469	183,799,327	2,259,605	186,058,932	4.24 %	5.72 %	4.73
2008	16,424,000	13,487,652	470,186	13,957,838	7.00 %	5.80 %	10.32
2010	55,163,266	44,368,424	2,067,858	46,436,282	N/A	5.99 %	7.88
2011	6,964,131	5,440,004	197,642	5,637,646	5.68 %	6.46 %	10.56
2012	68,017,989	20,054,222	578,540	20,632,762	2.58 %	5.76 %	3.80
2013	113,608,810	109,932,932	951,014	110,883,946	4.66 %	4.99 %	7.23
2014	287,993,856	244,897,308	688,630	245,585,938	4.36 %	6.35 %	3.86
2015	1,389,161,542	213,695,398	(39,523)	213,655,875	0.80 %	6.49 %	5.93
Total: Non-GAAP Basis	\$ 2,872,677,682	\$ 1,363,930,635	\$ 20,652,872	\$ 1,384,583,507	2.51 %	5.98 %	5.86
Investments in Affiliates	\$ 740,352,226	\$ 47,199,582	\$ 808,562	\$ 48,008,144	0.31 %	10.67 %	5.01
Total: GAAP Basis	\$ 2,132,325,456	\$ 1,316,731,053	\$ 19,844,310	\$ 1,336,575,363	3.27 %	5.79 %	6.14

(1) Equity residual investments and principal only securities are excluded from this calculation.

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

The following table presents certain information grouped by vintage as it relates to our credit securities portfolio inclusive of unlinked securities and investments held within affiliated entities as of December 31, 2014. 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)
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Pre 2005	\$ 103,050,984	\$ 96,813,884	\$ 4,187,922	\$ 101,001,806	2.61 %	6.88 %	4.99
2005	284,956,977	245,531,488	5,434,069	250,965,557	4.29 %	5.48 %	7.07
2006	445,802,798	270,820,928	5,767,441	276,588,369	3.32 %	6.01 %	7.21
2007	259,080,302	212,238,573	6,390,896	218,629,469	4.20 %	6.08 %	4.83
2008	16,424,000	13,410,657	543,436	13,954,093	7.00 %	5.79 %	11.46
2010	54,237,241	42,356,233	(1,318,323)	41,037,910	N/A	6.33 %	8.73
2011	6,743,925	5,260,321	87,207	5,347,528	6.19 %	6.45 %	8.76
2012	72,730,989	25,524,080	436,009	25,960,089	3.05 %	5.95 %	4.27
2013	128,665,920	125,148,315	1,030,030	126,178,345	4.69 %	4.82 %	6.97
2014	459,839,803	401,105,659	(139,589)	400,966,070	4.11 %	5.66 %	4.90
Total: Non-GAAP Basis	\$ 1,831,532,939	\$ 1,438,210,138	\$ 22,419,098	\$ 1,460,629,236	4.21 %	5.80 %	6.10
Linked Transactions	\$ 150,836,900	\$ 137,561,793	\$ 2,216,470	\$ 139,778,263	3.69 %	5.94 %	5.12
Investments in Affiliates	\$ 37,183,147	\$ 13,051,736	\$ 507,414	\$ 13,559,150	4.23 %	14.88 %	7.79
Total: GAAP Basis	\$ 1,643,512,892	\$ 1,287,596,609	\$ 19,695,214	\$ 1,307,291,823	4.27 %	5.69 %	6.15

(1) Equity residual investments and principal only securities are excluded from this calculation.

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

The following table presents the fair value of our credit portfolio by credit rating as of September 30, 2015 and December 31, 2014:

Credit Rating - Credit Securities	September 30, 2015 (1)	December 31, 2014 (1)
AAA	\$ 16,072,915	\$ 18,161,039
A	135,174,808	146,103,470
BBB	24,187,322	29,224,614
BB	44,659,590	43,781,140
B	113,935,845	89,762,889
Below B	504,063,904	633,638,302
Not Rated	546,489,123	499,957,782
Total: Non-GAAP Basis	\$ 1,384,583,507	\$ 1,460,629,236
Linked Transactions	\$ -	\$ 139,778,263
Investments in Affiliates	\$ 48,008,144	\$ 13,559,150
Total: GAAP Basis	\$ 1,336,575,363	\$ 1,307,291,823

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

Our credit investments are subject to risk of loss with regard to principal and interest payments. We evaluate each investment based on the characteristics of the underlying collateral and 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 investments that are not identified by our credit reviews.

We evaluate investments in Agency RMBS using factors including expected future prepayment trends, supply and demand, 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.

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

Agency RMBS	Three Months Ended (1) (2) (3)			
	September 30, 2015		September 30, 2014	
15 Year Fixed Rate	N/A		10	%
20 Year Fixed Rate	11	%	9	%
30 Year Fixed Rate	8	%	10	%
Fixed Rate CMO	10	%	9	%
ARM	15	%	9	%
Interest Only	15	%	10	%
Weighted Average	10	%	9	%

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

(2) Source: Bloomberg

(3) Excludes TBAs

Securities in an unrealized loss position as of September 30, 2015 are not considered other than temporarily impaired as we have 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 above the amortized cost of the investments, and we are not required to sell for regulatory or other reasons. Any decline in fair value of these real estate securities is solely due to market conditions and not the quality of the assets. Further, all of the principal and interest payments on the Agency RMBS have an explicit guarantee by either an agency of the U.S. government or a U.S. government-sponsored enterprise.

We have used leverage to complete the purchase of securities and loans in our investment portfolio. Through September 30, 2015, leverage has been in the form of repurchase agreements, securitized debt and FHLBC Advances. Repurchase agreements involve the sale and a simultaneous agreement to repurchase the transferred assets or similar assets at a future date. FHLBC Advances involve loan advances made to us by the FHLBC in exchange for real estate securities as collateral. The amount borrowed generally is equal to the fair value of the assets pledged less an agreed-upon discount, referred to as a "haircut." Generally, FHLBC Advances collateralized by Agency RMBS typically allow for lower effective "haircuts" than those required under the Company's repurchase agreements. Our Repurchase agreements and FHLBC Advances are accounted for as financings and require the repurchase of the transferred securities or loans or repayment of the advance at the end of each agreement's term, typically 30 to 90 days. If we maintain the beneficial interest in the specific assets pledged during the term of the borrowing, we receive the related principal and interest payments. If we do not maintain the beneficial interest in the specific assets pledged during the term of the borrowing, we will have the related principal and interest payments remitted to us by the lender. Interest rates on borrowings are fixed based on prevailing rates corresponding to the terms of the borrowings, and interest is paid at the termination of the borrowing at which time we may enter into a new borrowing arrangement at prevailing market rates with the same counterparty or repay that counterparty and negotiate financing with a different counterparty. In response to declines in fair value of pledged assets due to changes in market conditions or the publishing of monthly security paydown factors, lenders typically require us to post additional assets as collateral, pay down borrowings or establish cash margin accounts with the counterparties in order to re-establish the agreed-upon collateral requirements, referred to as margin calls.

In 2014, we entered into a securitization transaction that resulted in the consolidation of the Variable Interest Entity ("VIE") created with the Special Purpose Entity ("SPE") which was used to facilitate the transaction. We concluded that the entity created to facilitate this transaction was a VIE. We also determined the VIE created to facilitate the securitization transaction should be consolidated and treated as a secured borrowing, based on consideration of our involvement in the VIE, including the design and purpose of the SPE, and whether its involvement reflected a controlling financial interest that resulted in us being deemed the primary beneficiary of the VIE. As of September 30, 2015, and December 31, 2014 the aggregate fair value of the consolidated tranche issued by the consolidated VIE was \$32.8 million and \$39.8 million, respectively, which is classified as "Securitized debt" on our consolidated balance sheet. The cost of financing at September 30, 2015 and December 31, 2014 on this securitized debt was 3.7% and 3.8%, respectively.

On April 13, 2015, the Company, AG MIT, LLC and AG MIT CMO, LLC, each a direct, wholly-owned subsidiary of the Company, entered into an Amendment Number 2 to the Master Repurchase and Securities Contract (the “Second Renewal”) with Wells Fargo to finance AG MIT’s or AG MIT CMO’s acquisition of certain consumer asset-backed securities and commercial mortgage-backed securities as well as residential, Non-Agency Securities. The Second Renewal amends the repurchase agreement entered into by the Company, AG MIT and AG MIT CMO with Wells Fargo Bank, National Association, in 2014. Each transaction under the Second Renewal will have its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The Second Renewal includes a 270 day evergreen structure providing for the automatic renewal of the agreement each day for a new term of 270 days unless Wells Fargo notifies AG MIT and AG MIT CMO that it has decided not to renew, at which point the agreement will terminate 270 days after the date of nonrenewal. The Second Renewal also increased the aggregate maximum borrowing capacity to \$200 million and extended the maturity date to April 13, 2017. At the request of AG MIT and AG MIT CMO, Wells Fargo may grant a 90 day extension of the maturity date. The Second Renewal contains representations, warranties, covenants, events of default and indemnities that are substantially identical to those in the previous repurchase agreements and are customary for agreements of this type. As of September 30, 2015, the Company had \$106.9 million of debt outstanding under this facility.

On February 27, 2015, AG MIT WFB1 2014 LLC, (“AG MIT WFB1”), a direct, wholly-owned subsidiary of the Company, entered into Amendment Number Three 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 26, 2016 and a facility termination date of February 27, 2017. The maximum aggregate borrowing capacity available under the WFB1 Repurchase Agreement is \$100.0 million. At the request of the Company, Wells Fargo may grant a one year extension of the facility termination date. The WFB1 Repurchase Agreement contains representations, warranties, covenants, events of default and indemnities that are customary for agreements of this type. The WFB1 Repurchase Agreement also contains financial covenants that are the same as those in the Second Renewal Agreement. As of September 30, 2015, the Company had \$51.5 million of debt outstanding under the WFB1 Repurchase Agreement.

On September 17, 2014, AG MIT CREL, LLC (“AG MIT CREL”), an indirect, wholly-owned subsidiary of the Company, entered into a Master Repurchase Agreement and Securities Contract, dated as of September 17, 2014 (the “CREL Repurchase Agreement”), with Wells Fargo to finance AG MIT CREL’s acquisition of certain beneficial interests in one or more commercial mortgage loans. Each transaction under the CREL Repurchase Agreement will have its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The CREL Repurchase Agreement provides for a funding period ending September 17, 2016 and an initial facility termination date of September 17, 2016 (the “Initial Termination Date”), subject to satisfaction of certain terms of the extensions. AG MIT CREL has three (3) one-year options to extend the term of the CREL Repurchase Agreement: (i) the first for an additional one year period (the “First Extension Period”) ending September 17, 2017 (the “First Extended Termination Date”), (ii) the second for an additional one year period (the “Second Extension Period”) ending September 17, 2018 (the “Second Extended Termination Date”) and (iii) the third for an additional one year period ending September 17, 2019 (the “Third Extended Termination Date”). For each of the Initial Termination Date, the First Extended Termination Date, the Second Extended Termination Date and the Third Extended Termination Date, if such day is not a Business Day, such date shall be the next succeeding Business Day. Each option shall be

exercisable in each case no more than ninety days and no fewer than thirty days prior to the initial facility termination date, the First Extended Termination Date or the Second Extended Termination Date, as the case may be. The maximum aggregate borrowing capacity available under the CREL Repurchase Agreement is \$150.0 million. Under the CREL Repurchase Agreement, Wells Fargo's recourse against the Company and AG MIT, LLC in the event of a default is limited to \$80 million.

On August 4, 2015, the Company, AG MIT CREL and AG MIT, LLC, entered into an Omnibus Amendment No. 1 to Master Repurchase and Securities Contract, Guarantee Agreement and Fee and Pricing Letter (the "Amendment") with Wells Fargo. The 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 (the "Guarantee"), and the Fee and Pricing Letter, dated as of September 17, 2014, between AG MIT CREL and Wells Fargo. The Amendment lowered the maximum aggregate borrowing capacity available under the CREL Repurchase Agreement from \$150 million to approximately \$42.8 million. The 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, LLC, the Company was able to remove certain financial covenants on AG MIT CREL that limited the amount that could be borrowed under the CREL Repurchase Agreement. The Amendment also eliminated the fee for the portion of the repurchase facility that was unused. In connection with the execution of the Amendment, AG MIT CREL borrowed an additional \$20.3 million so that as of August 4, 2015 the outstanding borrowings under the Repurchase Agreement totaled approximately \$42.8 million. The Company records its financing at cost, which approximates its estimated fair value. As of September 30, 2015, the Company had \$42.8 million of debt outstanding under this facility.

The CREL Repurchase Agreement contains representations, warranties, covenants, events of default and indemnities that are customary for agreements of this type. It also contains financial covenants that are the same as the financial covenants in the Second Renewal Agreement.

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The following table presents certain information related to repurchase agreements secured by real estate securities, inclusive of repurchase agreements through affiliated entities, as of September 30, 2015:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Days to Maturity	Weighted Average Haircut	
30 days or less	\$1,491,676,000	1.05	% 13	12.5	%
31-60 days	92,177,000	1.67	% 42	17.1	%
61-90 days	36,753,000	1.91	% 71	27.9	%
Greater than 90 days	381,959,973	1.63	% 433	11.2	%
Total: Non-GAAP Basis	\$2,002,565,973	1.21	% 95	12.8	%
Investments In Affiliates	\$9,618,021	3.00	% 406	27.5	%
Total: GAAP Basis	\$1,992,947,952	1.20	% 94	12.7	%

The following table presents a reconciliation of certain information related to repurchase agreements secured by real estate securities, inclusive of unlinked repurchase agreements and repurchase agreements through affiliated entities to information on a GAAP basis as of December 31, 2014:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Days to Maturity	Weighted Average Haircut	
30 days or less	\$2,067,279,000	0.80	% 13	9.9	%
31-60 days	229,635,000	1.13	% 43	12.3	%
61-90 days	58,366,000	1.34	% 68	13.0	%
Greater than 90 days	329,966,103	2.70	% 609	28.5	%
Total: Non-GAAP Basis	\$2,685,246,103	1.07	% 90	12.4	%
Linked Transactions	\$113,363,873	1.74	% 20	18.2	%
Total: GAAP Basis	\$2,571,882,230	0.93	% 58	11.5	%

The following table presents certain information related to FHLBC Advances secured by real estate securities, as of September 30, 2015:

FHLBC Advances Maturing Within:	Balance	Weighted Average Rate	Weighted Average Days to Maturity	Weighted Average Haircut
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30 days or less	\$ 188,099,000	0.21	%	8	2.0	%
31-60 days	64,600,000	0.30	%	33	1.3	%
61-90 days	-	-		-	-	
Greater than 90 days	98,995,000	0.50	%	162	2.8	%
Total / Weighted Average	\$ 351,694,000	0.31	%	56	2.0	%

We did not have any FHLBC Advances as of December 31, 2014.

The following table presents a reconciliation of certain information related to repurchase agreements secured by residential mortgage loans and real estate owned, inclusive of repurchase agreements through affiliated entities to information on a GAAP basis as of September 30, 2015:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate		Weighted Average Funding Cost		Weighted Average Days to Maturity		Weighted Average Haircut
30 days or less	\$-	-		-		-		-
31-60 days	-	-		-		-		-
61-90 days	-	-		-		-		-
Greater than 90 days	62,059,690	2.75	%	2.95	%	482		28.5 %
Total: Non-GAAP Basis	\$ 62,059,690	2.75	%	2.95	%	482		28.5 %
Investments In Affiliates	\$ 10,594,501	3.00	%	3.00	%	406		23.7 %
Total: GAAP Basis	\$ 51,465,189	2.70	%	2.94	%	498		29.5 %

The following table presents a reconciliation of certain information related to repurchase agreements secured by residential mortgage loans inclusive of repurchase agreements through affiliated entities to information on a GAAP basis as of December 31, 2014:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate		Weighted Average Funding Cost		Weighted Average Days to Maturity	Weighted Average Haircut	
30 days or less	\$-	-		-		-	-	
31-60 days	-	-		-		-	-	
61-90 days	-	-		-		-	-	
Greater than 90 days	71,878,879	2.95	%	3.06	%	744	29.3	%
Total: Non-GAAP Basis	\$71,878,879	2.95	%	3.06	%	744	29.3	%
Investments In Affiliates	\$21,305,161	3.00	%	3.00	%	679	25.0	%
Total: GAAP Basis	\$50,573,718	2.93	%	3.08	%	771	31.1	%

The following table presents certain information related to repurchase agreements secured by commercial mortgage loans as of September 30, 2015:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate		Weighted Average Funding Cost		Weighted Average Days to Maturity	Weighted Average Haircut	
30 days or less	\$-	-		-		-	-	
31-60 days	-	-		-		-	-	
61-90 days	-	-		-		-	-	
Greater than 90 days	42,796,000	2.44	%	2.74	%	1,448	31.8	%
Total / Weighted Average	\$42,796,000	2.44	%	2.74	%	1,448	31.8	%

The following table presents a reconciliation of certain information related to repurchase agreements secured by commercial mortgage loans as of December 31, 2014:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate		Weighted Average Funding Cost		Weighted Average Days to Maturity	Weighted Average Haircut
30 days or less	\$-	-		-		-	-

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31-60 days	-	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-	-
Greater than 90 days	22,500,000	2.50	%	2.83	%	1,721	64.2 %
Total / Weighted Average	\$22,500,000	2.50	%	2.83	%	1,721	64.2 %

The following table presents a reconciliation of certain information related to repurchase agreements secured by interests in U.S. Treasury securities as of September 30, 2015:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate		Weighted Average Days to Maturity	Weighted Average Haircut	
Overnight	\$126,712,500	0.42	%	1	-0.12	%
30 days or less	-	-		-	-	
31-60 days	-	-		-	-	
61-90 days	-	-		-	-	
Greater than 90 days	-	-		-	-	
Total / Weighted Average	\$126,712,500	0.42	%	1	-0.12	%

We did not hold any positions in U.S. Treasury securities at December 31, 2014.

As mentioned above, the amount borrowed represents the fair value of the assets pledged less an agreed-upon discount, referred to as a “haircut.” Generally, FHLBC Advances collateralized by Agency RMBS typically allow for lower effective “haircuts” than those required under the Company’s repurchase agreements. The size of the haircut reflects the perceived risk associated with the pledged asset. Haircuts may change as our repurchase agreements or FHLBC Advances mature or roll and are sensitive to governmental regulations. Recent governmental regulations address, among other things, maintenance margin and variation margin requirements for U.S. broker dealers. We have not experienced fluctuations in our haircuts that altered our business and financing strategies for the three and nine months ended September 30, 2015, but we continue to monitor the regulatory environment, which may influence the timing and amount of repurchase agreement activity.

The following table presents the quarter-end balance, average quarterly balance and maximum balance at any month-end for the Company's repurchase agreements and FHLBC Advances inclusive of unlinked repurchase agreements and repurchase agreements through affiliated entities with a reconciliation of all quarterly figures to GAAP.

Quarter Ended	Quarter-End Balance	Average Quarterly Balance	Maximum Balance at Any Month-End
September 30, 2015			
Non-GAAP Basis	\$2,585,828,163	\$ 2,509,992,155	\$ 2,585,828,163
Less: Investments in 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 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 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 Affiliates	21,305,161	18,880,600	21,305,161
GAAP Basis	\$2,644,955,948	\$ 2,660,722,907	\$ 2,675,006,848
September 30, 2014			
Non-GAAP Basis	\$2,871,453,629	\$ 2,956,548,421	\$ 3,102,782,512
Less: Linked Transactions	131,106,935	142,459,846	149,986,999
GAAP Basis	\$2,740,346,694	\$ 2,814,088,575	\$ 2,952,795,513
June 30, 2014			
Non-GAAP Basis	\$3,134,086,525	\$ 3,094,449,312	\$ 3,134,086,525
Less: Linked Transactions	158,275,177	170,448,011	187,381,609
GAAP Basis	\$2,975,811,348	\$ 2,924,001,301	\$ 2,946,704,916
March 31, 2014			
Non-GAAP Basis	\$3,255,756,359	\$ 3,178,572,989	\$ 3,255,756,359
Less: Linked Transactions	186,578,959	193,237,584	206,433,270
GAAP Basis	\$3,069,177,400	\$ 2,985,335,405	\$ 3,049,323,089
December 31, 2013			
Non-GAAP Basis	\$3,114,480,731	\$ 3,119,928,016	\$ 3,145,191,941
Less: Linked Transactions	222,846,315	237,576,633	249,165,657
GAAP Basis	\$2,891,634,416	\$ 2,882,351,383	\$ 2,896,026,284
September 30, 2013			
Non-GAAP Basis	\$3,194,360,409	\$ 3,294,030,740	\$ 3,495,343,985
Less: Linked Transactions	229,265,000	246,331,778	259,343,915
GAAP Basis	\$2,965,095,409	\$ 3,047,698,962	\$ 3,236,000,070
June 30, 2013			
Non-GAAP Basis	\$4,226,403,356	\$ 4,380,568,623	\$ 4,613,620,097

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Less: Linked Transactions	404,759,166	418,500,534	431,172,099
GAAP Basis	\$3,821,644,190	\$ 3,962,068,089	\$ 4,182,447,998
March 31, 2013			
Non-GAAP Basis	\$4,357,022,229	\$ 4,292,089,859	\$ 4,357,022,229
Less: Linked Transactions	375,195,253	318,334,369	375,195,253
GAAP Basis	\$3,981,826,976	\$ 3,973,755,490	\$ 3,981,826,976
December 31, 2012			
Non-GAAP Basis	\$4,193,763,272	\$ 4,240,961,996	\$ 4,379,812,386
Less: Linked Transactions	282,343,454	294,460,114	317,918,136
GAAP Basis	\$3,911,419,818	\$ 3,946,501,882	\$ 4,061,894,250
September 30, 2012			
Non-GAAP Basis	\$4,117,521,386	\$ 3,435,530,588	\$ 4,117,521,386
Less: Linked Transactions	274,292,769	277,119,408	339,153,384
GAAP Basis	\$3,843,228,617	\$ 3,158,411,180	\$ 3,778,368,002
June 30, 2012			
Non-GAAP Basis	\$2,355,239,040	\$ 2,300,322,006	\$ 2,355,239,040
Less: Linked Transactions	221,508,574	191,035,175	221,508,574
GAAP Basis	\$2,133,730,466	\$ 2,109,286,831	\$ 2,133,730,466
March 31, 2012			
Non-GAAP Basis	\$2,234,819,456	\$ 1,914,637,263	\$ 2,234,819,456
Less: Linked Transactions	148,129,142	119,001,381	148,129,142
GAAP Basis	\$2,086,690,314	\$ 1,795,635,882	\$ 2,086,690,314

We finance the purchase of our investments with repurchase agreements and FHLBC Advances and it can be reasonably expected that our repurchase agreement or FHLBC Advances balance will increase when equity raises occur and decrease upon reduction of the portfolio size through asset sales. We raised \$514.7 million through common and preferred stock offerings during 2012, of which, \$103.9 million, \$317.0 million and \$93.8 million was raised in the first, second and third quarter, respectively. Our respective financing balances increased significantly during these periods as shown above. In response to a sharp increase in interest rates resulting from the market's reaction to the announcement that tapering of QE3 could occur earlier than expected, we sold a significant amount of our fixed rate Agency RMBS and subsequently terminated the related repurchase agreements, accounting for the reduction in repurchase agreement balance from the maximum balance at any month-end within both the second and third quarter of 2013. During the remainder of 2013 and continuing through the second quarter of 2015, we have gradually increased our credit investment portfolio. In addition, we became a member of the FHLBC in July 2015. Our credit portfolio as a percentage of our total portfolio increased from 29% at September 30, 2013 to 51% as of September 30, 2015. Due to the inherent risk of credit loss, credit investments have lower leverage ratios than Agency RMBS. The increased credit investment portfolio has directly resulted in a decreased repurchase agreement balance.

We define "non-GAAP Leverage" as the sum of repurchase agreements, inclusive of repurchase agreements accounted for as linked transactions and those held through affiliated entities, FHLBC Advances, the payable on unsettled buys less the financing on unsettled sells, and the consolidated tranche issued by the consolidated VIE which is classified as "Securitized debt" on our consolidated balance sheet. Leverage excludes 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. We define "at risk" leverage as non-GAAP leverage inclusive of our net TBA position (at cost). These calculations divide leverage by our GAAP stockholders equity. The following tables present a reconciliation of our leverage ratio on a GAAP basis at September 30, 2015 and December 31, 2014 to both our non-GAAP leverage and our "at risk" leverage.

		Stockholders'		
	Leverage	Equity	Leverage Ratio	
September 30, 2015				
GAAP Leverage	\$2,434,399,694	\$685,937,430	3.55	x
Repurchase agreements through affiliated entities	20,212,522	-		
Non-GAAP Leverage	\$2,454,612,216	\$685,937,430	3.58	x
Net TBA payable adjustment	69,922	-		
Non-GAAP "At Risk" Leverage	\$2,454,682,138	\$685,937,430	3.58	x
		Stockholders'		
	Leverage	Equity	Leverage Ratio	
December 31, 2014				
GAAP Leverage	\$2,684,733,862	\$732,675,143	3.66	x
Repurchase agreements accounted for as linked transactions	113,363,873	-		
Repurchase agreements through affiliated entities	21,305,161	-		
Non-GAAP Leverage	\$2,819,402,896	\$732,675,143	3.85	x
Net TBA payable adjustment	235,240,234	-		
Non-GAAP "At Risk" Leverage	\$3,054,643,130	\$732,675,143	4.17	x

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The Company seeks to transact with several different counterparties in order to reduce the exposure to any single counterparty. The Company entered into master repurchase agreements, either directly or through its equity method investments in affiliates, with 38 and 35 counterparties, under which we had outstanding debt with 23 and 24 counterparties at September 30, 2015 and December 31, 2014, respectively, inclusive of repurchase agreements accounted for as linked transactions and repurchase agreements in affiliated entities, if any. The Company had outstanding debt with 23 and 22 counterparties at September 30, 2015 and December 31, 2014, respectively, on a GAAP basis.

At September 30, 2015, the following table reflects amounts at risk under its repurchase agreements greater than 5% of the Company's equity with any counterparty, inclusive of repurchase agreements through affiliated entities greater than 5% of the Company's equity with any counterparty, with reconciliation to GAAP as applicable:

Counterparty	Amount at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity	
Wells Fargo Bank, N.A.	\$ 81,635,168	579	12	%
Credit Suisse Securities, LLC	46,023,761	57	7	%
RBC (Barbados) Trading Bank Corporation	44,346,026	27	6	%
JP Morgan Securities, LLC	39,254,456	377	6	%

At December 31, 2014, the following table reflects amounts at risk under its repurchase agreements, inclusive of repurchase agreements accounted for as linked transactions and through affiliated entities greater than 5% of the Company's equity with any counterparty, with reconciliation to GAAP.

Counterparty	Amount at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity	
Wells Fargo Bank, N.A - Non-GAAP	\$ 92,478,572	509	13	%
Non-GAAP Adjustments	-	-	-	
Wells Fargo Bank, N.A - GAAP	\$ 92,478,572	509	13	%
Credit Suisse Securities, LLC - Non-GAAP	\$ 88,273,237	114	12	%
Non-GAAP Adjustments	(2,794,234)	3	-	
Credit Suisse Securities, LLC - GAAP	\$ 85,479,003	117	12	%
JP Morgan Securities, LLC - Non-GAAP	\$ 52,782,788	165	7	%
Non-GAAP Adjustments	(1,280,157)	3	-	
JP Morgan Securities, LLC - GAAP	\$ 51,502,631	168	7	%
Merrill Lynch, Pierce, Fenner & Smith Incorporated - Non-GAAP	\$ 42,082,013	13	6	%
Non-GAAP Adjustments	-	-	-	
Merrill Lynch, Pierce, Fenner & Smith Incorporated - GAAP	\$ 42,082,013	13	6	%
Goldman, Sachs & Co. - Non-GAAP	\$ 39,204,806	16	5	%
Non-GAAP Adjustments	(7,126,596)	2	-1	%
Goldman, Sachs & Co. - GAAP	\$ 32,078,210	18	4	%

To help mitigate exposure to higher short-term interest rates, the Company uses currently-paying and may use forward-starting, one-and three-month LIBOR-indexed, pay-fixed, receive-variable, interest rate swap agreements. This arrangement establishes a relatively stable fixed rate on related borrowings because the variable-rate payments received on the swap agreements largely offset interest accruing on the related borrowings, 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.

The following table presents information about the Company's interest rate swaps as of September 30, 2015:

Maturity	Notional Amount	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
2017	\$ 30,000,000	0.78	% 0.40	% 2.01

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2018	210,000,000	1.05	%	0.33	%	2.51
2019	260,000,000	1.27	%	0.31	%	3.89
2020	290,000,000	1.67	%	0.32	%	4.51
2022	70,000,000	1.75	%	0.33	%	6.77
2023	160,000,000	2.31	%	0.33	%	7.67
2025	40,000,000	2.48	%	0.33	%	9.68
Total/Wtd Avg	\$ 1,060,000,000	1.55	%	0.33	%	4.71

The following table presents information about the Company's interest rate swaps as of December 31, 2014:

Maturity	Notional Amount	Weighted Average Pay Rate		Weighted Average Receive Rate		Weighted Average Years to Maturity
2017	\$ 80,000,000	0.86	%	0.27	%	2.68
2018	210,000,000	1.05	%	0.23	%	3.26
2019	350,000,000	1.39	%	0.23	%	4.59
2020	440,000,000	1.61	%	0.23	%	5.24
2022	50,000,000	1.69	%	0.23	%	7.68
2023	278,000,000	2.43	%	0.23	%	8.52
2024	38,000,000	2.75	%	0.23	%	9.18
Total/Wtd Avg	\$ 1,446,000,000	1.62	%	0.24	%	5.47

U.S. Treasury securities

We have purchased and sold short U.S. Treasury securities to help mitigate the potential impact of changes in interest rates on the performance of our portfolio.

As of September 30, 2015, we had a long position in U.S. treasury securities with a fair value of \$126.6 million and a notional amount of \$126.0 million. The U.S. treasury securities were financed with repurchase agreements with a fair value of \$126.7 million and a repurchase rate of 0.42%. This liability is presented in the “Repurchase agreements” line item on the consolidated balance sheet. As of September 30, 2015, the U.S. Treasury securities had a weighted average maturity of 3.26 years. As of September 30, 2015, the repurchase agreements had a weighted average maturity of October 1, 2015. We had no long positions in U.S. Treasury securities as of December 31, 2014.

As of September 30, 2015, we had obligations to return U.S. Treasury securities borrowed under reverse repurchase agreements accounted for as securities borrowing transactions with a fair value and notional of \$25.2 million and \$25.0 million, respectively. This liability is presented as “Obligation to return securities borrowed under reverse repurchase agreements, at fair value” on the consolidated balance sheet. As of September 30, 2015, the U.S. Treasury securities had a weighted average maturity of 9.63 years. The borrowed securities were collateralized by cash loaned under reverse repurchase agreements of \$25.7 million at September 30, 2015, which is presented as “Receivable under reverse repurchase agreements” on the consolidated balance sheet. As of September 30, 2015, the reverse repurchase agreements had a weighted average maturity of October 1, 2015. We had no short positions in U.S. Treasury securities as of December 31, 2014.

During the three and nine months ended September 30, 2015, we recorded unrealized gains of \$0.3 million on long positions in U.S. Treasury securities. During the three and nine months ended September 30, 2015, we recorded realized losses of \$0.1 million and \$3.3 million, respectively, on long positions in U.S. Treasury securities. We did not have any activity on long positions in U.S. Treasury securities for the three and nine months ended September 30, 2014.

During the three and nine months ended September 30, 2015, we recorded unrealized losses of \$0.4 million and \$0.8 million, respectively, on borrowed securities. During the three and nine months ended September 30, 2014, we recorded unrealized gains and losses of \$0.6 million and \$0.6 million, respectively, on the borrowed securities. During the three and nine months ended September 30, 2015, we recorded realized losses of \$1.8 million and \$3.0 million, respectively, on the borrowed securities. During the three and nine months ended September 30, 2014, we recorded realized losses of \$0.6 and \$0.1 million on the borrowed securities, respectively. Realized gains and losses are recorded on the “Net realized gain/(loss)” line item on our consolidated statement of operations.

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 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.

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, ASC 325 or ASC 310-30. Real estate securities are recorded at fair market value on our consolidated balance sheet 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.

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

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.

Investments in affiliates

Our unconsolidated ownership interests in affiliates are accounted for using the equity method. 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 our investments in affiliates consistently with this election. Periodic changes in fair market value will be recorded in current period earnings on the consolidated statement of operation 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 securities accounted for under ASC 320-10 and ASC 310-20 (generally Agency RMBS), prepayments of the underlying collateral must be estimated, which directly affect the speed at which 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 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 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 judgmentally 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 account for securities under ASC 310 and ASC 325, and evaluate 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 an investment 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. For securities accounted for under ASC 325-40, “Beneficial Interests in Securitized Financial Assets,” 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 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.

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

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

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

Linked transactions

In June 2014, the FASB issued ASU 2014-11, which requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. If all derecognition criteria are met, the initial transferee will account for the initial transfer as a purchase and the related repurchase agreement component of the transaction will be accounted for as a secured borrowing. This guidance effectively changes the accounting for linked financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements.

The accounting changes are effective for public business entities for the first interim or annual period beginning after December 15, 2014. Entities are required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. There was no effect on prior periods as the FASB did not require full retrospective application. As a result, disclosures for periods prior to January 1, 2015 will not be comparable to disclosures subsequent to that date.

Prior to the adoption of ASU 2014-11, in instances where the Company acquired assets through repurchase agreements with the same counterparty from whom the assets were purchased, ASC 860-10 required the initial transfer of a financial asset and repurchase financing that were entered into contemporaneously with, or in contemplation of, one another to be considered linked unless all of the criteria found in ASC 860-10 were met at the inception of the transaction. If the transaction met all of the conditions, the initial transfer was accounted for separately from the repurchase financing, and we recorded the assets and the related financing on a gross basis on our consolidated balance sheet with the corresponding interest income and interest expense on our consolidated statement of operations. If the transaction was determined to be linked, we recorded the initial transfer and repurchase financing on a net basis and record a forward commitment to purchase assets as a derivative instrument with changes in market value being recorded on the consolidated statement of operations. Such forward commitments are recorded at fair value with subsequent changes in fair value recognized in income. The analysis of transactions under these rules required assumptions based on management's judgment and experience.

The securities underlying our linked transactions were valued using similar techniques to those used for our securities portfolio.

Derivatives

We enter into various types of derivative instruments to hedge our exposure to market risk. We may use derivative instruments such as interest rate swaps, interest rate swaptions and credit derivatives as instruments to reduce such exposure, and non-derivative instruments including Agency Interest-Only securities and U.S. Treasury securities to manage interest rate risk. As discussed above, our derivative instruments also include linked transactions. We account for derivative financial instruments in accordance with ASC 815-10, "Derivatives and Hedging."

In valuing our derivatives, we consider 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 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 CCP now stands between us and the over-the-counter derivative counterparties. In order to access clearing, we have entered into clearing agreements with FCMs. The Company presents derivative assets and liabilities on a gross basis.

Recent accounting pronouncements

In May 2014, the FASB issued 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. We will continue to evaluate our method of adoption and the impact this ASU will have on our consolidated financial statements.

In August 2014, the FASB issued ASU 2014-13, “Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity” (“ASU 2014-13”). This guidance applies to a reporting entity that is required to consolidate a collateralized financing entity under the Variable Interest Entities Subsections of Subtopic 810-10 when (1) the reporting entity measures all of the financial assets and the financial liabilities of that consolidated collateralized financing entity at fair value in the consolidated financial statements based on other Topics and (2) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings. The amendments in this update clarify that when the measurement alternative is elected, a reporting entity’s consolidated net income (loss) should reflect the reporting entity’s own economic interests in the collateralized financing entity, including (1) changes in the fair value of the beneficial interests retained by the reporting entity and (2) beneficial interests that represent compensation for services. Beneficial interests retained by the reporting entity that represent compensation for services (for example, management fees or servicing fees) and nonfinancial assets that are held temporarily by a collateralized financing entity should be measured in accordance with other applicable Topics. The amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. We are currently assessing the impact of this guidance.

In February 2015, the FASB issued ASU 2015-02, “Consolidation” (“ASU 2015-02”). The amendments in this update affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments, (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, (2) eliminate the presumption that a general partner should consolidate a limited partnership, (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships partnership, and (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act for registered money market funds. The amendments in this update are effective for annual periods, and interim periods within those annual periods beginning after December 15, 2015. We are currently assessing the impact of this guidance.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), to simplify the presentation of debt issuance costs. Debt issuance costs are specific incremental third party costs—other than those paid to the lender—that are directly attributable to issuing a debt instrument. Under the new guidance, debt issuance costs will be presented as a direct deduction from the carrying value of the associated debt, consistent with the existing presentation of a debt discount. Before the FASB issued this simplification, debt issuance costs were capitalized as an asset (i.e., a deferred charge). For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. We are currently assessing the impact of this guidance.

In August 2015, the FASB issued ASU 2015-15, “Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements” (“ASU 2015-15”), to simplify the presentation of debt issuance costs, specifically, line-of-credit arrangements. Debt issuance costs are specific incremental third party costs—other than those paid to the lender—that are directly attributable to issuing a debt instrument. The ASU states that the Securities and Exchange Commission (“SEC”) would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are outstanding borrowings under that arrangement. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. We are currently assessing the impact of this guidance.

Results of operations

The table below presents certain information from our consolidated statement of operations for the three and nine months ended September 30, 2015 as well as the three and nine months ended September 30, 2014:

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Statement of Operations Data:				
Net Interest Income				
Interest income	\$ 33,506,151	\$ 36,197,633	\$ 107,164,687	\$ 106,419,808
Interest expense	8,506,994	6,819,731	23,595,601	19,750,086
	24,999,157	29,377,902	83,569,086	86,669,722
Other Income				
Net realized gain/(loss)	(4,710,086	) 10,539,221	(16,513,340	) 9,261,721
Income/(loss) from linked transactions, net	-	3,481,936	-	11,018,043
Realized loss on periodic interest settlements of derivative instruments,	(3,340,497) (5,260,449) (10,030,453) (17,341,950

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Unrealized gain/(loss) on real estate securities and loans, net	7,238,103	(19,457,277)	(3,758,180)	52,563,595
Unrealized gain/(loss) on derivative and other instruments, net	(19,523,287)	9,459,244	(22,645,097)	(33,639,291)
	(20,335,767)	(1,237,325)	(52,947,070)	21,862,118
Expenses				
Management fee to affiliate	2,481,816	2,548,601	7,490,997	7,556,613
Other operating expenses	3,390,191	3,140,272	9,754,131	8,523,178
Servicing fees	174,999	157,016	494,997	319,733
Equity based compensation to affiliate	51,069	67,562	164,487	222,221
Excise tax	375,000	533,539	1,125,000	1,408,539
	6,473,075	6,446,990	19,029,612	18,030,284
Income/(loss) before income tax benefit/(expense) and equity in earnings/(loss) from affiliates				
	(1,809,685)	21,693,587	11,592,404	90,501,556
Income tax benefit/(expense)	-	172,709	-	79,914
Equity in earnings/(loss) from affiliates	1,512,037	523,316	2,713,834	4,159,667
Net Income/(Loss)	(297,648)	22,389,612	14,306,238	94,741,137
Dividends on preferred stock				
	3,367,354	3,367,354	10,102,062	10,102,062
Net Income/(Loss) Available to Common Stockholders				
	\$ (3,665,002)	\$ 19,022,258	\$ 4,204,176	\$ 84,639,075
Share Data:				
Earnings/(Loss) Per Share of Common Stock				
Basic	\$ (0.13)	\$ 0.67	\$ 0.15	\$ 2.98
Diluted	\$ (0.13)	\$ 0.67	\$ 0.15	\$ 2.98

Our operating results depend in large part upon differences between the yields earned on our investments, cost of borrowing and upon the effectiveness of our interest rate hedging activities. At September 30, 2015, the weighted average yield on our investment portfolio of securities, loans, and MSRs, inclusive of assets owned through investments in affiliates was 4.70% and the weighted average cost of funds was 1.69%, resulting in a net interest margin of 3.01%. The weighted average cost of funds was comprised of a 1.18% weighted average funding cost on our repurchase agreements borrowings, securitized debt and FHLBC Advances and a 0.51% weighted average cost of hedging. As of September 30, 2015 our Non-GAAP “at risk”, Non-GAAP and GAAP debt-to-equity leverage ratios were 3.58 to 1, 3.58 to 1 and 3.55 to 1, respectively. The Company recorded core earnings of \$0.46 and \$1.74 per diluted common share for the three and nine months ended September 30, 2015, respectively. At September 30, 2014, the weighted average yield on our investment portfolio of securities and loans, inclusive of linked transactions and assets owned through investments in affiliates was 4.63% and the weighted average cost of funds was 1.71%, resulting in a net interest margin of 2.92%. The weighted average cost of funds was comprised of a 0.99% weighted average funding cost and a 0.72% weighted average cost of hedging. As of September 30, 2014 our Non-GAAP “at risk”, Non-GAAP and GAAP debt-to-equity leverage ratios were 4.05 to 1, 3.77 to 1 and 3.59 to 1, respectively. The Company recorded core earnings of \$0.63 and \$1.81 per diluted common share for the three and nine months ended September 30, 2014, respectively.

Investment income, financing and hedging costs

Our primary source of income is the net interest earned on our investment portfolio of securities, loans and MSR investments owned through affiliates. The investment portfolio has been financed with repurchase agreements. The difference between the interest earned on our assets and the interest accrued on our repurchase agreements and hedges is our net interest margin.

During the three months ended September 30, 2015, the weighted average cost of securities and loans was \$3.1 billion and the weighted average cost of financing on such assets was \$2.5 billion. On an annualized basis, the average yield earned on these assets was 4.56%, and the weighted average funding cost was 1.91%. The annualized cost associated with hedging as a percentage of the average repurchase agreement, securitized debt and FHLBC Advance balance outstanding during the three months ended September 30, 2015 was 1.38%. The annualized cost associated with swaps as a percentage of the average repurchase agreement balance outstanding during the three months ended September 30, 2015 was 0.53%. During the three months ended September 30, 2015, the weighted average cost of securities and loans, inclusive of TBAs was \$3.1 billion and the weighted average cost of financing was \$2.5 billion. During the three months ended September 30, 2014, the weighted average cost of securities and loans and repurchase agreements was \$3.6 billion and \$3.0 billion, respectively. On an annualized basis, the average yield earned on the assets was 4.31%, and the average rate paid on repurchase agreements was 0.99%. The annualized cost associated with swaps as a percentage of the average repurchase agreement balance outstanding during the three months ended September 30, 2014 was 0.70%. During the three months ended September 30, 2014, the weighted average cost of securities and loans, inclusive of TBAs was \$3.7 billion and the weighted average cost of financing was \$3.1 billion.

During the nine months ended September 30, 2015, the weighted average cost of securities and loans was \$3.2 billion and the weighted average cost of financing on such assets was \$2.6 billion. On an annualized basis, the average yield earned on these assets was 4.62%, and the weighted average funding cost was 1.73%. The annualized cost associated with hedging as a percentage of the average repurchase agreement, securitized debt and FHLBC Advance balance outstanding during the three months ended September 30, 2015 was 1.22%. The annualized cost associated with swaps as a percentage of the average repurchase agreement balance outstanding during the nine months ended September 30, 2015 was 0.51%. During the nine months ended September 30, 2015, the weighted average cost of securities and loans, inclusive of TBAs was \$3.3 billion and the weighted average cost of repurchase agreements, securitized debt and FHLBC Advances on such assets was \$2.7 billion. During the nine months ended September 30, 2014, the weighted average cost of securities and loans and repurchase agreements was \$3.7 billion and \$3.1 billion, respectively. On an annualized basis, the average yield earned on the assets was 4.23%, and the average rate paid on repurchase agreements was 0.94%. The annualized cost associated with swaps as a percentage of the average repurchase agreement balance outstanding during the three months ended September 30, 2014 was 0.75%. During the nine months ended September 30, 2014, the weighted average cost of securities and loans, inclusive of TBAs was \$3.7 billion and the weighted average cost of financing was \$3.2 billion.

Our investment portfolio has primarily been Agency RMBS since our inception. We have gradually supported the deployment of capital to our credit portfolio, increasing our allocation as a percentage of our total portfolio from

44.2% as of September 30, 2014 to 50.6% as of September 30, 2015. The improved general economic outlook has supported the increase in credit investment allocation. Economic improvement and interest rate appreciation generally result in improved forecasted cash flows on the credit portfolio, increasing the yield and discount accretion for such bonds. An increased interest rate environment tends to yield less refinancing and prepayments for premium bonds, which generally increases the yield on these investments as amortization decreases.

Our increased allocation to credit investments resulted in a higher cost of financing as the underlying securities are inherently riskier than Agency RMBS. We are also actively seeking to extend the maturities on our repurchase agreements, resulting in an increase in interest rate paid on our debt.

Realized and unrealized gains/ (losses) on investments and derivatives

During the three months ended September 30, 2015, we sold certain real estate securities, including those held within affiliated entities, realizing net gains of \$1.4 million and settled TBAs realizing a net loss of \$0.6 million. Additionally, we recognized \$2.0 million of realized loss due to the settlement of certain derivatives and \$3.4 million of realized loss due to OTTI charges on certain securities and loans including those held within affiliated entities.

During the nine months ended September 30, 2015, we sold certain real estate securities, including those held within affiliated entities, realizing net gains of \$7.5 million and settled TBAs realizing a net gain of \$2.2 million. Additionally, we recognized \$18.4 million of realized loss due to the settlement of certain derivatives and \$9.4 million of realized loss due to OTTI charges on certain securities and loans including those held within affiliated entities.

During the three months ended September 30, 2014, we sold certain real estate securities realizing net gains of \$10.8 million and settled TBAs realizing net gains of \$2.9 million. Additionally, we recognized \$2.8 million of realized loss due to the settlement of certain derivatives and \$0.4 million of realized loss due to OTTI charges on certain securities.

During the nine months ended September 30, 2014, we sold certain real estate securities realizing net gains of \$8.7 million and settled TBAs realizing a net gain of \$2.7 million. Additionally, we recognized \$0.5 million of realized loss due to the settlement of certain derivatives and \$1.6 million of realized loss due to OTTI charges on certain securities.

We may opportunistically reposition the portfolio from time to time for numerous reasons including rotating into investments with better relative value. The timing and amount of future realized gains and losses will be impacted by these portfolio management decisions.

As mentioned above, we recognized a \$3.4 million and a \$9.4 million OTTI charge on certain securities and loans including those held within affiliated entities for the three and nine months ended September 30, 2015, respectively, due to an adverse change in cash flows, where the fair values of the investments were less than their carrying amounts. The decline in value of the remaining investments is solely due to market conditions and not the quality of the assets. The remaining investments in our portfolio are not considered other than temporarily impaired because we currently have 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 we are not required to sell for regulatory or other reasons.

We have not designated any of our derivative instruments as hedges for GAAP; therefore the change in market value on such derivatives is included as a component of our net income.

We have elected the fair value option on our real estate securities and mortgage loan portfolios, as well as our securitized debt. Changes in market value are included as a component of net income.

The change in unrealized gains/(losses) on real estate securities and loans is directly attributable to the changes in market pricing on the underlying instruments during the period. Our real estate securities and loan portfolios had unrealized gains for the three months ended September 30, 2015, unrealized losses for the nine months ended September 30, 2015, unrealized losses for the three months ended September 30, 2014 and unrealized gains for the nine months ended September 30, 2014. The unrealized gains/(losses) are primarily correlated to the price of Agency products as Agency RMBS comprise approximately 50% of our portfolio. Unrealized gains and losses are caused when prices of the product increase or decrease, respectively. For the three months ended September 30, 2015, Fannie 3.50% 30 years increased from 102-28+ at June 30, 2015 to 104-12+ at September 30, 2015, providing the basis for the unrealized gains on real estate securities. For the nine months ended September 30, 2015, Fannie 3.50% 30 years increased from 104-09+ at December 31, 2014 to 104-12+ at September 30, 2015. Despite the increase in Fannie 3.50% 30 years from December 31, 2014, we experienced unrealized losses on our real estate securities as a result of reversing out unrealized gains on sold securities into realized gains during the year. For the three months ended September 30, 2014, Fannie 3.50% 30 years decreased from 102-25+ at June 30, 2014 to 102-09+ at September 30, 2014, providing the basis for the unrealized loss on real estate securities. For the nine months ended September 30, 2014, Fannie 3.50% 30 years increased from 99-11+ at December 31, 2013 to 102-09+ at September 30, 2014, providing the basis for the unrealized gain on real estate securities. These price movements are consistent among comparable Agency RMBS products.

Our interest rate derivatives are comprised primarily of pay-fixed interest rate swaps. The unrealized gain/(loss) on our derivatives portfolio will generally move in the opposite direction of those of our real estate securities and loan portfolios. The unrealized gains/(losses) result from a change in interest rates. In periods of increased interest rates, our derivative portfolio will generally experience unrealized gains, conversely, in periods of decreased interest rates, our derivative portfolio will generally experience unrealized losses. Our derivative portfolio had unrealized losses for the three months and nine months ended September 30, 2015. Our derivative portfolio had unrealized gains and losses for the three months and nine months ended September 30, 2014. For the three months ended September 30, 2015, the 10 year swap rate decreased from 2.464% at June 30, 2015 to 2.003% at September 30, 2015. For the nine months ended September 30, 2015, the 10 year swap rate decreased from 2.283% at December 31, 2014 to 2.003% at September 30, 2015. For the three months ended September 30, 2014, the 10 year swap rate increased from 2.631% at June 30, 2014 to 2.639% at September 30, 2014. For the nine months ended September 30, 2014, the 10 year swap rate decreased from 3.086% at December 31, 2013 to 2.639% at September 30, 2014.

Management fees and other expenses

For the three months ended September 30, 2015 and September 30, 2014, our management fees were \$2.5 million and \$2.6 million, respectively. For the nine months ended September 30, 2015 and September 30, 2014, our management fees were \$7.5 million and \$7.6 million, respectively. Management fees are based upon a percentage of our stockholders' equity after certain adjustments, including the exclusion of unrealized gains or losses and other non-cash items. See the *Contractual obligations* section for further detail on the calculation of management fee.

For the three months ended September 30, 2015 and September 30, 2014, other operating costs were \$3.4 million and \$3.1 million, respectively. For the nine months ended September 30, 2015 and September 30, 2014, other operating costs were \$9.8 million and \$8.5 million, respectively. The amounts were primarily comprised of professional fees, insurance and board of director fees. For three and nine months ended September 30, 2015 and September 30, 2014, certain expenses reimbursable to the Manager were also included in Other operating expense.

We are required to reimburse our Manager for operating expenses related to us which are either incurred by our Manager or on our behalf, including certain salary expenses and other expenses relating to legal, accounting, due diligence and other services. Of the \$3.4 million of Other operating expenses for the three months ended September 30, 2015, the Company has expensed \$2.1 million, which will be paid to the Manager. Of the \$9.8 million of Other operating expenses for the nine months ended September 30, 2015, the Company has expensed \$5.8 million, which will be paid to the Manager. Of the \$3.1 million of Other operating expenses for the three months ended September 30, 2014, the Company has expensed \$1.7 million, respectively, which has been paid to the Manager. Of the \$8.5 million of Other operating expenses for the nine months ended September 30, 2014, the Company has expensed \$5.0 million, respectively, which has been paid to the Manager. The Manager did not waive any expense reimbursements for the three and nine months ended September 30, 2015 or September 30, 2014.

For the three months ended September 30, 2015 and September 30, 2014, we recorded excise tax expense of \$0.3 million and \$0.5 million, respectively. For the nine months ended September 30, 2015 and September 30, 2014, we recorded excise tax expense of \$1.1 million and \$1.4 million, respectively. 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.

Book value per share

As of September 30, 2015, December 31, 2014 and September 30, 2014, our book value per common share was \$18.47, \$20.13 and \$20.33, respectively.

Core Earnings

Core earnings, a non-GAAP financial measure, are defined by the Company as net income excluding both realized and unrealized gains/(losses) on the sale or termination of securities and the related tax expense/benefit or disposition expense, if any, on such, including securities underlying linked transactions, investments held in affiliated entities and derivatives. As defined, Core Earnings include the net interest earned on these transactions on a yield adjusted basis, including credit derivatives, linked transactions, investments in affiliates, inverse Agency Interest-Only securities, interest rate derivatives or any other investment activity that may earn or pay net interest. One of the objectives of the Company 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 GAAP, provides supplemental information useful for investors in evaluating the results of the Company's operations. The Company's 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.

A reconciliation of GAAP net income to Core Earnings for the three and nine months ended September 30, 2015 and September 30, 2014 is set forth below:

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net Income/(loss) available to common stockholders	\$ (3,665,002	) \$ 19,022,258	\$ 4,204,176	\$ 84,639,075
Add (Deduct):				
Net realized (gain)/loss	4,710,086	(10,539,221	) 16,513,340	(9,261,721
Tax (benefit)/expense related to realized gain	-	(172,709	) -	(79,914
Drop income	-	1,196,232	2,167,016	1,454,536
(Income)/loss from linked transactions, net	-	(3,481,936	) -	(11,018,043
Net interest income on linked transactions	-	1,960,654	-	7,514,410
Equity in (earnings)/loss from affiliates	(1,512,037	) (523,316	) (2,713,834	) (4,159,667
Net interest income from equity method investments	1,202,923	353,429	2,954,715	1,171,974
Unrealized (gain)/loss on real estate securities and loans, net	(7,238,103	) 19,457,277	3,758,180	(52,563,595
Unrealized (gain)/loss on derivative and other instruments, net	19,523,287	(9,459,244	) 22,645,097	33,639,291
Core Earnings	\$ 13,021,154	\$ 17,813,424	\$ 49,528,690	\$ 51,336,346
Core Earnings, per Diluted Share	\$ 0.46	\$ 0.63	\$ 1.74	\$ 1.81

Liquidity and capital resources

Liquidity is a measurement of our ability to meet potential cash requirements, including commitments to make distributions to our stockholders, finance our investments and expenses and satisfy other general business needs. Our principal sources of cash consist of borrowings under repurchase agreements, FHLBC Advances, payments of principal and interest we receive on our real estate securities and loan portfolios, 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 and FHLBC Advances, purchase real estate securities, loans and other real estate related assets, make dividend payments on our capital stock, and fund our operations.

At September 30, 2015, we had \$173.2 million available to support our liquidity needs, comprised of \$48.1 million of cash, \$102.1 million of Agency whole-pool RMBS and \$23.0 million of Agency Interest-Only securities that had not

been pledged as collateral under any of our financing agreements. We use leverage on certain of our assets to increase potential returns to our stockholders. The amount of leverage we may deploy for particular assets depends upon our Manager's assessment of the credit and other risks of those assets, and also depends on any limitations placed upon us through covenants contained in our master repurchase agreements as discussed below. 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 any hedging activities. Subject to maintaining our qualification as a REIT for U.S. federal income tax purposes and our Investment Company Act exemption, to the extent leverage is deployed, we may use a number of sources to finance our investments.

We, either directly or through our equity method investments in affiliates, have entered into MRAs or loan agreements with 38 counterparties, allowing us to utilize leverage in our operations. As of September 30, 2015, we had debt outstanding of \$2.6 billion with 23 counterparties, inclusive of repurchase agreements through affiliated entities. The current borrowings under repurchase agreements have maturities between October 1, 2015 and September 17, 2019. The current borrowings under FHLBC Advances have maturities between October 2, 2015 and March 14, 2016. As of September 30, 2015 our Non-GAAP "at risk", Non-GAAP and GAAP debt-to-equity leverage ratios were 3.58 to 1, 3.58 to 1 and 3.55 to 1, respectively. 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.

Further, under our repurchase agreements and FHLBC Advances, 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 and FHLBC Advances are in an unrealized loss positions. We have 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 we are not required to sell for regulatory or other reasons.

The following table presents contractual maturity information about our repurchase agreements, including those accounted for within linked transactions and through affiliated entities, if applicable, and FHLBC Advances at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Overnight	\$ 126,712,500	\$ -
30 days or less	1,679,775,000	2,067,279,000
31 to 60 days	156,777,000	229,635,000
61 to 90 days	36,753,000	58,366,000
91 to 119 days	2,076,000	114,267,318
Greater than or equal to 120 days	583,734,663	310,077,664
Total: Non-GAAP Basis	\$ 2,585,828,163	\$ 2,779,624,982
Linked Transactions	\$ -	\$ 113,363,873
Investments In Affiliates	\$ 20,212,522	\$ 21,305,161
Total: GAAP Basis	\$ 2,565,615,641	\$ 2,644,955,948

The credit arrangement pursuant to which MITT Insurance obtains FHLBC Advances (the "FHLBC Arrangement") involves observance by MITT Insurance of the rules of FHLBC membership, is subject to the FHLBC's credit policy, and is governed by the terms and conditions of a blanket security agreement, and the consent and guaranty of our Company. Under the FHLBC Arrangement, MITT Insurance is able to access FHLBC Advances similarly to repo borrowings with our other counterparties, with similar provisions, and collateral requirements, including valuation and additional pledges of collateral. The FHLBC Arrangement requires MITT Insurance to transfer additional securities or cash to the FHLBC in the event the value of the securities then held by the FHLBC falls below specified levels, and contains events of default in cases where we or the FHLBC breaches our respective obligations under the FHLBC Arrangement. An event of default or termination event under the FHLBC Arrangement would give the FHLBC the option to terminate all FHLBC Advances existing with us and make any amount due by us to the FHLBC immediately payable. In addition, in September 2014, the FHFA issued RIN 2590-AA39, Notice of Proposed Rulemaking and Request for Comments Involving Proposed Changes to Regulations Concerning Federal Home Loan Bank Membership Criteria (the "Proposed Rule"). The Proposed Rule, among other things, addresses membership terminations for captive insurance companies that became members of the FHLB system after publication of the Proposed Rule, which would include MITT Insurance. Under the Proposed Rule, MITT Insurance would be ineligible to continue as a member of the FHLBC as of the effective date of the final rule. Under the FHLBC Arrangement, if the Proposed Rule is adopted as proposed, MITT Insurance would be required to immediately terminate such membership and to promptly unwind any outstanding debt advances from the FHLBC. At September 30, 2015, we had \$351.7 million of FHLBC Advances outstanding.

As stated above, under previous GAAP, when the initial transfer of a financial asset and repurchase financing are entered into contemporaneously with, or in contemplation of, one another, the transaction was considered linked unless all of the criteria found in ASC 860-10 were met at the inception of the transaction. If the transaction was determined to be linked, the Company recorded the initial transfer and repurchase financing on a net basis and

recorded a forward commitment to purchase assets as a derivative instrument. The fair value of linked transactions reflected the fair value of the underlying real estate securities, the related repurchase agreement borrowings and net accrued interest, resulting in an embedded repurchase agreement. As of December 31, 2014, the Company had 14 linked transactions, resulting in \$113.4 million of embedded repurchase agreements with a weighted average rate of 1.74%. The weighted average contractual maturity of the repurchase agreements was 20.0 days as of December 31, 2014.

In 2014, we entered into a resecuritization transaction that resulted in consolidation of the VIE created with the SPE which was used to facilitate the transaction. We concluded that the entity created to facilitate this transaction was a VIE. We also determined the VIE created to facilitate the resecuritization transaction should be consolidated and treated as a secured borrowing, based on consideration of its involvement in the VIE, including the design and purpose of the SPE, and whether its involvement reflected a controlling financial interest that resulted in us being deemed the primary beneficiary of the VIE. As of September 30, 2015 and December 31, 2014, the resecuritized asset had an aggregate fair value of \$40.1 million and \$47.6 million, respectively. As of September 30, 2015 and December 31, 2014, the fair market value of the consolidated tranche was \$32.8 million and \$39.8 million, respectively, which is included in our consolidated balance sheet as "Non-Agency RMBS." As of September 30, 2015 and December 31, 2014, the aggregate security has a weighted average coupon of 5.53% and 5.50%, respectively, and a weighted average yield of 6.05% and 5.14%, respectively. As of September 30, 2015 and December 31, 2014, we recorded secured financing of \$32.8 million and \$39.8 million, respectively, on the consolidated balance sheet in the "Securitized debt" line item. We have 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 for the year ended December 31, 2014. As of September 30, 2015 and December 31, 2014, the consolidated tranche has a weighted average life of 4.19 years and 3.40 years, respectively and a weighted average yield of 3.70% and 3.75%, respectively. The holders of the consolidated tranche have no recourse to our general credit. We have no obligation to provide any other explicit or implicit support to any VIE.

Subject to maintaining our qualification as a REIT and our Investment Company Act exemption, to the extent leverage is deployed, we may utilize derivative financial instruments (or hedging instruments), including interest rate swap agreements, TBAs, interest rate swaptions, credit derivatives and non-derivative financial instruments including Agency Interest-Only securities and 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 will be to improve risk-adjusted returns and, where possible, to lock in, on a long-term basis, a spread between the yield on our assets and the cost of our financing. As of September 30, 2015, we have entered into \$1.1 billion notional of interest rate swaps that have variable maturities between May 27, 2017 and June 5, 2025, we have \$25.0 million notional of short positions in U.S. Treasury securities with maturities of May 15, 2025 and we have \$126 million notional of long positions in U.S. Treasury securities with maturities between September 15, 2018 and July 31, 2020.

Effects of margin requirements, leverage and credit spreads

Our securities and loans have values that fluctuate according to market conditions and, as discussed above, the market value of these assets will decrease as prevailing interest rates or credit spreads increase. When the value of the assets pledged to secure a repurchase agreement or FHLBC Advance decreases to the point where the positive difference between the collateral value and the repurchase agreement amount is less than the haircut, our lenders may issue a “margin call,” which reflects a demand for additional collateral that may take the form of additional assets or cash. Under our repurchase facilities and FHLBC Arrangements, our lenders have full discretion to determine the value of the securities we pledge to them. Most of our lenders will 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 as a result of a yield curve shift or any other reason 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 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 market 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.

Forward-looking statements regarding liquidity

Based upon our current portfolio, leverage rate 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 available borrowing capacity, will be sufficient to enable us to meet anticipated liquidity requirements such as to fund our investment activities, pay fees under our management agreement, fund our distributions to stockholders and pay general corporate expenses.

Contractual obligations

As of September 30, 2015, we had the following contractual obligations. 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 Stockholder's 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 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 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 the Company's financial statements.

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 cash compensation directly from us. We are required to reimburse our Manager for operating expenses related to us which are either incurred by our Manager or on our behalf, including certain salary expenses and other expenses relating to legal, accounting, due diligence and other services. The Company's reimbursement obligation is not subject to any dollar limitation, however expenses are evaluated in accordance with its policy. The reimbursement is subject to an annual budget process which combines guidelines found in the Management Agreement with oversight by the Company's board of directors. Of the \$3.4 million of Other operating expenses for the three months ended September 30, 2015, we have expensed \$2.1 million, which will be paid to the Manager. Of the \$9.8 million of Other operating expenses for the nine months September 30, 2015, we have expensed \$5.8 million, which will be paid to the Manager. Of the \$3.1 million of Other operating expenses for the three months ended September 30, 2014, we have expensed \$1.7 million, which has been paid to the Manager. Of the \$8.5 million of Other operating expenses for the nine months ended September 30, 2014, we have expensed \$5.0 million, which has been paid to the Manager. The Manager did not waive any expense reimbursements for the three and nine months ended September 30, 2015 or September 30, 2014.

On July 6, 2011, we entered into (i) warrant agreements with the purchasers of units in the private placement, (ii) a restricted stock award agreement with our Manager under the Manager Equity Incentive Plan, pursuant to which the Manager received 40,250 shares of our common stock, and (iii) restricted stock award agreements with our independent directors under the Equity Incentive Plan, pursuant to which each of the initial independent directors received 1,500 shares of our common stock that vest in equal installments over three years on each annual anniversary of the grant date. Following the election of Arthur Ainsberg as an independent director at the 2013 Annual Meeting of Stockholders, 500 shares of the Company's common stock that vested on July 6, 2014 were granted to Mr. Ainsberg under the Equity Incentive Plan. As of July 6, 2014, an aggregate of 46,750 shares awarded to the Manager and the independent directors were fully vested.

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 the Company's common stock to be issued if and when the units vest. Annual vesting of approximately 20,000 units will occur on each of July 1, 2015, July 1, 2016, and July 1, 2017. The units do not entitle the participant to the rights of a holder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. On July 1, 2015, approximately 20,000 restricted stock units had vested. As of September 30, 2015, approximately 40,000 units remained outstanding.

We have presented a table that details the contractual maturity of our repurchase agreements at September 30, 2015. See the "Liquidity and Capital Resources" section for this table. As of September 30, 2015 and December 31, 2014, we are obligated to pay accrued interest on our repurchase agreements in the amount of \$2.6 million and \$2.6 million, respectively, inclusive of accrued interest accounted for as a component of linked transactions and through investments in affiliates, if applicable.

Off-balance sheet arrangements

We have entered into TBA positions to facilitate the future purchase or sale of Agency RMBS. Pursuant to these TBAs, we agree to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered or received would not be identified until shortly, generally two days, before the TBA settlement date. We record TBA purchases and sales on the trade date and present the purchase or receipt net of the corresponding payable or receivable until the settlement date of the transaction. Our maximum exposure to loss represents the net payable amount until the settlement date. As of September 30, 2015, our maximum exposure to loss on TBAs was \$0.1 million.

We have entered into IO Index transactions, which are a series of synthetic total return swap indices referencing the interest component of fixed-rate agency MBS pools. We receive a coupon based on the underlying IO and pay a financing cost, which is calculated based on 1 month Libor. Mark-to-market cash flows, which account for paydown losses and changes in market price, are exchanged monthly. These instruments enable us to synthetically assume the interest rate risk, basis risk and prepayment risk of a reference pool. Our maximum exposure to loss on IO Index transactions represents the notional fair value of the transactions. As of September 30, 2015, the Company did not hold any of these positions.

Our investments in affiliates are comprised of real estate securities and loans, associated repurchase agreements and interest receivable/payable on such accounts. Investments in affiliates are accounted for using the equity method of accounting. As of September 30, 2015, our maximum exposure to loss on investments in affiliates is \$62.3 million.

Certain related person transactions

Our board of directors has adopted a policy regarding the approval of any “related person transaction,” which is any transaction or series of transactions in which we or any of our subsidiaries is or are to be a participant, the amount involved exceeds \$120,000, and a “related person” (as defined under SEC rules) has a direct or indirect material interest. Under the policy, a related person would need to promptly disclose to our Secretary or Assistant Secretary and related person transaction and all material facts about the transaction. Our Secretary or Assistant Secretary 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, this committee will decide whether or not to approve such transaction and will generally approve only those transactions that do not create a conflict of interest. If we become aware of an existing related person transaction that has not been pre-approved under this policy, the transaction will be referred to this 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. We are not aware of any related person transactions as of and for the year ended September 30, 2015.

In July 2015, we completed an arms-length investment purchase at fair value. Certain entities managed by an affiliate of the Manager (“Related Entities”) had previously formed a joint venture (“Joint Venture”) with an unaffiliated third party (“Third Party”). The Joint Venture owns certain multi-family properties whose mortgages form part of the collateral of a securitization wherein we purchased certain bond tranches. To ensure an arms-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 is reflected on the “Investment in Affiliates” line item on the consolidated balance sheet and has a combined fair value of \$7.6 million at September 30, 2015.

We, with other investors managed by an affiliate of the Manager (collectively, “Related Parties”), completed two arms-length transactions in May and July of 2015. Each transaction consisted of a securitization of seasoned, fixed-rate and adjustable-rate, non-performing and re-performing mortgage loans secured by first or second liens on one- to four-family properties or cooperative shares and real estate owned. The assets contributed to the securitization were previously held within two private securitizations. The first transaction occurred in May 2015, in which we held a 10.00% and 0.00% ownership interest in the assets contributed to the securitization. The remaining interests were owned by certain of the Related Parties. Our investment in this securitization is reflected on the “Non-Agency” line item on the consolidated balance sheet and has a fair value of \$2.9 million at September 30, 2015. The second transaction occurred in July 2015, in which we held a 7.50% and 0.00% ownership interest in the assets contributed to the securitization. The remaining interests were owned by certain of the Related Parties. Our investment in this securitization is reflected on the “Non-Agency” line item on the consolidated balance sheet and has a fair value of \$5.2 million at September 30, 2015.

As part of our residential whole loans and Securitized Whole Loans practice, we engage asset managers to provide advisory, consultation, asset management and other services to formulate and implement strategic plans to manage, collect and dispose of loans in a manner that is reasonably expected to maximize the amount of proceeds from each loan. We currently employ only third-party asset managers. Beginning in November 2015, we engaged an asset manager (“Asset Manager”), a related party of the Manager, as the asset manager for certain of our residential whole loans and Securitized Whole Loans. The Asset Manager has agreed take such actions as indicated above and provide direction and approvals to the servicers on our behalf as contemplated under the servicing agreements. 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 title to, any security interest in, or any other rights or interests of any kind or any nature whatsoever, in or to any loan. We will pay separate arms-length asset management fees for (i) non-performing loans and (ii) reperforming loans, in each case, payable to the Asset Manager.

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 with respect to our Manager's day-to-day duties and obligations arising under our management agreement.

Grants of restricted common stock

As of September 30, 2015, we have granted an aggregate of 33,036 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 September 30, 2015, 93,280 shares of restricted common stock granted to our Manager and independent directors have vested.

See Note 10 to our financial statements included in this report for further detail on restricted stock grants.

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 September 30, 2015 the Company had undistributed taxable income of approximately \$1.65 per share.

The following table details the Company's common stock dividends during the year ended September 30, 2015 and September 30, 2014:

2015				
Declaration Date	Record Date	Payment Date	Dividend Per Share	
3/12/2015	3/23/2015	4/30/2015	\$	0.60
6/11/2015	6/22/2015	7/31/2015		0.60
9/10/2015	9/21/2015	10/30/2015		0.60
2014				
Declaration Date	Record Date	Payment Date	Dividend Per Share	
3/5/2014	3/18/2014	4/28/2014	\$	0.60
6/9/2014	6/19/2014	7/28/2014		0.60
9/11/2014	9/22/2014	10/27/2014		0.60

The following table details the Company's preferred stock dividends during the year ended September 30, 2015 and September 30, 2014:

2015					
Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share	
8.25% Series A	2/12/2015	2/27/2015	3/17/2015	\$	0.51563
8.25% Series A	5/14/2015	5/29/2015	6/17/2015		0.51563
8.25% Series A	8/14/2015	8/31/2015	9/17/2015		0.51563
Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share	
8.00% Series B	2/12/2015	2/27/2015	3/17/2015	\$	0.50
8.00% Series B	5/14/2015	5/29/2015	6/17/2015		0.50
8.00% Series B	8/14/2015	8/31/2015	9/17/2015		0.50
2014					
Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share	

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8.25% Series A	2/14/2014	2/28/2014	3/17/2014	\$ 0.51563
8.25% Series A	5/15/2014	5/30/2014	6/17/2014	0.51563
8.25% Series A	8/14/2014	8/29/2014	9/17/2014	0.51563

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

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 the “Business” section of this report. Accordingly, we monitor our compliance with both the 55% Test and the 80% Test of the Investment Company Act in order to maintain our exempt status. As of December 31, 2014, 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, 2014. 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, 2014. Overall, we believe that we met the REIT income and asset tests. We also 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, 2014, 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 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 and FHLBC Advances. We seek to reduce interest rate risks on any outstanding debt and minimize exposure to interest rate fluctuations thereon through the use of interest rate derivatives or other financial instruments, or through a combination of these strategies.

Interest rate effect 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 and FHLBC Advances are short term in nature with an initial term of between 30 and 90 days. The financing rate on these agreements and advances will generally be fixed at the outset of each transaction by reference to prevailing short-term repurchase 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 are actively looking to obtain term financing for our credit portfolio. 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 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. We anticipate that fixed-rate coupon assets will comprise a substantial majority of our portfolio for the foreseeable future.

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.

Since our inception, the expected yields on Non-Agency MBS were significantly greater than expected yields on non-credit sensitive assets. Additionally, changes in our credit investment prices were generally not highly correlated to changes in market interest rates. It is our view that this low sensitivity to increases in interest rates was due to the fact that periods of rising interest rates had been generally accompanied by an improvement in economic expectations and therefore, more positive scenarios for our credit investments. Also, wide risk premiums for credit investments meant that spreads could tighten to allow the credit investments to retain value despite increases in interest rates. Credit investment prices have generally increased since our inception and these higher prices result in lower yields. As such, it's our view that our credit investments have become more interest rate sensitive and now exhibit positive duration.

We calculate estimated effective duration (i.e., the price sensitivity to changes in interest rates) to measure the impact on portfolio value to changes in interest rates. We estimate duration based on third-party models. Different models and methodologies can produce different effective duration estimates for the same securities. In analyzing our credit bonds, over time the Company's credit investments have experienced significant price appreciation and we have allocated greater capital towards higher dollar price Non Agency MBS, ABS and CMBS positions. Higher dollar price credit securities may exhibit greater positive duration than historical lower priced legacy Non Agency and CMBS investments. In addition, we have observed that, in the wake of massive intervention by global central banks since the financial crisis on 2008-2009, the historical inverse relationship between credit spreads and interest rates has begun to become less reliable. This means that it is becoming less likely that periods of rising interest rates will be accompanied by tightening credit spreads to offset some of the downward pressure on the prices of credit bonds. This has served to make effective duration on credit investments a more meaningful statistic over time.

At September 30, 2015, we computed an estimated net effective duration of 1.29 years, comprised of 1.94 Agency RMBS duration, 1.04 of credit investment duration, (1.53) hedge duration and (0.16) 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 interest rates as of September 30, 2015. Actual results could differ materially from estimates.

The accuracy of the projected Agency RMBS prices relies on assumptions that define specific Agency RMBS spreads and varying 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 tables below reflect the estimated impact of interest rate increases and decreases on a static portfolio as of September 30, 2015, 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)	Percentage Change in GAAP Equity	Percentage Change in Projected Net Interest Income (3)
+100	-9.0%	-11.4%
+50	-4.1%	-5.6%
-50	2.8%	2.5%
-100	3.3%	0.6%

(1) Includes investments held through affiliated entities that are reported as "Investments in Affiliates" on our consolidated balance sheet.

(2) Does not include cash investments, which typically have overnight maturities and are not expected to change in value as interest rates change.

(3) Interest income includes trades settled as of September 30, 2015.

Liquidity risk

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

We pledge real estate securities or mortgage loans and cash as collateral to secure our repurchase transactions and FHLBC Advances. 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 or FHLBC Advances at their scheduled maturities which could cause material additional harm to our liquidity position and result in substantial losses. Further, should general market liquidity tighten as it did in 2007 - 2009, our repurchase agreement counterparties or the FHLBC 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.

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

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

Initial margin works differently. Collateral posted to meet initial margin requirements is intended to create a safety buffer to benefit our counterparties if we were to default on our payment obligations under the terms of the swap and our counterparties were forced to unwind the swap. For our non-centrally cleared swaps, the initial margin is set at the outset of each trade as a fixed percentage of the notional amount of the swap. This means that once we post initial margin at the outset of a non-centrally cleared swap, we will have no further posting obligations as it pertains to initial margin. However, the initial margin on our centrally cleared swaps varies from day to day depending upon various factors, including the absolute level of interest rates and the implied volatility of interest rates. There is a distinctly positive correlation between initial margin, on the one hand, and the absolute level of interest rates and implied volatility of interest rates, on the other hand. As a result, in times of rising interest rates and/or increasing rate volatility, we anticipate that the initial margin required on our centrally-cleared swaps will likewise increase, potentially by a substantial amount. These margin increases will have a negative impact on our liquidity position and will likely impair the intended liquidity risk mitigation effect of our interest rate swaps discussed above.

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

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

Prepayment risk

Premiums arise when we acquire real estate assets at a price in excess of the principal balance of the mortgages securing such assets (i.e., par value). Conversely, discounts arise when we acquire assets at a price below the principal balance of the mortgages securing such assets. Premiums paid on our assets are amortized against interest income and accretable purchase discounts on our assets are accreted to interest income. Purchase premiums on our assets, which are primarily carried on our Agency RMBS, are amortized against interest income over the life of each respective asset using the effective yield method, adjusted for actual prepayment activity. An increase in the prepayment rate, as measured by the CPR, will typically accelerate the amortization of purchase premiums, thereby reducing the yield/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, 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 whole loans as well as Non-Agency RMBS, CMBS and ABS. 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 book value decline 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.

Risk management

To the extent consistent with maintaining our REIT qualification, we seek to manage risk exposure to protect our investment portfolio against the effects of major interest rate changes. We generally seek to manage this risk by:

- monitoring and adjusting, if necessary, the reset index and interest rate related to our target assets and our financings;

- structuring our financing agreements to have a range of maturity terms, amortizations and interest rate adjustment periods;

- using hedging instruments to adjust the interest rate sensitivity of our target assets and our borrowings.

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 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 September 30, 2015. 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 timely decisions regarding required disclosure.

No change occurred in our internal controls 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 controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. As of September 30, 2015, we were not involved in any such legal proceedings.

ITEM 1A. RISK FACTORS.

The membership of our captive insurance company in the FHLB of Cincinnati may be terminated, and any advances outstanding to MITT Insurance Company LLC from the FHLB of Cincinnati would be immediately unwound, possibly at a loss.

In September 2014, the Federal Housing Financing Authority issued RIN 2590-AA39, Notice of Proposed Rulemaking and Request for Comments Involving Proposed Changes to Regulations Concerning Federal Home Loan Bank Membership Criteria (the "Proposed Rule"). The Proposed Rule, among other things, addresses membership terminations for captive insurance companies that became members of the FHLB systems after publication of the Proposed Rule, which would include our captive insurance company. Under the Proposed Rule, our captive insurance company would be ineligible to continue as a member of the FHLB of Cincinnati as of the effective date of the final rule, if adopted as proposed, and as a result would be required to immediately terminate such membership. If our captive insurance company's membership in the FHLB were terminated, the FHLB would have up to five years to redeem the FHLB stock that our captive insurance company purchased and owns as the result of its membership and level of FHLB activity. In addition, if such membership were terminated, our captive insurance company would be required to promptly unwind any outstanding debt advances from the FHLB. This could cause us to experience losses and may have a material adverse effect on our business.

In the event our captive insurance company in the FHLB is terminated, we may be unable to obtain sufficient financing on favorable terms or at all to repay or replace our future outstanding advances from the FHLB upon any required liquidation, which could adversely affect our liquidity and/or cause us to sell our assets under adverse market conditions and possibly incur substantial losses.

If the Proposed Rule is adopted, it will require us to promptly liquidate our advances from the FHLB as well as pay any associated early termination fees and accrued interest. There can be no assurance that we will be able to obtain sufficient financing on favorable terms or at all to repay or replace our outstanding advances from the FHLB upon any such liquidation, which could adversely affect our liquidity and/or force us to sell our assets under adverse market conditions and incur substantial losses. Certain of our competitors with captive insurance company members of a

Federal Home Loan Bank would be simultaneously required to liquidate their advances, which would create greater demand for financing of assets and would likely widen financing costs at a time when funding collateral is becoming more expensive under regulatory rules. Additionally, if our captive insurance company's membership is terminated, we would be at a competitive disadvantage vis-à-vis our competitors with captive insurance company members of a Federal Home Loan Bank which became members prior to the publication of the Proposed Rule and therefore have and will continue to have access to long-term funding with which to acquire their target assets.

The Dodd-Frank Act contains many regulatory changes and calls for future rulemaking that may affect our business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, contains many regulatory changes and calls for future rulemaking that may affect our business, including, but not limited to rulemaking involving derivatives, risk-retention in securitizations, the origination of residential mortgage loans and short-term financings. The Dodd-Frank Act's requirements may impact the housing and mortgage markets, which could have an adverse effect on our business.

Refer to the risks identified under the captions "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2014, which is available on the Securities and Exchange Commission's website at www.sec.gov, "Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION.

On November 3, 2015, the Company’s Board of Directors authorized a stock Repurchase Program, to repurchase up to \$25.0 million of its outstanding common stock. Such authorization does not have an expiration date. As part of the Repurchase Program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. Open market repurchases will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. Subject to applicable securities laws, the timing, manner, price and amount of any repurchases of common stock under the Repurchase Program may be determined by the Company in its discretion, using available cash resources. Shares of common stock repurchased by the Company under the Repurchase Program, if any, will be cancelled and, until reissued by the Company, will be deemed to be authorized but unissued shares of its common stock. The Repurchase Program may be suspended or discontinued by the Company at any time and without prior notice. The authorization does not obligate the Company to acquire any particular amount of common stock. The Company has not repurchased any shares of common stock under the Repurchase Program.

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.
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*10.1	

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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.

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- *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 10.14 of Form 10-Q, filed with the Securities and Exchange Commission on August 6, 2015.
- 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.
- 32.2 Certification of Brian C. Sigman pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

*Fully or partly previously filed.

**Management contract or compensatory plan or arrangement.

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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.

November 5, 2015 By: /s/ David N. Roberts
David N. Roberts
Chief Executive Officer
(principal executive
officer)

November 5, 2015 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
September 30, 2015

INDEX OF EXHIBITS

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*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	

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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.

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- *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 Restated 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, between 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 10.14 of Form 10-Q, filed with the Securities and Exchange Commission on August 6, 2015.
- 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.
- 32.2 Certification of Brian C. Sigman pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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