

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

FORM 10-Q

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

For the Quarterly Period Ended **June 30, 2023**

OR

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

For the transition period from _____ to _____

ARMOUR RESIDENTIAL REIT, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

001-34766

(Commission File Number)

26-1908763

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

3001 Ocean Drive, Suite 201, Vero Beach, FL 32963

(Address of principal executive offices)(zip code)

(772) 617-4340

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading symbols	Name of Exchange on which registered
Preferred Stock, 7.00% Series C Cumulative Redeemable	ARR-PRC	New York Stock Exchange
Common Stock, \$0.001 par value	ARR	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

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

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

The number of outstanding shares of the Registrant's common stock as of July 25, 2023 was 228,309,234.

ARMOUR Residential REIT, Inc.
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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
ARMOUR Residential REIT, Inc.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except per share)

	June 30, 2023	December 31, 2022
Assets		
Cash	\$ 163,746	\$ 87,284
Cash collateral posted to counterparties	52,477	30,806
Investments in securities, at fair value		
Agency Securities (including pledged securities of \$10,172,104 (\$5,284,870 with BUCKLER) at June 30, 2023 and \$7,249,039 at December 31, 2022 (\$3,920,706 with BUCKLER))	11,176,635	8,198,591
Receivable for unsettled sales (including pledged securities of \$89,013 at June 30, 2023)	94,825	—
Derivatives, at fair value	1,001,049	984,456
Accrued interest receivable	45,760	28,809
Prepaid and other	4,628	2,101
Subordinated loan to BUCKLER	—	105,000
Total Assets	\$ 12,539,120	\$ 9,437,047
Liabilities and Stockholders' Equity		
Liabilities:		
Repurchase agreements, net (including \$4,412,261 and \$3,247,474, respectively with BUCKLER)	\$ 9,121,329	\$ 6,463,058
Obligations to return securities received as collateral, at fair value (including \$99,438 and \$100,531, respectively with BUCKLER)	497,188	502,656
Cash collateral posted by counterparties	963,656	963,591
Payable for unsettled purchases	616,435	353,436
Derivatives, at fair value	11,608	13,016
Accrued interest payable- repurchase agreements (including \$6,447 and \$9,908, respectively with BUCKLER)	33,994	19,096
Accrued interest payable- U.S. Treasury Securities sold short (including \$695 and \$684, respectively with BUCKLER)	3,475	3,418
Accounts payable and other accrued expenses	8,446	6,404
Total Liabilities	\$ 11,256,131	\$ 8,324,675
Commitments and contingencies (Note 8 and Note 14)		
Stockholders' Equity:		
Preferred stock, \$0.001 par value, 50,000 shares authorized; 7.00% Series C Cumulative Preferred Stock; 6,847 shares issued and outstanding (\$25.00 per share liquidation preference)	7	7
Common stock, \$0.001 par value, 450,000 and 300,000 shares authorized; 206,810 shares and 162,911 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively.	207	163
Additional paid-in capital	4,128,402	3,874,627
Cumulative distributions to stockholders	(2,098,693)	(1,992,361)
Accumulated net loss	(746,934)	(758,537)
Accumulated other comprehensive loss	—	(11,527)
Total Stockholders' Equity	\$ 1,282,989	\$ 1,112,372
Total Liabilities and Stockholders' Equity	\$ 12,539,120	\$ 9,437,047

See financial statement notes (unaudited).



ARMOUR Residential REIT, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(in thousands, except per share)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Interest Income:				
Interest Income (including \$0 and \$157 and \$973 and \$176, respectively with BUCKLER)	\$ 134,835	\$ 48,440	\$ 253,070	\$ 81,810
Interest expense (including \$58,740 and \$6,462 and \$108,349 and \$7,495, respectively with BUCKLER)	(129,075)	(13,035)	(235,320)	(15,440)
Net Interest Income	\$ 5,760	\$ 35,405	\$ 17,750	\$ 66,370
Other Income (Loss):				
Realized loss on sale of available for sale Agency Securities (reclassified from Comprehensive Income (Loss))	—	(7,501)	(7,471)	(7,501)
Loss on Agency Securities, trading	(157,659)	(249,022)	(37,293)	(503,411)
Gain (Loss) on U.S. Treasury Securities	11,933	(33,983)	79	(112,370)
Gain on derivatives, net ⁽¹⁾	194,190	205,914	59,790	450,518
Total Other Income (Loss)	\$ 48,464	\$ (84,592)	\$ 15,105	\$ (172,764)
Expenses:				
Management fees	9,392	8,297	18,636	16,437
Compensation	1,261	1,410	2,420	2,819
Other Operating	2,259	1,647	3,496	3,275
Total Expenses	\$ 12,912	\$ 11,354	\$ 24,552	\$ 22,531
Less management fees waived	(1,650)	(1,950)	(3,300)	(3,900)
Total Expenses after fees waived	\$ 11,262	\$ 9,404	\$ 21,252	\$ 18,631
Net Income (Loss)	\$ 42,962	\$ (58,591)	\$ 11,603	\$ (125,025)
Dividends on preferred stock	(2,996)	(2,996)	(5,991)	(5,991)
Net Income (Loss) available (related) to common stockholders	\$ 39,966	\$ (61,587)	\$ 5,612	\$ (131,016)
Net Income (Loss)	\$ 42,962	\$ (58,591)	\$ 11,603	\$ (125,025)
Reclassification adjustment for realized loss on sale of available for sale Agency Securities	—	7,501	7,471	7,501
Net unrealized gain (loss) on available for sale Agency Securities	—	(42,151)	4,056	(120,689)
Other Comprehensive Income (loss)	—	(34,650)	11,527	(113,188)
Comprehensive Income (Loss)	\$ 42,962	\$ (93,241)	\$ 23,130	\$ (238,213)
Dividends on preferred stock	(2,996)	(2,996)	(5,991)	(5,991)
Comprehensive Income (Loss) available (related) to common stockholders	\$ 39,966	\$ (96,237)	\$ 17,139	\$ (244,204)
Net Income (Loss) per share available (related) to common stockholders (Note 11):				
Basic	\$ 0.20	\$ (0.58)	\$ 0.03	\$ (1.29)
Diluted	\$ 0.20	\$ (0.58)	\$ 0.03	\$ (1.29)
Dividends declared per common share	\$ 0.24	\$ 0.30	\$ 0.52	\$ 0.60
Weighted average common shares outstanding:				
Basic	198,699	106,514	191,682	101,396
Diluted	200,379	106,514	193,362	101,396

(1) Interest expense related to our interest rate swap contracts is recorded in gain on derivatives, net on the consolidated statements of operations and comprehensive income (loss). For additional information, see financial statement Note 7.

See financial statement notes (unaudited).



ARMOUR Residential REIT, Inc.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
(in thousands)

	Shares		Par		Additional Paid-in Capital	Cumulative Distributions to Stockholders	Accumulated Net Loss	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Preferred Stock	Common Stock	Preferred Stock	Common Stock					
Balance, March 31, 2022	6,847	100,361	\$ 7	\$ 100	\$3,458,492	\$ (1,870,058)	\$ (595,041)	\$ 28,435	\$ 1,021,935
Comprehensive loss	—	—	—	—	—	—	(58,591)	(34,650)	(93,241)
Issuance of common stock, net	—	10,425	—	11	79,691	—	—	—	79,702
Stock based compensation, net of withholding requirements	—	48	—	—	959	—	—	—	959
Common stock repurchased	—	(248)	—	—	(1,544)	—	—	—	(1,544)
Preferred stock dividends	—	—	—	—	—	(2,996)	—	—	(2,996)
Common stock dividends	—	—	—	—	—	(32,157)	—	—	(32,157)
Balance, June 30, 2022	<u>6,847</u>	<u>110,586</u>	<u>\$ 7</u>	<u>\$ 111</u>	<u>\$3,537,598</u>	<u>\$ (1,905,211)</u>	<u>\$ (653,632)</u>	<u>\$ (6,215)</u>	<u>\$ 972,658</u>
Balance, March 31, 2023	6,847	192,003	7	192	4,052,190	(2,047,360)	(789,896)	—	1,215,133
Comprehensive income	—	—	—	—	—	—	42,962	—	42,962
Issuance of common stock, net	—	15,160	—	15	77,463	—	—	—	77,478
Stock based compensation, net of withholding requirements	—	72	—	—	821	—	—	—	821
Common stock repurchased	—	(425)	—	—	(2,072)	—	—	—	(2,072)
Preferred stock dividends	—	—	—	—	—	(2,996)	—	—	(2,996)
Common stock dividends	—	—	—	—	—	(48,337)	—	—	(48,337)
Balance, June 30, 2023	<u>6,847</u>	<u>206,810</u>	<u>\$ 7</u>	<u>\$ 207</u>	<u>\$4,128,402</u>	<u>\$ (2,098,693)</u>	<u>\$ (746,934)</u>	<u>\$ —</u>	<u>\$ 1,282,989</u>

Continued



ARMOUR Residential REIT, Inc.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
(in thousands)

	Shares		Par		Additional Paid-in Capital	Cumulative Distributions to Stockholders	Accumulated Net Loss	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Preferred Stock	Common Stock	Preferred Stock	Common Stock					
Balance, December 31, 2021	6,847	94,152	\$ 7	\$ 94	\$3,403,127	\$ (1,837,955)	\$ (528,607)	\$ 106,973	1,143,639
Comprehensive loss	—	—	—	—	—	—	(125,025)	(113,188)	(238,213)
Issuance of common stock, net	—	16,587	—	17	134,121	—	—	—	134,138
Stock based compensation, net of withholding requirements	—	95	—	—	1,894	—	—	—	1,894
Common stock repurchased	—	(248)	—	—	(1,544)	—	—	—	(1,544)
Preferred stock dividends	—	—	—	—	—	(5,991)	—	—	(5,991)
Common stock dividends	—	—	—	—	—	(61,265)	—	—	(61,265)
Balance, June 30, 2022	<u>6,847</u>	<u>110,586</u>	<u>\$ 7</u>	<u>\$ 111</u>	<u>\$3,537,598</u>	<u>\$ (1,905,211)</u>	<u>\$ (653,632)</u>	<u>\$ (6,215)</u>	<u>\$ 972,658</u>
Balance, December 31, 2022	6,847	162,911	\$ 7	\$ 163	\$3,874,627	\$ (1,992,361)	\$ (758,537)	\$ (11,527)	1,112,372
Comprehensive income	—	—	—	—	—	—	11,603	11,527	23,130
Issuance of common stock, net	—	45,023	—	45	258,638	—	—	—	258,683
Stock based compensation, net of withholding requirements	—	144	—	—	1,513	—	—	—	1,513
Common stock repurchased	—	(1,268)	—	(1)	(6,376)	—	—	—	(6,377)
Preferred stock dividends	—	—	—	—	—	(5,991)	—	—	(5,991)
Common stock dividends	—	—	—	—	—	(100,341)	—	—	(100,341)
Balance, June 30, 2023	<u>6,847</u>	<u>206,810</u>	<u>\$ 7</u>	<u>\$ 207</u>	<u>\$4,128,402</u>	<u>\$ (2,098,693)</u>	<u>\$ (746,934)</u>	<u>\$ —</u>	<u>\$ 1,282,989</u>

See financial statement notes (unaudited).



ARMOUR Residential REIT, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	For the Six Months Ended June 30,	
	2023	2022
Cash Flows From Operating Activities:		
Net Income (Loss)	\$ 11,603	\$ (125,025)
Adjustments to reconcile net income (loss) to net cash and cash collateral posted to counterparties provided by (used in) operating activities:		
Net amortization of premium on Agency Securities	3,452	13,464
Net accretion of U.S. Treasury Securities	132	(1,176)
Realized loss on sale of Agency Securities, available for sale	7,471	7,501
Loss on Agency Securities, trading	37,293	503,411
Gain (Loss) on U.S. Treasury Securities	(79)	112,370
Stock based compensation	1,513	1,894
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(16,222)	(10,402)
Increase in prepaid and other assets	1,139	(2,012)
Change in derivatives, at fair value	(18,001)	(580,506)
Increase in accrued interest payable- repurchase agreements	14,898	4,438
Increase in accrued interest payable- U.S. Treasury Securities sold short	57	—
Increase in accounts payable and other accrued expenses	2,042	2,284
Net cash and cash collateral posted to counterparties provided by (used in) operating activities	<u>\$ 45,298</u>	<u>\$ (73,759)</u>
Cash Flows From Investing Activities:		
Purchases of Agency Securities (includes \$247,308 with BUCKLER at June 30, 2023)	(7,259,764)	(5,482,336)
Purchases of U.S. Treasury Securities (includes \$155,857 with BUCKLER at June 30, 2023)	(619,373)	(3,441,267)
Principal repayments of Agency Securities	404,010	287,457
Proceeds from sales of Agency Securities	4,008,466	2,197,403
Proceeds from sales of U.S. Treasury Securities (includes \$154,875 with BUCKLER at June 30, 2023)	613,852	2,932,385
Disbursements on reverse repurchase agreements, with BUCKLER	(1,057,803)	—
Receipts from reverse repurchase agreements, with BUCKLER	1,249,579	—
Increase in cash collateral posted by counterparties	65	647,786
Proceeds from subordinated loan due from BUCKLER	105,000	—
Net cash and cash collateral posted to counterparties used in investing activities	<u>\$ (2,555,968)</u>	<u>\$ (2,858,572)</u>
Cash Flows From Financing Activities:		
Issuance of common stock, net of expenses	255,017	134,138
Proceeds from repurchase agreements (including \$36,419,817 and \$19,406,946, respectively with BUCKLER)	57,386,698	34,679,574
Principal repayments on repurchase agreements (including \$(35,446,806) and \$(17,935,626), respectively with BUCKLER)	(54,920,203)	(31,935,064)
Series C Preferred stock dividends paid	(5,991)	(5,991)
Common stock dividends paid	(100,341)	(61,265)
Common stock repurchased	(6,377)	(1,544)
Net cash and cash collateral posted to counterparties provided by financing activities	<u>\$ 2,608,803</u>	<u>\$ 2,809,848</u>

(Continued)



ARMOUR Residential REIT, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	For the Six Months Ended June 30,	
	2023	2022
Net increase in cash and cash collateral posted to counterparties	98,133	(122,483)
Cash and cash collateral posted to counterparties - beginning of period	118,090	356,216
Cash and cash collateral posted to counterparties - end of period	<u>\$ 216,223</u>	<u>\$ 233,733</u>
Supplemental Disclosure:		
Cash paid during the period for interest	\$ 269,691	\$ 33,776
Non-Cash Investing Activities:		
Receivable for unsettled sales	\$ 94,825	\$ 427,203
Payable for unsettled purchases	\$ (616,435)	\$ (358,753)
Net unrealized gain (loss) on available for sale Agency Securities	\$ 4,056	\$ (120,689)
Non-Cash Financing Activities:		
Amounts receivable for issuance of common stock	\$ 3,666	\$ —

See financial statement notes (unaudited).



ARMOUR Residential REIT, Inc.
FINANCIAL STATEMENT NOTES (UNAUDITED)
(in thousands, except per share)

Note 1 - Organization and Nature of Business Operations

References to "we," "us," "our," or the "Company" are to ARMOUR Residential REIT, Inc. ("ARMOUR") and its subsidiaries. References to "ACM" are to ARMOUR Capital Management LP, a Delaware limited partnership. ARMOUR owns a 10.8% equity interest in BUCKLER Securities LLC ("BUCKLER"). BUCKLER is a Delaware limited liability company and a FINRA-regulated broker-dealer, controlled by ACM and certain executive officers of ARMOUR. Refer to the Glossary of Terms for definitions of capitalized terms and abbreviations used in this report. U.S. dollar amounts are presented in thousands, except per share amounts or as otherwise noted.

ARMOUR is an externally managed Maryland corporation incorporated in 2008. The Company is managed by ACM, an investment advisor registered with the Securities and Exchange Commission (the "SEC"), (see Note 8 - Commitments and Contingencies and Note 14 - Related Party Transactions). We have elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Our qualification as a REIT depends on our ability to meet, on a continuing basis, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the concentration of ownership of our capital stock. We believe that we are organized in conformity with the requirements for qualification as a REIT under the Code and our manner of operations enables us to meet the requirements for taxation as a REIT for federal income tax purposes. As a REIT, we will generally not be subject to federal income tax on the REIT taxable income that we currently distribute to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to federal income tax at regular corporate rates. Even if we qualify as a REIT for U.S. federal income tax purposes, we may still be subject to some federal, state and local taxes on our income.

At June 30, 2023 and December 31, 2022, we invested in mortgage backed securities ("MBS"), issued or guaranteed by a United States ("U.S.") Government-sponsored entity ("GSE"), such as the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), or a government agency such as Government National Mortgage Administration ("Ginnie Mae") (collectively, "Agency Securities"). Our Agency Securities consist primarily of fixed rate loans. The remaining are either backed by hybrid adjustable rate or adjustable rate loans. From time to time we have also invested in Credit Risk and Non-Agency Securities, Interest-Only Securities, U.S. Treasury Securities and money market instruments.

Note 2 - Basis of Presentation and Consolidation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X promulgated by the SEC. Accordingly, the condensed financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the calendar year ending December 31, 2023. These unaudited consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2022.

The unaudited consolidated financial statements include the accounts of ARMOUR Residential REIT, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated. The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates affecting the accompanying condensed consolidated financial statements include the valuation of MBS, including an assessment of the allowance for credit losses, and derivative instruments. Interest earned/paid on cash collateral posted/held on interest rate swap contracts was reclassified from Interest Income to



ARMOUR Residential REIT, Inc.
FINANCIAL STATEMENT NOTES (UNAUDITED)
(in thousands, except per share)

Gain (loss) on derivatives, net, in the consolidated financial statements to conform to current presentation. No other reclassifications have been made to previously reported amounts.

Note 3 - Summary of Significant Accounting Policies

Cash

Cash includes cash on deposit with financial institutions. We may maintain deposits in federally insured financial institutions in excess of federally insured limits. However, management believes we are not exposed to significant credit risk due to the financial position and creditworthiness of the depository institutions in which those deposits are held.

Cash Collateral Posted To/By Counterparties

Cash collateral posted to/by counterparties represents cash posted by us to counterparties or posted by counterparties to us as collateral. Cash collateral posted to/by counterparties may include collateral for interest rate swap contracts, interest rate swaptions, basis swap contracts, futures contracts, repurchase agreements on our MBS and our Agency Securities purchased or sold on a to-be-announced basis ("TBA Agency Securities").

Investments in Securities, at Fair Value

Our investments in securities are generally classified as either available for sale or trading securities. Management determines the appropriate classifications of the securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date.

Trading Securities are reported at their estimated fair values with gains and losses included in Other Income (Loss) as a component of the consolidated statements of operations and comprehensive income (loss).

Available for Sale Securities represented investments that we intended to hold for extended periods of time and were reported at their estimated fair values with unrealized gains and losses excluded from earnings and reported as part of comprehensive income (loss). During the first quarter of 2023, we sold the remaining balance of our Available for Sale Securities which resulted in a realized loss of \$(7,471).

Receivables and Payables for Unsettled Sales and Purchases

We account for purchases and sales of securities on the trade date, including purchases and sales for forward settlement. Receivables and payables for unsettled trades represent the agreed trade price multiplied by the outstanding balance of the securities at the balance sheet date.

Accrued Interest Receivable and Payable

Accrued interest receivable includes interest accrued between payment dates on securities and interest on unsettled sales of securities. Accrued interest payable includes interest on unsettled purchases of securities and interest on repurchase agreements. At certain times, we may have interest payable on U.S. Treasury Securities sold short.

Repurchase Agreements, net

We finance the acquisition of the majority of our MBS through the use of repurchase agreements. Our repurchase agreements are secured by our MBS and bear interest rates that have moved in close relationship to the Federal Funds Effective Rate ("Fed Funds Rate") and the Secured Overnight Funding Rate ("SOFR"). Under these repurchase agreements, we sell MBS to a lender and agree to repurchase the same MBS in the future for a price that is higher than the original sales price. The difference between the sales price that we receive and the repurchase price that we pay represents interest paid to the lender, which accrues over the life of the repurchase agreement. A repurchase agreement operates as a financing arrangement under which we pledge our MBS as collateral to secure a loan which is equal in value to a specified percentage of the estimated fair value of the pledged collateral. We retain beneficial ownership of the pledged collateral. At the



ARMOUR Residential REIT, Inc.
FINANCIAL STATEMENT NOTES (UNAUDITED)
(in thousands, except per share)

maturity of a repurchase agreement, we are required to repay the loan and concurrently receive back our pledged collateral from the lender or, with the consent of the lender, we may renew such agreement at the then prevailing interest rate. The repurchase agreements may require us to pledge additional assets to the lender in the event the estimated fair value of the existing pledged collateral declines.

In addition to the repurchase agreement financing discussed above, at certain times, we have entered into reverse repurchase agreements with certain of our repurchase agreement counterparties. Under a typical reverse repurchase agreement, we purchase U.S. Treasury Securities from a borrower in exchange for cash and agree to sell the same securities in the future in exchange for a price that is higher than the original purchase price. The difference between the purchase price originally paid and the sale price represents interest received from the borrower. Reverse repurchase agreement receivables and repurchase agreement liabilities are presented net when they meet certain criteria, including being with the same counterparty, being governed by the same master repurchase agreement ("MRA"), settlement through the same brokerage or clearing account and maturing on the same day. At June 30, 2023 and December 31, 2022, we had \$512,500 and \$704,276, respectively, in reverse repurchase agreements which are recorded in repurchase agreements, net on our consolidated balance sheet.

Obligations to Return Securities Received as Collateral, at Fair Value

We also sell to third parties the U.S. Treasury Securities received as collateral for reverse repurchase agreements and recognize the resulting obligation to return said U.S. Treasury Securities as a liability on our consolidated balance sheet. Interest is recorded on the repurchase agreements, reverse repurchase agreements and U.S. Treasury Securities on an accrual basis and presented as net interest expense. Both parties to the transaction have the right to make daily margin calls based on changes in the fair value of the collateral received and/or pledged. We had obligations to return securities received as collateral associated with our reverse repurchase agreements as of June 30, 2023 and December 31, 2022 of \$497,188 (\$99,438 of which were with BUCKLER) and \$502,656 (\$100,531 of which were with BUCKLER), respectively.

Derivatives, at Fair Value

We recognize all derivatives individually as either assets or liabilities at fair value on our consolidated balance sheets. All changes in the fair values of our derivatives are reflected in our consolidated statements of operations and comprehensive income (loss). We designate derivatives as hedges for tax purposes and any unrealized derivative gains or losses would not affect our distributable net taxable income. These transactions may include interest rate swap contracts, interest rate swaptions, basis swap contracts and futures contracts.

We also may utilize forward contracts for the purchase or sale of TBA Agency Securities. We account for TBA Agency Securities as derivative instruments if it is reasonably possible that we will not take or make physical delivery of the Agency Security upon settlement of the contract. We account for TBA dollar roll transactions as a series of derivative transactions. We may also purchase and sell TBA Agency Securities as a means of investing in and financing Agency Securities (thereby increasing our "at risk" leverage) or as a means of disposing of or reducing our exposure to Agency Securities (thereby reducing our "at risk" leverage). We agree to purchase or sell, for future delivery, Agency Securities with certain principal and interest terms and certain types of collateral, but the particular Agency Securities to be delivered are not identified until shortly before the TBA settlement date. We 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 Agency Security for a later settlement date. This transaction is commonly referred to as a "dollar roll." When it is reasonably possible that we will pair off a TBA Agency Security, we account for that contract as a derivative.

Impairment of Assets

Impairment of available for sale securities was assessed at least on a quarterly basis and more frequently when economic or market concerns warranted such evaluation. An impairment was considered if we (1) intended to sell the available for sale securities, or (2) believed it was more likely than not that we were required to sell the securities before recovery (for example, because of liquidity requirements or contractual obligations) and a credit impairment existed where



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fair value was less than amortized cost. Impairment losses recognized established a new cost basis for the related available for sale securities.

Revenue Recognition

Interest income is earned and recognized on Agency Securities based on their unpaid principal amounts and their contractual terms. Recognition of interest income commences on the settlement date of the purchase transaction and continues through the settlement date of the sale transaction. Premiums and discounts associated with the purchase of Multi-Family MBS, which are generally not subject to prepayment, are amortized or accreted into interest income over the contractual lives of the securities using a level yield method. Premiums and discounts associated with the purchase of other Agency Securities are amortized or accreted into interest income over the actual lives of the securities, reflecting actual prepayments as they occur. Purchase and sale transactions (including TBA Agency Securities) are recorded on the trade date to the extent it is probable that we will take or make timely physical delivery of the related securities. Gains or losses realized from sales of available for sale securities are reclassified into income from Comprehensive Income (Loss) and are determined using the specific identification method.

Interest income on U.S. Treasury Securities is recognized based on their unpaid principal amounts and their contractual terms. Recognition of interest income commences on the settlement date of the purchase transaction and continues through the settlement date of the sale transaction.

Comprehensive Income (Loss)

Comprehensive income (loss) refers to the sum of net income and other comprehensive income (loss). It represents all changes in equity during a period from transactions and other events from non-owner sources. It excludes all changes in equity during a period resulting from investments by owners and distributions to owners.

Note 4 - Fair Value of Financial Instruments

Our valuation techniques for financial instruments use observable and unobservable inputs. Observable inputs reflect readily obtainable data from third-party sources, while unobservable inputs reflect management's market assumptions. The Accounting Standards Codification Topic No. 820, "Fair Value Measurement," classifies these inputs into the following hierarchy:

Level 1 Inputs - Quoted prices for identical instruments in active markets.

Level 2 Inputs - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs - Prices determined using significant unobservable inputs. Unobservable inputs may be used 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 reflect management'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.

At the beginning of each quarter, we assess the assets and liabilities that are measured at fair value on a recurring basis to determine if any transfers between levels in the fair value hierarchy are needed.

The following describes the valuation methodologies used for our assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy. Any transfers between levels are assumed to occur at the beginning of the reporting period.



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Investments in Securities

Fair value for our investments in securities are based on obtaining a valuation for each security from third-party pricing services and/or dealer quotes. The third-party pricing services use common market pricing methods that may include pricing models that may incorporate such factors as coupons, prepayment speeds, spread to the Treasury curves and interest rate swap curves, duration, periodic and life caps and credit enhancement. If the fair value of a security is not available from the third-party pricing services or such data appears unreliable, we obtain pricing indications from up to three dealers who make markets in similar securities. Management reviews pricing used to ensure that current market conditions are properly reflected. This review includes, but is not limited to, comparisons of similar market transactions or alternative third-party pricing services, dealer pricing indications and comparisons to a third-party pricing model. Fair values obtained from the third-party pricing services for similar instruments are classified as Level 2 securities if the inputs to the pricing models used are consistent with the Level 2 definition. If quoted prices for a security are not reasonably available from the third-party pricing service, but dealer pricing indications are, the security will be classified as a Level 2 security. If neither is available, management will determine the fair value based on characteristics of the security that we receive from the issuer and based on available market information and classify it as a Level 3 security. U.S. Treasury Securities are classified as Level 1, as quoted unadjusted prices are available in active markets for identical assets.

Derivatives

The fair values of our interest rate swap contracts, interest rate swaptions and basis swap contracts are valued using information provided by third-party pricing services that incorporate common market pricing methods that may include current interest rate curves, forward interest rate curves and market spreads to interest rate curves and are classified as Level 2. We estimate the fair value of TBA Agency Securities based on similar methods used to value our Agency Securities and they are classified as Level 2. Management compares the pricing information received to dealer quotes to ensure that the current market conditions are properly reflected. Futures contracts are traded on the Chicago Mercantile Exchange ("CME") which requires the use of daily mark-to-market collateral and they are classified as Level 1.

The following tables provide a summary of our assets and liabilities that are measured at fair value on a recurring basis at June 30, 2023 and December 31, 2022.

June 30, 2023	Level 1	Level 2	Level 3	Balance
Assets at Fair Value:				
Agency Securities	\$ —	\$ 11,176,635	\$ —	\$ 11,176,635
Derivatives	\$ 11,252	\$ 989,797	\$ —	\$ 1,001,049
Liabilities at Fair Value:				
Derivatives	\$ 8,166	\$ 3,442	\$ —	\$ 11,608
December 31, 2022	Level 1	Level 2	Level 3	Balance
Assets at Fair Value:				
Agency Securities	\$ —	\$ 8,198,591	\$ —	\$ 8,198,591
Derivatives	\$ 94	\$ 984,362	\$ —	\$ 984,456
Liabilities at Fair Value:				
Derivatives	\$ 516	\$ 12,500	\$ —	\$ 13,016

There were no transfers of assets or liabilities between the levels of the fair value hierarchy during the six months ended June 30, 2023 or for the year ended December 31, 2022.

Excluded from the tables above are financial instruments, including cash, cash collateral posted to/by counterparties, receivables, the Subordinated loan to BUCKLER, payables, borrowings under repurchase agreements, net and obligations to return securities received as collateral, which are presented in our consolidated financial statements at



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cost, which approximates fair value. The estimated fair value of these instruments is measured using "Level 1" or "Level 2" inputs at June 30, 2023 and December 31, 2022.

Note 5 - Investments in Securities

As of June 30, 2023 and December 31, 2022, our securities portfolio consisted of \$11,176,635 and \$8,198,591 of investment securities, at fair value, respectively. We also had \$100,734 and \$777,469 of TBA Agency Securities, at fair value, which were reported at net carrying value of \$(3,027) and \$(11,797), respectively, at June 30, 2023 and December 31, 2022. TBA Securities are reported in Derivatives, at fair value on our consolidated balance sheets (see Note 7 - Derivatives). The net carrying value of our TBA Agency Securities represents the difference between the fair value of the underlying Agency Security in the TBA contract and the cost basis or the forward price to be paid or received for the underlying Agency Security.

During the first quarter of 2023, we sold the remaining balance of our Available for Sale Securities which resulted in a realized loss of \$(7,471).

The tables below present the components of the carrying value and the unrealized gain or loss position of our investments in securities at June 30, 2023 and December 31, 2022.

June 30, 2023	Principal Amount	Amortized Cost	Gross Unrealized Loss	Gross Unrealized Gain	Fair Value
Agency Securities:					
Trading securities	\$ 11,489,593	\$ 11,473,356	\$ (297,779)	\$ 1,058	\$ 11,176,635
Total Agency Securities	\$ 11,489,593	\$ 11,473,356	\$ (297,779)	\$ 1,058	\$ 11,176,635
December 31, 2022					
Agency Securities:					
Available for sale securities	\$ 191,870	\$ 199,472	\$ (11,527)	\$ —	\$ 187,945
Trading securities	8,519,397	8,553,485	(543,207)	368	8,010,646
Total Agency Securities	\$ 8,711,267	\$ 8,752,957	\$ (554,734)	\$ 368	\$ 8,198,591



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The following tables summarize the weighted average lives of our investments in securities at June 30, 2023 and December 31, 2022.

Weighted Average Life	Trading Securities	
	Fair Value	Amortized Cost
June 30, 2023		
≥ 3 years and < 5 years	\$ 2,877	\$ 2,918
≥ 5 years	11,173,758	11,470,438
Totals	\$ 11,176,635	\$ 11,473,356

Weighted Average Life	Available for Sale Securities		Trading Securities	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
December 31, 2022				
< 1 year	\$ 61	\$ 64	\$ —	\$ —
≥ 1 year and < 3 years	2,390	2,525	—	—
≥ 3 years and < 5 years	11,541	12,171	—	—
≥ 5 years	173,953	184,712	8,010,646	8,553,485
Totals	\$ 187,945	\$ 199,472	\$ 8,010,646	\$ 8,553,485

We use a third-party model to calculate the weighted average lives of our investments in securities. Weighted average life is calculated based on expectations for estimated prepayments for the underlying mortgage loans of our investments in securities. These estimated prepayments are based on assumptions such as interest rates, current and future home prices, housing policy and borrower incentives. The weighted average lives of our investments in securities at June 30, 2023 and December 31, 2022 in the tables above are based upon market factors, assumptions, models and estimates from the third-party model and also incorporate management's judgment and experience. The actual weighted average lives of these securities could be longer or shorter than estimated.

Available for Sale Securities

The following table presents the unrealized losses and estimated fair value of our available for sale securities by length of time that such securities were in a continuous unrealized loss position at December 31, 2022. All of the available for sale securities were issued and guaranteed by GSEs (with a long term credit rating of AA+) or Ginnie Mae at December 31, 2022.

Agency Securities	Unrealized Loss Position For:					
	< 12 Months		≥ 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2022	\$ 187,397	\$ (11,497)	\$ 548	\$ (30)	\$ 187,945	\$ (11,527)

Note 6 - Repurchase Agreements, net

At June 30, 2023, we had active MRAs with 38 counterparties and had \$9,121,329 in outstanding borrowings with 18 of those counterparties. At December 31, 2022, we had MRAs with 38 counterparties and had \$6,463,058 in outstanding borrowings with 16 counterparties.

The following tables represent the contractual repricing regarding our repurchase agreements to finance MBS purchases at June 30, 2023 and December 31, 2022. Our repurchase agreements require excess collateral, known as a "haircut." At June 30, 2023, the average haircut percentage was 2.82% compared to 3.85% at December 31, 2022. The



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haircut for our repurchase agreements vary by counterparty and therefore, the changes in the average haircut percentage will vary with the changes in our counterparty repurchase agreement balances.

June 30, 2023	Balance	Weighted Average Contractual Rate	Weighted Average Maturity in days
Agency Securities			
≤ 30 days ⁽¹⁾	\$ 9,121,329	5.23 %	19
Total or Weighted Average	<u>\$ 9,121,329</u>	5.23 %	19

(1) Net of reverse repurchase agreements of \$512,500. Obligations to return securities received as collateral of \$497,188 associated with the reverse repurchase agreements are all due within 30 days.

December 31, 2022	Balance	Weighted Average Contractual Rate	Weighted Average Maturity in days
Agency Securities			
≤ 30 days ⁽¹⁾	\$ 5,912,572	4.43 %	15
> 30 days to ≤ 60 days	550,486	4.48 %	34
Total or Weighted Average	<u>\$ 6,463,058</u>	4.43 %	16

(1) Net of reverse repurchase agreements of \$704,276. Obligations to return securities received as collateral of \$502,656 associated with the reverse repurchase agreements all matured in January 2023.

The following table presents information about the gross and net securities purchased and sold under our repurchase agreements, net on the accompanying consolidated balance sheets at June 30, 2023 and December 31, 2022.

June 30, 2023	Gross Amounts Not Offset					
	Gross Amounts	Gross Amounts offset in the Consolidated Balance Sheet	Net Amounts Presented in the Consolidated Balance Sheet	Financial Instruments ⁽¹⁾	Cash Collateral	Total Net
Assets						
Reverse Repurchase Agreements	\$ 512,500	\$ (512,500)	\$ —	\$ —	\$ —	\$ —
Totals	<u>\$ 512,500</u>	<u>\$ (512,500)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities						
Repurchase Agreements	\$ (9,633,829)	\$ 512,500	\$ (9,121,329)	\$ 9,121,329	\$ —	\$ —
Totals	<u>\$ (9,633,829)</u>	<u>\$ 512,500</u>	<u>\$ (9,121,329)</u>	<u>\$ 9,121,329</u>	<u>\$ —</u>	<u>\$ —</u>

(1) The fair value of securities pledged against our repurchase agreements was \$10,172,104 at June 30, 2023.



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December 31, 2022	Gross Amounts Not Offset					
	Gross Amounts	Gross Amounts offset in the Consolidated Balance Sheet	Net Amounts Presented in the Consolidated Balance Sheet	Financial Instruments ⁽¹⁾	Cash Collateral	Total Net
Assets						
Reverse Repurchase Agreements	\$ 704,276	\$ (704,276)	\$ —	\$ —	\$ 189	\$ 189
Totals	\$ 704,276	\$ (704,276)	\$ —	\$ —	\$ 189	\$ 189
Liabilities						
Repurchase Agreements	\$ (7,167,334)	\$ 704,276	\$ (6,463,058)	\$ 6,463,058	\$ —	\$ —
Totals	\$ (7,167,334)	\$ 704,276	\$ (6,463,058)	\$ 6,463,058	\$ —	\$ —

(1) The fair value of securities pledged against our repurchase agreements was \$7,249,039 at December 31, 2022.

Our repurchase agreements require that we maintain adequate pledged collateral. A decline in the value of the MBS pledged as collateral for borrowings under repurchase agreements could result in the counterparties demanding additional collateral pledges or liquidation of some of the existing collateral to reduce borrowing levels. We manage this risk by maintaining an adequate balance of available cash and unpledged securities. An event of default or termination event under the standard MRA would give our counterparty the option to terminate all repurchase transactions existing with us and require any amount due to be payable immediately. In addition, certain of our MRAs contain a restriction that prohibits our leverage from exceeding twelve times our stockholders' equity as well as termination events in the case of significant reductions in equity capital. We also may receive cash or securities as collateral from our derivative counterparties which we may use as additional collateral for repurchase agreements. Certain interest rate swap contracts provide for cross collateralization and cross default with repurchase agreements and other contracts with the same counterparty.

At June 30, 2023 and December 31, 2022, BUCKLER accounted for 48.4% and 50.2%, respectively, of our aggregate borrowings and had an amount at risk of 7.8% and 12.9%, respectively, of our total stockholders' equity with a weighted average maturity of 21 days and 15 days, respectively, on repurchase agreements, net (see Note 14 - Related Party Transactions).

At June 30, 2023, we had 3 additional repurchase agreement counterparties that individually accounted for over 5% of our aggregate borrowings. In total, these counterparties accounted for approximately 24.9% of our repurchase agreement borrowings outstanding at June 30, 2023. At December 31, 2022, we had 3 additional repurchase agreement counterparties that individually accounted for over 5% of our aggregate borrowings. In total, these counterparties accounted for 28.1% of our repurchase agreement borrowings at December 31, 2022.

Note 7 - Derivatives

We enter into derivative transactions to manage our interest rate risk and agency mortgage rate exposures. We have agreements with our derivative counterparties that provide for the posting of collateral based on the fair values of our derivatives. Through this margin process, either we or our counterparties may be required to pledge cash or securities as collateral. Collateral requirements vary by counterparty and change over time based on the fair value, notional amount and remaining term of the contracts. Certain contracts provide for cross collateralization and cross default with repurchase agreements and other contracts with the same counterparty.

Interest rate swap contracts are designed to lock in funding costs for repurchase agreements associated with our assets in such a way to help assure the realization of net interest margins. Such transactions are based on assumptions about prepayments which, if not realized, will cause transaction results to differ from expectations. Interest rate swaptions



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generally provide us the option to enter into an interest rate swap agreement at a certain point of time in the future with a predetermined notional amount, stated term and stated rate of interest in the fixed leg and interest rate index on the floating leg. Basis swap contracts allow us to exchange one floating interest rate basis for another, thereby allowing us to diversify our floating rate basis exposures.

All of our interest rate contracts have floating leg interest rate indexes of either the Fed Funds Rate or SOFR. The Fed Funds Rate is published daily by the New York Federal Reserve and is a measure of unsecured borrowings by depository institutions from other depository institutions or GSEs. SOFR is published daily by the New York Federal Reserve and is the average overnight rate for borrowings secured by U.S. Treasury securities. We enter into interest rate swap contracts either directly with a counterparty (a "bilateral" contract) or through a centrally-cleared swap contract. In a bilateral contract, we exchange margin collateral with the counterparty and have exposure to counterparty risk. In a centrally-cleared contract, we exchange margin collateral with a Futures Clearing Merchant, with whom we have opened an account. Our counterparty risk is limited to the clearing exchange itself. All of our centrally-cleared swaps are cleared by the CME. In general, centrally-cleared interest rate swap contracts require us to post higher initial margin than bilateral contracts.

Futures contracts are traded on the CME which requires the use of daily mark-to-market collateral and the CME provides substantial credit support. The collateral requirements of the CME require us to pledge assets under a bi-lateral margin arrangement, including either cash or Agency Securities and these requirements may vary and change over time based on the market value, notional amount and remaining term of the futures contracts. In the event we are unable to meet a margin call under one of our futures contracts, the counterparty to such agreement may have the option to terminate or close-out all of the outstanding futures contracts with us. In addition, any close-out amount due to the counterparty upon termination of the counterparty's transactions would be immediately payable by us pursuant to the applicable agreement.

TBA Agency Securities are forward contracts for the purchase ("long position") or sale ("short position") of Agency Securities at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date. The specific Agency Securities delivered into 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. We may enter into TBA Agency Securities as a means of hedging against short-term changes in interest rates. We may also enter into TBA Agency Securities as a means of acquiring or disposing of Agency Securities and we may from time to time utilize TBA dollar roll transactions to finance Agency Security purchases. We estimate the fair value of TBA Agency Securities based on similar methods used to value our Agency Securities.

We have netting arrangements in place with all derivative counterparties pursuant to standard documentation developed by ISDA. We are also required to post or hold cash collateral based upon the net underlying market value of our open positions with the counterparty. A decline in the value of the open positions with the counterparty could result in the counterparties demanding additional collateral pledges or liquidation of some of the existing collateral to reduce borrowing levels. We manage this risk by maintaining an adequate balance of available cash and unpledged securities. An event of default or termination event under the standard ISDA would give our counterparty the option to terminate all repurchase transactions existing with us and require any amount due to be payable immediately. In addition, certain of our ISDAs contain a restriction that prohibits our leverage from exceeding twelve times our stockholders' equity as well as termination events in the case of significant reductions in equity capital.



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The following tables present information about the potential effects of netting our derivatives if we were to offset the assets and liabilities on the accompanying consolidated balance sheets. We currently present these financial instruments at their gross amounts and they are included in Derivatives, at fair value on the accompanying consolidated balance sheets at June 30, 2023 and December 31, 2022.

Assets	Gross Amounts ⁽¹⁾	Gross Amounts Not Offset		Total Net
		Financial Instruments	Cash Collateral	
June 30, 2023				
Interest rate swap contracts ⁽²⁾	\$ 989,719	\$ (337)	\$ (919,153)	\$ 70,229
Futures contracts	11,252	(8,166)	2,810	5,896
TBA Agency Securities	78	(3,105)	5,164	2,137
Totals	\$ 1,001,049	\$ (11,608)	\$ (911,179)	\$ 78,262
December 31, 2022				
Interest rate swap contracts	\$ 983,659	\$ —	\$ (955,941)	\$ 27,718
Futures contracts	94	(516)	9,334	8,912
TBA Agency Securities	703	(12,500)	13,633	1,836
Totals	\$ 984,456	\$ (13,016)	\$ (932,974)	\$ 38,466

(1) See Note 4 - Fair Value of Financial Instruments for additional discussion.

(2) Includes \$22,099 of centrally-cleared interest rate swap contracts.

Liabilities	Gross Amounts ⁽¹⁾	Gross Amounts Not Offset		Total Net
		Financial Instruments	Cash Collateral	
June 30, 2023				
Interest rate swap contracts ⁽²⁾	\$ (337)	\$ 337	\$ —	\$ —
Futures contracts	(8,166)	8,166	—	—
TBA Agency Securities	(3,105)	3,105	—	—
Totals	\$ (11,608)	\$ 11,608	\$ —	\$ —
December 31, 2022				
Futures contracts	\$ (516)	\$ 516	\$ —	\$ —
TBA Agency Securities	(12,500)	12,500	—	—
Totals	\$ (13,016)	\$ 13,016	\$ —	\$ —

(1) See Note 4 - Fair Value of Financial Instruments for additional discussion.

(2) Includes \$(337) of centrally-cleared interest rate swap contracts.

The following table represents the information regarding our derivatives which are included in Gain on derivatives, net in the accompanying consolidated statements of operations and comprehensive income (loss) for the three and six months ended June 30, 2023 and June 30, 2022.



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Derivatives	Income (Loss) Recognized			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Interest rate swap contracts ⁽¹⁾	\$ 199,945	\$ 221,661	\$ 73,531	\$ 565,459
Futures contracts	(2,469)	2,152	(13,298)	2,152
TBA Agency Securities	(3,286)	(17,899)	(443)	(117,093)
Total Gain (Loss) on Derivatives, net	\$ 194,190	\$ 205,914	\$ 59,790	\$ 450,518

(1) Includes \$51,087 and \$21,992 of centrally-cleared interest rate swap contracts for the three and six months ended June 30, 2023.

The following tables present information about our derivatives at June 30, 2023 and December 31, 2022.

Interest Rate Swap Contracts ⁽¹⁾	Notional Amount	Weighted Average Remaining Term (Months)	Weighted Average Rate
June 30, 2023			
< 3 years	\$ 3,080,000	23	0.01 %
≥ 3 years and < 5 years	1,429,000	47	0.51 %
≥ 5 years and < 7 years	1,552,000	76	0.49 %
≥ 7 years	2,750,000	95	6.29 %
Total or Weighted Average ⁽²⁾	\$ 8,811,000	59	2.14 %
December 31, 2022			
< 3 years	\$ 1,066,000	10	0.10 %
≥ 3 years and < 5 years	1,182,000	50	0.63 %
≥ 5 years and < 7 years	754,000	82	0.62 %
≥ 7 years	3,348,000	99	0.96 %
Total or Weighted Average ⁽³⁾	\$ 6,350,000	73	0.72 %

(1) Pay Fixed/Receive Variable.

(2) Of this amount, \$3,500,000 notional are SOFR based swaps, the last of which matures in 2032; and \$5,311,000 notional are Fed Funds based swaps, the last of which matures in 2032. Of this amount, \$3,300,000 notional are centrally-cleared interest rate swap contracts, the last of which matures in 2028.

(3) Of this amount, \$803,000 notional are SOFR based swaps, the last of which matures in 2032; and \$5,547,000 notional are Fed Funds based swaps, the last of which matures in 2032.



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TBA Agency Securities	Notional Amount	Cost Basis	Fair Value
June 30, 2023			
30 Year Short, 3.0%	\$ (500,000)	\$ (440,199)	\$ (440,156)
30 Year Long, 5.0%	550,000	543,960	540,890
Total	\$ 50,000	\$ 103,761	\$ 100,734
December 31, 2022			
30 Year Long, 4.5%	\$ 500,000	\$ 489,805	\$ 481,641
30 Year Long, 5.0%	300,000	300,164	295,828
Totals ⁽¹⁾	\$ 800,000	\$ 789,969	\$ 777,469

(1) \$400,000 notional were forward settling at December 31, 2022.

Note 8 - Commitments and Contingencies

Management

The Company is managed by ACM, pursuant to a management agreement (see also Note 14 - Related Party Transactions). The management agreement entitles ACM to receive management fees payable monthly in arrears. Currently, the monthly management fee is 1/12th of the sum of (a) 1.5% of gross equity raised up to \$1.0 billion plus (b) 0.75% of gross equity raised in excess of \$1.0 billion. Gross equity raised includes the total amounts of paid in capital relating to both our common and preferred stock, plus brokerage commissions and other costs of capital raising. Amounts paid to shareholders to repurchase stock, before any brokerage commissions and costs, reduces gross equity raised. Dividends specifically designated by the Board as liquidation dividends will reduce the amount of gross equity raised. To date, the Board has not so designated any of the dividends paid by the Company. Realized and unrealized gains and losses do not affect the amount of gross equity raised. At June 30, 2023, the average management fee rate, prior to management fees waived, was 0.94% based on gross equity raised of \$4,042,078 and effectively a rate of 2.95% based on total stockholders' equity.

ACM began waiving 40% of its management fee during the second quarter of 2020 and on January 13, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of \$2,400 for the first quarter of 2021 and \$800 per month thereafter. On April 20, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of \$2,100 for the second quarter of 2021 and \$700 per month thereafter. On October 25, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver from the rate of \$700 per month to \$650 per month, effective November 1, 2021, until further notice. On February 14, 2023, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of \$1,650 for the first quarter of 2023 and \$550 per month thereafter until ACM provides further notice to ARMOUR. ACM may terminate this waiver for any month by providing notice to ARMOUR on or before the 25th day of the preceding month. This waiver does not constitute a waiver of any other amounts due to ACM from ARMOUR under the Agreement or otherwise, including but not limited to any expense reimbursements, any amounts calculated by reference to the contractual Base Management Fee, or any awards under the 2009 Stock Incentive Plan as amended (the "Plan").

During the three and six months ended June 30, 2023, and June 30, 2022 ACM waived management fees of \$1,650 and \$3,300 and \$1,950 and \$3,900, respectively. The monthly management fees are not calculated based on the performance of our assets. Accordingly, the payment of our monthly management fees may not decline in the event of a decline in our earnings and may cause us to incur losses. We are also responsible for any costs and expenses that ACM incurs solely on our behalf other than the various overhead expenses specified in the terms of the management agreement.

On February 14, 2023, the Company extended the contractual term of the management agreement through December 31, 2029. Based on the management fee base, gross equity raised, as of June 30, 2023, the Company's contractual management fee commitments are:



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Year	Contractual Management Fee
Remainder of 2023	\$ 31,500
2024	37,800
2025	37,800
2026	37,800
2027	37,800
2028	37,800
2029	37,800
Total	\$ 258,300

The Company cannot voluntarily terminate the management agreement without cause before the expiration of its contractual term. If the management agreement is terminated in connection with a liquidation of the Company or certain business combination transactions, the Company is obliged to pay ACM a termination fee equal to 4 times the contractual management fee (before any waiver) for the preceding 12 months.

Indemnifications and Litigation

We enter into certain contracts that contain a variety of indemnifications, principally with ACM and underwriters, against third-party claims for errors and omissions in connection with their services to us. We have not incurred any costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the estimated fair value of these agreements, as well as the maximum amount attributable to past events, is not material. Accordingly, we have no liabilities recorded for these agreements at June 30, 2023 and December 31, 2022.

Nine putative class action lawsuits have been filed in connection with the tender offer (the "Tender Offer") and merger (the "Merger") for JAVELIN. The Tender Offer and Merger are collectively defined herein as the "Transactions." All nine suits name ARMOUR, the previous members of JAVELIN's board of directors prior to the Merger (of which eight are current members of ARMOUR's board of directors) (the "Individual Defendants") and JMI Acquisition Corporation ("Acquisition") as defendants. Certain cases also name ACM and JAVELIN as additional defendants. The lawsuits were brought by purported holders of JAVELIN's common stock, both individually and on behalf of a putative class of JAVELIN's stockholders, alleging that the Individual Defendants breached their fiduciary duties owed to the plaintiffs and the putative class of JAVELIN stockholders, including claims that the Individual Defendants failed to properly value JAVELIN; failed to take steps to maximize the value of JAVELIN to its stockholders; ignored or failed to protect against conflicts of interest; failed to disclose material information about the Transactions; took steps to avoid competitive bidding and to give ARMOUR an unfair advantage by failing to adequately solicit other potential acquirors or alternative transactions; and erected unreasonable barriers to other third-party bidders. The suits also allege that ARMOUR, JAVELIN, ACM and Acquisition aided and abetted the alleged breaches of fiduciary duties by the Individual Defendants. The lawsuits seek equitable relief, including, among other relief, to enjoin consummation of the Transactions, or rescind or unwind the Transactions if already consummated, and award costs and disbursements, including reasonable attorneys' fees and expenses. The sole Florida lawsuit was never served on the defendants, and that case was voluntarily dismissed and closed on January 20, 2017. On April 25, 2016, the Maryland court issued an order consolidating the eight Maryland cases into one action, captioned In re JAVELIN Mortgage Investment Corp. Shareholder Litigation (Case No. 24-C-16-001542), and designated counsel for one of the Maryland cases as interim lead co-counsel. On May 26, 2016, interim lead counsel filed the Consolidated Amended Class Action Complaint for Breach of Fiduciary Duty asserting consolidated claims of breach of fiduciary duty, aiding and abetting the breaches of fiduciary duty, and waste. On June 27, 2016, defendants filed a Motion to Dismiss the Consolidated Amended Class Action Complaint for failing to state a claim upon which relief can be granted. A hearing was held on the Motion to Dismiss on March 3, 2017, and the Court reserved ruling. The Court has deferred ruling on the Motion to Dismiss several times. On October 25, 2022, the court deferred the Order of Dismissal until May 1, 2023, and if the case was not fully disposed of by that date, the clerk would enter on the docket "dismissed for lack of prosecution without prejudice." To date, no further action has been taken by the court.



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Each of ARMOUR, JAVELIN, ACM and the Individual Defendants intends to defend the claims made in these lawsuits vigorously; however, there can be no assurance that any of ARMOUR, JAVELIN, ACM or the Individual Defendants will prevail in its defense of any of these lawsuits to which it is a party. An unfavorable resolution of any such litigation surrounding the Transactions may result in monetary damages being awarded to the plaintiffs and the putative class of former stockholders of JAVELIN and the cost of defending the litigation, even if resolved favorably, could be substantial. Due to the preliminary nature of all of these suits, ARMOUR is not able at this time to estimate their outcome.

Note 9 - Stock Based Compensation

We adopted the Plan to attract, retain and reward directors and other persons who provide services to us in the course of operations. The Plan authorizes the Board to grant awards including common stock, restricted shares of common stock ("RSUs"), stock options, performance shares, performance units, stock appreciation rights and other equity and cash-based awards (collectively, "Awards"), subject to terms as provided in the Plan. At June 30, 2023, there were 867 shares available for future issuance under the Plan.

Transactions related to awards for the six months ended June 30, 2023 are summarized below:

	June 30, 2023	
	Number of Awards	Weighted Average Grant Date Fair Value per Award
Unvested RSU Awards Outstanding beginning of period	568	\$ 12.88
Granted ⁽¹⁾	1,300	\$ 5.93
Vested	(188)	\$ 9.64
Unvested RSU Awards Outstanding end of period	<u>1,680</u>	<u>\$ 7.87</u>

(1) During the six months ended June 30, 2023, 980 RSUs were granted to certain officers of ARMOUR and 320 RSUs were granted to the Board.

At June 30, 2023, there was approximately \$13,223 of unvested stock based compensation related to the Awards (based on a weighted grant date price of \$7.87 per share), which we expect to recognize as an expense as follows: for the remainder of 2023 an expense of \$1,881, in 2024 an expense of \$3,626, and thereafter an expense of \$7,716. Our policy is to account for forfeitures as they occur. We also pay each of our non-executive Board members quarterly fees of \$33, which are payable in cash, common stock, RSUs or a combination of common stock, RSUs and cash at the option of the director. Non-executive Board members have the option to participate in the Company's Non-Management Director Compensation and Deferral Program (the "Deferral Program"). The Deferral Program permits non-executive Board members to elect to receive either common stock or RSUs or a combination of common stock and RSUs at the option of the director, instead of all or part of their quarterly cash compensation and/or all or part of their committee and chairperson cash retainers.

Note 10 - Stockholders' Equity

The following table presents the components of cumulative distributions to stockholders at June 30, 2023 and December 31, 2022.

Cumulative Distributions to Stockholders	June 30, 2023	December 31, 2022
Preferred dividends	\$ 150,818	\$ 144,827
Common stock dividends	1,947,875	1,847,534
Totals	<u>\$ 2,098,693</u>	<u>\$ 1,992,361</u>



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Preferred Stock

At June 30, 2023 and December 31, 2022, we were authorized to issue up to 50,000 shares of preferred stock, par value \$0.001 per share, with such designations, voting and other rights and preferences as may be determined from time to time by our Board of Directors ("Board") or a committee thereof. At June 30, 2023, 10,000 shares of the Company's authorized preferred stock, par value \$0.001 per share are designated as shares of 7.00% Series C Cumulative Redeemable Preferred Stock ("Series C Preferred Stock") with the powers, designations, preferences and other rights as set forth therein and a total of 40,000 shares of our authorized preferred stock remain available for designation as future series.

At June 30, 2023 and December 31, 2022, we had 6,847 shares of Series C Preferred Stock issued and outstanding with a par value of \$0.001 per share and a liquidation preference of \$25.00 per share, or \$171,175 in the aggregate. At June 30, 2023 and December 31, 2022, there were no accrued or unpaid dividends on the Series C Preferred Stock.

On January 29, 2020, the Company entered into an Equity Sales Agreement (the "Preferred C ATM Sales Agreement") with B. Riley Securities, Inc. (formerly B. Riley FBR, Inc.) and BUCKLER, as sales agents (individually and collectively, the "Agents"), and ACM, pursuant to which the Company may offer and sell, over a period of time and from time to time, through one or more of the Agents, as the Company's agents, up to 6,550 of Series C Preferred Stock. The Preferred C ATM Sales Agreement relates to a proposed "at-the-market" offering program. Under the Preferred C ATM Sales Agreement, we will pay the agent designated to sell our shares an aggregate commission of up to 2.0% of the gross sales price per share of our common stock sold through the designated agent under the Preferred C ATM Sales Agreement. We did not sell any shares under the Preferred C ATM Sales Agreement during the six months ended June 30, 2023. Shares designated as Series C Preferred Stock but unissued, which are available under the Preferred C ATM Sales Agreement, totaled 3,153 at June 30, 2023 and December 31, 2022.

Preferred Stock Repurchase Program

On July 26, 2022, the Board authorized a repurchase program of up to an aggregate of 2,000 shares of the Company's outstanding Series C Preferred Stock ("Series C Preferred Stock Repurchase Program"). Under the Series C Preferred Stock Repurchase Program, shares may be purchased in the open market, including block trades, through privately negotiated transactions, or pursuant to a trading plan separately adopted in the future. The timing, manner, price and amount of any repurchases will be at our discretion, in consultation with the Pricing Committee of the Board, subject to the requirements of the Securities Exchange Act of 1934, as amended, and related rules. We are not required to repurchase any shares under the Series C Preferred Stock Repurchase Program and it may be modified, suspended or terminated at any time for any reason. We do not intend to purchase shares from our Board or other affiliates. Under Maryland law, such repurchased shares are treated as authorized but unissued. We did not repurchase any shares under the Series C Preferred Stock Repurchase Program during the six months ended June 30, 2023.

Common Stock

February 14, 2023, we submitted Articles of Amendment with the State of Maryland to increase the number of authorized shares of common stock, from 300,000 shares to 450,000 shares. At June 30, 2023 and December 31, 2022, we were authorized to issue up to 450,000 and 300,000 shares of common stock, respectively, par value \$0.001 per share, with such designations, voting and other rights and preferences as may be determined from time to time by our Board. We had 206,810 and 162,911 shares of common stock issued and outstanding at June 30, 2023 and December 31, 2022, respectively.

On May 14, 2021, we entered into an Equity Sales Agreement (the "2021 Common stock ATM Sales Agreement") with BUCKLER, JMP Securities LLC, Ladenburg Thalmann & Co. Inc. and B. Riley Securities, Inc., as sales agents, relating to the shares of our common stock. In accordance with the terms of the 2021 Common Stock ATM Sales agreement, we may offer and sell over a period of time and from time to time, up to 17,000 shares of our common stock, par value \$0.001 per share. On November 12, 2021, the 2021 Common stock ATM Sales Agreement was amended to add JonesTrading Institutional Services LLC, as a sales agent and to offer an additional 25,000 shares available for sale pursuant to the terms of the 2021 Common stock ATM Sales Agreement. On June 9, 2022, the 2021 Common stock ATM Sales Agreement was



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further amended to offer an additional 28,800 shares available for sale. On November 4, 2022, the Common stock ATM Sales Agreement was further amended to offer an additional 35,000 shares available for sale. On January 17, 2023, it was amended to add an additional 48,678 shares pursuant to the terms of the 2021 Common stock ATM Sales Agreement.

The 2021 Common stock ATM Sales Agreement relates to an "at-the-market" offering program. The 2021 Common stock ATM Sales Agreement provides that we will pay the agent designated to sell our shares an aggregate commission of up to 2.0% of the gross sales price per share of our common stock sold through the designated agent under the 2021 Common stock ATM Sales Agreement. During the six months ended June 30, 2023, we sold 45,023 shares under this agreement for proceeds of \$258,683, net of issuance costs and commissions of approximately \$2,675. In July 2023, we sold 21,499 shares under this agreement for proceeds of \$109,314, net of issuance costs and commissions of approximately \$1,050. These sales fully utilized the shares allocated to the 2021 Common stock ATM Sales Agreement, which has been completed. See Note 14 - Related Party Transactions for discussion of additional transactions with BUCKLER.

On July 26, 2023 we entered into a new Equity Sales Agreement (the "2023 Common stock ATM Sales Agreement"), with BUCKLER, JonesTrading Institutional Services LLC, JMP Securities LLC, Ladenburg Thalmann & Co. Inc. and B. Riley Securities, Inc., as sales agents, relating to the shares of our common stock. In accordance with the terms of the 2023 Common Stock ATM Sales agreement, we may offer and sell over a period of time and from time to time, up to 75,000 shares of our common stock, par value \$0.001 per share.

Common Stock Repurchase Program

At June 30, 2023 and December 31, 2022, there were 5,464 and 6,732 authorized shares remaining under the current repurchase authorization. During the six months ended June 30, 2023, we repurchased 1,268 common shares under this authorization for a cost of \$6,377. Under the Repurchase Program, shares may be purchased in the open market, including block trades, through privately negotiated transactions, or pursuant to a trading plan separately adopted in the future. The timing, manner, price and amount of any repurchases will be at our discretion, subject to the requirements of the Exchange Act, and related rules. We are not required to repurchase any shares under the Repurchase Program and it may be modified, suspended or terminated at any time for any reason. We do not intend to purchase shares from our Board or other affiliates. Under Maryland law, such repurchased shares are treated as authorized but unissued. See Note 14 - Related Party Transactions for discussion of additional transactions with BUCKLER.

Equity Capital Activities

The following tables present our equity transactions for the six months ended June 30, 2023 and for the year ended December 31, 2022.

Transaction Type	Completion Date	Number of Shares	Per Share price ⁽¹⁾	Net Proceeds (costs)
June 30, 2023				
2021 Common stock ATM Sales Agreement	January 4, 2023 - June 30, 2023	45,023	\$ 5.75	\$ 258,683
Common stock repurchased	March and May	(1,268)	\$ (5.03)	\$ (6,377)
December 31, 2022				
2021 Common stock ATM Sales Agreement	January 11, 2022 - December 21, 2022	70,041	\$ 6.79	\$ 475,537
Common stock repurchased	June, September and October	(1,478)	\$ 5.19	\$ (7,664)

(1) Weighted average price

Dividends

On July 27, 2023, a cash dividend of \$0.14583 per outstanding share of Series C Preferred Stock, or \$998 in the aggregate, will be paid to holders of record on July 15, 2023. We have also declared cash dividends of \$0.14583 per



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outstanding share of Series C Preferred Stock payable August 28, 2023 to holders of record on August 15, 2023 and payable September 27, 2023 to holders of record on September 15, 2023.

On July 28, 2023, a cash dividend of \$0.08 per outstanding common share, or \$18,404 in the aggregate, will be paid to holders of record on July 17, 2023. We have also declared a cash dividend of \$0.08 per outstanding common share payable August 30, 2023 to holders of record on August 15, 2023.

The following table presents our Series C Preferred Stock dividend transactions for the six months ended June 30, 2023.

Record Date	Payment Date	Rate per Series C Preferred Share	Aggregate amount paid to holders of record
January 15, 2023	January 27, 2023	\$ 0.14583	\$ 998.5
February 15, 2023	February 27, 2023	\$ 0.14583	998.5
March 15, 2023	March 27, 2023	\$ 0.14583	998.5
April 15, 2023	April 27, 2023	\$ 0.14583	998.5
May 15, 2023	May 30, 2023	\$ 0.14583	998.5
June 15, 2023	June 27, 2023	\$ 0.14583	998.5
Total dividends paid			<u>\$ 5,991</u>

The following table presents our common stock dividend transactions for the six months ended June 30, 2023.

Record Date	Payment Date	Rate per common share	Aggregate amount paid to holders of record
January 17, 2023	January 30, 2023	\$ 0.10	\$ 17,007
February 15, 2023	February 27, 2023	\$ 0.10	19,471
March 15, 2023	March 28, 2023	\$ 0.08	15,526
April 17, 2023	April 27, 2023	\$ 0.08	15,788
May 15, 2023	May 30, 2023	\$ 0.08	15,964
June 15, 2023	June 29, 2023	\$ 0.08	16,585
Total dividends paid			<u>\$ 100,341</u>

Note 11 - Net Income (Loss) per Common Share

The following table presents a reconciliation of net income (loss) and the shares used in calculating weighted average basic and diluted earnings per common share for the three and six months ended June 30, 2023 and June 30, 2022.



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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Net Income (Loss)	\$ 42,962	\$ (58,591)	\$ 11,603	\$ (125,025)
Less: Preferred dividends	(2,996)	(2,996)	(5,991)	(5,991)
Net Income (Loss) available (related) to common stockholders	<u>\$ 39,966</u>	<u>\$ (61,587)</u>	<u>\$ 5,612</u>	<u>\$ (131,016)</u>
Weighted average common shares outstanding – basic	198,699	106,514	191,682	101,396
Add: Effect of dilutive non-vested awards, assumed vested	1,680	—	1,680	—
Weighted average common shares outstanding – diluted	<u>200,379</u>	<u>106,514</u>	<u>193,362</u>	<u>101,396</u>

For the three and six months ended June 30, 2022, 696 of potentially dilutive non-vested awards outstanding were excluded from the computation of diluted Net Income (Loss) available (related) to common stockholders because to have included them would have been anti-dilutive for the period.

Note 12 - Comprehensive Income (Loss) per Common Share

The following table presents a reconciliation of comprehensive income (loss) and the shares used in calculating weighted average basic and diluted comprehensive income (loss) per common share for the three and six months ended June 30, 2023 and June 30, 2022.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Comprehensive Income (Loss)	\$ 42,962	\$ (93,241)	\$ 23,130	\$ (238,213)
Less: Preferred dividends	(2,996)	(2,996)	(5,991)	(5,991)
Comprehensive Income (Loss) available (related) to common stockholders	<u>\$ 39,966</u>	<u>\$ (96,237)</u>	<u>\$ 17,139</u>	<u>\$ (244,204)</u>
Comprehensive Income (Loss) per share available (related) to common stockholders:				
Basic	\$ 0.20	\$ (0.90)	\$ 0.09	\$ (2.41)
Diluted	\$ 0.20	\$ (0.90)	\$ 0.09	\$ (2.41)
Weighted average common shares outstanding:				
Basic	198,699	106,514	191,682	101,396
Add: Effect of dilutive non-vested awards, assumed vested	1,680	—	1,680	—
Diluted	<u>200,379</u>	<u>106,514</u>	<u>193,362</u>	<u>101,396</u>

For the three and six months ended June 30, 2022, 696 of potentially dilutive non-vested awards outstanding were excluded from the computation of diluted Comprehensive Income (Loss) available (related) to common stockholders because to have included them would have been anti-dilutive for the period.



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Note 13 - Income Taxes

The following table reconciles our GAAP net income (loss) to estimated REIT taxable income (loss) for the three and six months ended June 30, 2023 and June 30, 2022.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
GAAP net income (loss)	\$ 42,962	\$ (58,591)	\$ 11,603	\$ (125,025)
Book to tax differences:				
TRS (income) loss	20	(6)	3	(7)
Premium amortization expense	—	(36)	(1)	(78)
Agency Securities	44,403	249,022	(238,647)	503,411
U.S. Treasury Securities	(11,934)	33,983	(79)	112,370
Changes in interest rate contracts	(141,321)	(204,744)	40,819	(455,644)
Loss on Security Sales	113,256	7,501	283,412	7,501
Amortization of deferred hedging costs	(26,202)	(36,716)	(56,570)	(76,296)
Amortization of deferred Treasury Future gains	6,062	—	11,877	—
Other	484	610	779	1,160
Estimated REIT taxable income (loss)	<u>\$ 27,730</u>	<u>\$ (8,977)</u>	<u>\$ 53,196</u>	<u>\$ (32,608)</u>

Interest rate contracts and futures contracts are treated as hedging transactions for U.S. federal income tax purposes. Unrealized gains and losses on open interest rate contracts are not included in the determination of REIT taxable income. Realized gains and losses on interest rate contracts and futures contracts terminated before their maturity are deferred and amortized over the remainder of the original term of the contract for REIT taxable income. At June 30, 2023 and December 31, 2022, we had approximately \$268,923 and \$307,316, respectively, of net deductible expense relating to previously terminated interest rate swap and treasury futures contracts amortizing through the year 2032. At June 30, 2023, we had \$257,341 of net operating loss carryforwards available for use indefinitely.

Net capital losses realized	Amount	Available to offset capital gains through
2018	\$ (136,388)	2023
2019	\$ (13,819)	2024
2021	\$ (15,605)	2026
2022	\$ (732,478)	2027

The Company's subsidiary, ARMOUR TRS, Inc. has made an election as a taxable REIT subsidiary ("TRS"). As such, the TRS is taxable as a domestic C corporation and subject to federal, state, and local income taxes based upon its taxable income.

The aggregate tax basis of our assets and liabilities was greater than our total Stockholders' Equity at June 30, 2023 by approximately \$132,413, or approximately \$0.64 per common share (based on the 206,810 common shares then outstanding). State and federal tax returns for the years 2019 and later remain open and are subject to possible examination.

We are required and intend to timely distribute substantially all of our REIT taxable income in order to maintain our REIT status under the Code. Total dividend payments to stockholders for the three and six months ended June 30, 2023 and June 30, 2022 were \$51,333 and \$106,332 and \$35,153 and \$67,256, respectively.



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Our estimated REIT taxable income and dividend requirements to maintain our REIT status are determined on an annual basis. Dividends paid in excess of current tax earnings and profits for the year will generally not be taxable to common stockholders.

Our management is responsible for determining whether tax positions taken by us are more likely than not to be sustained on their merits. We have no material unrecognized tax benefits or material uncertain tax positions.

Note 14 - Related Party Transactions

ACM

The Company is managed by ACM, pursuant to a management agreement. All of our executive officers are also employees of ACM. ACM manages our day-to-day operations, subject to the direction and oversight of the Board. The management agreement runs through December 31, 2029 and is thereafter automatically renewed for an additional five-year term unless terminated under certain circumstances. Either party must provide 180 days prior written notice of any such termination.

Under the terms of the management agreement, ACM is responsible for costs incident to the performance of its duties, such as compensation of its employees and various overhead expenses. ACM is responsible for the following primary roles:

- Advising us with respect to, arranging for and managing the acquisition, financing, management and disposition of, elements of our investment portfolio;
- Evaluating the duration risk and prepayment risk within the investment portfolio and arranging borrowing and hedging strategies;
- Coordinating capital raising activities;
- Advising us on the formulation and implementation of operating strategies and policies, arranging for the acquisition of assets, monitoring the performance of those assets and providing administrative and managerial services in connection with our day-to-day operations; and
- Providing executive and administrative personnel, office space and other appropriate services required in rendering management services to us.

ACM began waiving 40% of its management fee during the second quarter of 2020 and on January 13, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of \$2,400 for the first quarter of 2021 and \$800 per month thereafter. On April 20, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of \$2,100 for the second quarter of 2021 and \$700 per month thereafter. On October 25, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver from the rate of \$700 per month to \$650 per month, effective November 1, 2021, until further notice. On February 14, 2023, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of \$1,650 for the first quarter of 2023 and \$550 per month thereafter until ACM provides further notice to ARMOUR (see Note 8 - Commitments and Contingencies).



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The following table reconciles the fees incurred in accordance with the management agreement for the three and six months ended June 30, 2023 and June 30, 2022.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
ARMOUR management fees	\$ 9,377	\$ 8,282	\$ 18,605	\$ 16,407
Less management fees waived	(1,650)	(1,950)	(3,300)	(3,900)
Total management fee expense	<u>\$ 7,727</u>	<u>\$ 6,332</u>	<u>\$ 15,305</u>	<u>\$ 12,507</u>

We are required to take actions as may be reasonably required to permit and enable ACM to carry out its duties and obligations. We are also responsible for any costs and expenses that ACM incurred solely on our behalf other than the various overhead expenses specified in the terms of the management agreement. For the three and six months ended June 30, 2023 and June 30, 2022, we reimbursed ACM \$170 and \$405 and \$130 and \$237, respectively, for other expenses incurred on our behalf. In 2017, 2020, 2021 and 2022, we elected to grant restricted stock unit awards to our executive officers and other ACM employees that generally vest over 5 years. In 2017, 2020, 2021 and 2022, we elected to grant RSUs to the Board. We recognized stock based compensation expense of \$118 and \$259 and \$140 and \$302 for the three and six months ended June 30, 2023 and June 30, 2022, respectively.

BUCKLER

At June 30, 2023, we held an ownership interest in BUCKLER of 10.8%, which is included in prepaid and other assets in our consolidated balance sheet and is accounted for using the equity method as BUCKLER maintains specific ownership accounts. The value of the investment was \$466 at June 30, 2023 and \$377 at December 31, 2022, reflecting our total investment plus our share of BUCKLER's operating results, in accordance with the terms of the operating agreement of BUCKLER that our independent directors negotiated. The primary purpose of our investment in BUCKLER is to facilitate our access to repurchase financing on potentially attractive terms (considering rate, term, size, haircut, relationship and funding commitment) compared to other suitable repurchase financing counterparties.

Our operating agreement with BUCKLER contains certain provisions to benefit and protect the Company, including (1) sharing in any (a) defined profits realized by BUCKLER from the anticipated financing spreads resulting from repurchase financing facilitated by BUCKLER, and (b) distributions from BUCKLER to its members of net cash receipts, and (2) the realization of anticipated savings from reduced clearing, brokerage, trading and administrative fees. In addition, the independent directors of the Company must approve, in their sole discretion, any third-party business engaged by BUCKLER and may cause BUCKLER to wind up and dissolve and promptly return certain subordinated loans we provide to BUCKLER as regulatory capital (as described more fully below) if the independent directors reasonably determine that BUCKLER's ability to provide attractive securities transactions for the Company is materially adversely affected. For each of the three and six months ended June 30, 2023 and June 30, 2022, we earned \$0 from BUCKLER as an allocated share of Financing Gross Profit for a reduction of interest on repurchase agreements charged to the Company. Financing Gross Profit is defined in the operating agreement, subject to a contractually required reduction in our share of the Financing Gross Profit of \$306 per annum, which expired at the end of the first quarter of 2022.

Effective March 20, 2023, the Company committed to provide on demand a subordinated loan agreement to BUCKLER in an amount up to \$200,000. The commitment extends through March 20, 2026, and is collateralized by mortgage backed and/or U.S. Treasury Securities owned by the Company and pledged to BUCKLER. The commitment is treated by BUCKLER currently as capital for regulatory purposes and BUCKLER may pledge the securities to secure its own borrowings.

This arrangement replaced the prior \$105.0 million subordinated loan, which was to mature on May 1, 2025. In March 2023, BUCKLER, at its option after obtaining regulatory approval, repaid all of the principal amount of the loan. The loan had a stated interest rate of zero, plus additional interest payable to the Company in an amount equal to the amount of interest earned by BUCKLER on the investment of the loan proceeds, generally in government securities funds. For the



ARMOUR Residential REIT, Inc.
FINANCIAL STATEMENT NOTES (UNAUDITED)
(in thousands, except per share)

three and six months ended June 30, 2023 and June 30, 2022, the Company earned \$0 and \$973 and \$157 and \$176, respectively, of interest on this loan.

On February 22, 2021, the Company entered into an uncommitted revolving credit facility and security agreement with BUCKLER. Under the terms of the facility, the Company may, in its sole and absolute discretion, provide drawings to BUCKLER of up to \$50,000. Interest on drawings is payable monthly at the Federal Reserve Bank of New York SOFR plus 2% per annum. To date, BUCKLER has not yet used the facility and therefore no interest expense was payable for the six months ended June 30, 2023.

With BUCKLER as the sales agent, under the 2021 Common stock ATM Sales Agreement, we sold 10,910 and 37,013 common shares for proceeds of \$55,892 and \$215,193, net of issuance costs and commissions of approximately \$486 and \$2,215 during the three and six months ended June 30, 2023, respectively. We also repurchased 425 and 1,268 common shares under the current repurchase authorization which cost \$2,072 and \$6,377, including commissions of approximately \$18 and \$54, respectively, to BUCKLER during the three and six months ended June 30, 2023. In July 2023, we sold 6,117 shares under the 2021 Common stock ATM Sales Agreement for proceeds of \$31,354, net of issuance costs and commissions of approximately \$269 to BUCKLER (see Note 10 - Stockholders' Equity).

The table below summarizes other transactions with BUCKLER for the six months ended June 30, 2023 and for the year ended December 31, 2022.

Transactions with BUCKLER	June 30, 2023		December 31, 2022	
Repurchase agreements, net ⁽¹⁾	\$	4,412,261	\$	3,247,474
Collateral posted on repurchase agreements	\$	5,284,870	\$	3,920,706
Agency Securities Purchased	\$	247,308	\$	203,147
U.S. Treasury Securities Purchased	\$	155,857	\$	593,162
U.S. Treasury Securities Sold	\$	154,875	\$	814,265

(1) Interest on repurchase agreements, net was \$58,740 and \$108,349 and \$6,462 and \$7,495 for the three and six months ended June 30, 2023 and June 30, 2022, respectively. See also, Note 6 - Repurchase Agreements, net for transactions with BUCKLER.

Note 15 - Subsequent Events

Except as disclosed above, no subsequent events were identified through the date of filing this Quarterly Report of Form 10-Q.



**Item 2. Management’s Discussion and Analysis of
Financial Condition and Results of Operations
ARMOUR Residential REIT, Inc.**

References to “we,” “us,” “our,” or the “Company” are to ARMOUR Residential REIT, Inc. (“ARMOUR”) and its subsidiaries. References to “ACM” are to ARMOUR Capital Management LP, a Delaware limited partnership. ARMOUR owns a 10.8% equity interest in BUCKLER Securities LLC (“BUCKLER”), a Delaware limited liability company and a FINRA-regulated broker-dealer, controlled by ACM and certain executive officers of ARMOUR. Refer to the Glossary of Terms for definitions of capitalized terms and abbreviations used in this report.

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report. U.S. dollar amounts are presented in thousands, except per share amounts or as otherwise noted.

Overview

We are a Maryland corporation managed by ACM, an investment advisor registered with the SEC (see Note 8 and Note 14 to the consolidated financial statements). We have elected to be taxed as a REIT under the Code. We believe that we are organized in conformity with the requirements for qualification as a REIT under the Code and our manner of operations enables us to meet the requirements for taxation as a REIT for federal income tax purposes.

Our strategy is to create shareholder value through thoughtful investment and risk management that produces current yield and superior risk adjusted returns over the long term. Our focus on residential real estate finance supports home ownership for a broad and diverse spectrum of Americans by bringing private capital into the mortgage markets. We are deeply committed to implementing sustainable environmental, responsible social, and prudent governance practices that improve our work and our world.

We strive to contribute to a healthy, sustainable environment by utilizing resources efficiently. As an organization, we create a relatively small environmental footprint. Still, we are focused on minimizing the environmental impact of our business where possible.

At June 30, 2023 and December 31, 2022, we invested in MBS, issued or guaranteed by a U.S. GSE, such as Fannie Mae, Freddie Mac, or a government agency such as Ginnie Mae (collectively, Agency Securities). Our Agency Securities consist of fixed rate loans. From time to time we have also invested in Credit Risk and Non-Agency Securities, Interest-Only Securities, U.S. Treasury Securities and money market instruments.

We earn returns on the spread between the yield on our assets and our costs, including the interest cost of the funds we borrow, after giving effect to our hedges. We identify and acquire MBS, finance our acquisitions with borrowings under a series of short-term repurchase agreements and then hedge certain risks based on our entire portfolio of assets and liabilities and our management’s view of the market.

Factors that Affect our Results of Operations and Financial Condition

Our results of operations and financial condition are affected by various factors, many of which are beyond our control, including, among other things, our net interest income, the market value of our assets and the supply of and demand for such assets. Recent events, such as those discussed below, can affect our business in ways that are difficult to predict and may produce results outside of typical operating variances. Our net interest income varies primarily as a result of changes in interest rates, borrowing costs and prepayment speeds, the behavior of which involves various risks and uncertainties. We currently invest primarily in Agency Securities, for which the principal and interest payments are guaranteed by a GSE or other government agency. We also invest in U.S. Treasury Securities and money market instruments. In the past, we have invested in Credit Risk and Non-Agency Securities and it is possible we may do so in the future. We expect our investments to be subject to risks arising from prepayments resulting from existing home sales, financings, delinquencies and foreclosures. We are exposed to changing mortgage spreads, which could result in declines in the fair value of our investments. Our asset selection, financing and hedging strategies are designed to work together to generate current net interest income while moderating our exposure to market volatility.



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

Interest Rates

Changes in interest rates, particularly short-term interest rates, may significantly influence our net interest income. With the maturities of our assets, generally of a longer term than those of our liabilities, interest rate increases will tend to decrease our net interest income and the market value of our assets (and therefore our book value). Such rate increases could possibly result in operating losses or adversely affect our ability to make distributions to our stockholders. Our operating results depend, in large part, upon our ability to manage interest rate risks effectively while maintaining our status as a REIT.

While we use strategies to economically hedge some of our interest rate risk, we do not hedge all of our exposure to changes in interest rates and prepayment rates, as there are practical limitations on our ability to insulate our securities portfolio from all potential negative consequences associated with changes in short-term interest rates in a manner that will allow us to seek attractive net spreads on our securities portfolio. For GAAP purposes, all changes in the fair value of our derivatives currently flow through earnings. Changes in the fair value of our legacy Agency MBS portfolio, that was designated as available for sale historically, were recognized in other comprehensive income. Therefore, historical earnings reported in accordance with GAAP have fluctuated even in situations where our derivatives were operating as intended. Currently, all of our Agency MBS portfolio is designated as trading securities and changes in the fair values of our derivatives and Agency MBS flow through earnings together. Accordingly, our results of operations will not be subject to the additional fluctuations caused by the previous differences in mark-to-market accounting treatments.

Prepayment Rates

Prepayments on MBS and the underlying mortgage loans may be influenced by changes in market interest rates and a variety of economic and geographic factors, policy decisions by regulators, as well as other factors beyond our control. To the extent we hold MBS acquired at a premium or discount to par, or face value, changes in prepayment rates may impact our anticipated yield. In periods of declining interest rates, prepayments on our MBS will likely increase. If we are unable to reinvest the proceeds of such prepayments at comparable yields, our net interest income may decline. Our operating results depend, in large part, upon our ability to manage prepayment risks effectively while maintaining our status as a REIT.

In addition to the use of derivatives to hedge interest rate risk, a variety of other factors relating to our business may also impact our financial condition and operating performance; these factors include:

- our degree of leverage;
- our access to funding and borrowing capacity;
- the REIT requirements under the Code; and
- the requirements to qualify for an exclusion under the 1940 Act and other regulatory and accounting policies related to our business.

Management

See Note 8 and Note 14 to the consolidated financial statements.

Market and Interest Rate Trends and the Effect on our Securities Portfolio

Federal Reserve Actions

On June 14, 2023, the Fed raised its target range for the Fed Funds Rate to between 5.00% and 5.25%, which they had set on May 3, 2023. The Fed stated that holding the target range steady allowed them to assess additional information and its implications for monetary policy. The Fed further stated that some additional policy firming may be appropriate to return inflation to 2% over time. The Fed also stated that it will continue reducing its holdings of agency mortgage-backed securities and other fixed-income assets as described in its previously announced plans and that it will reinvest into agency MBS the amount of principal payments from the Fed's holdings of agency debt and agency MBS received in each calendar



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

month that exceeds a cap of \$35 billion per month. The Fed further indicated that it will roll over at auction the amount of principal payments from its holdings of Treasury securities maturing in each calendar month that exceeds a cap of \$60 billion per month.

Financial markets will likely be highly sensitive to the Fed's interest rate decisions, its bond purchasing and balance sheet holding decisions, as well as its communication. We intend to continue to mitigate risk and maximize liquidity within the scope of our business plan. The agency mortgage-backed securities market remains highly dependent on the future course and timing of the Fed's actions on interest rates as well as its purchases and holdings of our target assets.

Federal Deposit Insurance Corporation ("FDIC") Actions

In March 2023, the FDIC placed into receivership Silicon Valley Bank and Signature Bank, the 16th and 29th largest banks in the U.S., respectively. As a result of the receivership, the FDIC acquired approximately \$120 billion in securities, including approximately \$60 billion of Agency MBS pass-through securities and \$15 billion of Agency CMBS. The FDIC retained BlackRock Financial Market Advisory group to sell some of these assets through a gradual and orderly process, which commenced on April 18, 2023. As of June 30 2023, approximately \$40 billion of Agency MBS pass-through securities had been liquidated, comprising 66% of the total acquired. Also as of June 30 2023, approximately \$1.5 billion of Agency CMBS had been liquidated, comprising all of the Agency CMBS that the FDIC plans to liquidate. The size and pace of all future sales are subject to market conditions.

We expect these asset sales will create a modest drag on Agency MBS valuations. While some of the Agency MBS among these assets are similar to positions in ARMOUR's portfolio, a majority consists of coupons and maturities not currently among our holdings. We have no current plans to expand ARMOUR's portfolio holdings into the other coupons and maturities to be sold unless particularly attractive buying opportunities arise. Accordingly, we do not expect to see material impacts on ARMOUR's current portfolio.

Developments at Fannie Mae and Freddie Mac

The payments we receive on the Agency Securities in which we invest depend upon a steady stream of payments by borrowers on the underlying mortgages and the fulfillment of guarantees by GSEs. There can be no assurance that the U.S. Government's intervention in Fannie Mae and Freddie Mac will continue to be adequate or assured for the longer-term viability of these GSEs. These uncertainties may lead to concerns about the availability of and market for Agency Securities in the long term. Accordingly, if the GSEs defaulted on their guaranteed obligations, suffered losses or ceased to exist, the value of our Agency Securities and our business, operations and financial condition could be materially and adversely affected.

The passage of any new federal legislation affecting Fannie Mae and Freddie Mac may create market uncertainty and reduce the actual or perceived credit quality of securities issued or guaranteed by them. If Fannie Mae and Freddie Mac were reformed or wound down, it is unclear what effect, if any, this would have on the value of the existing Fannie Mae and Freddie Mac Agency Securities. The foregoing could materially adversely affect the pricing, supply, liquidity and value of the Agency Securities in which we invest and otherwise materially adversely affect our business, operations and financial condition.

Short-term Interest Rates and Funding Costs

Changes in Fed policy affect our financial results, since our cost of funds is largely dependent on short-term rates. An increase in our cost of funds without a corresponding increase in interest income earned on our MBS would cause our net income to decline.

Below is the Fed's target range for the Fed Funds Rate at each Fed meeting where a change was made since June 2022.

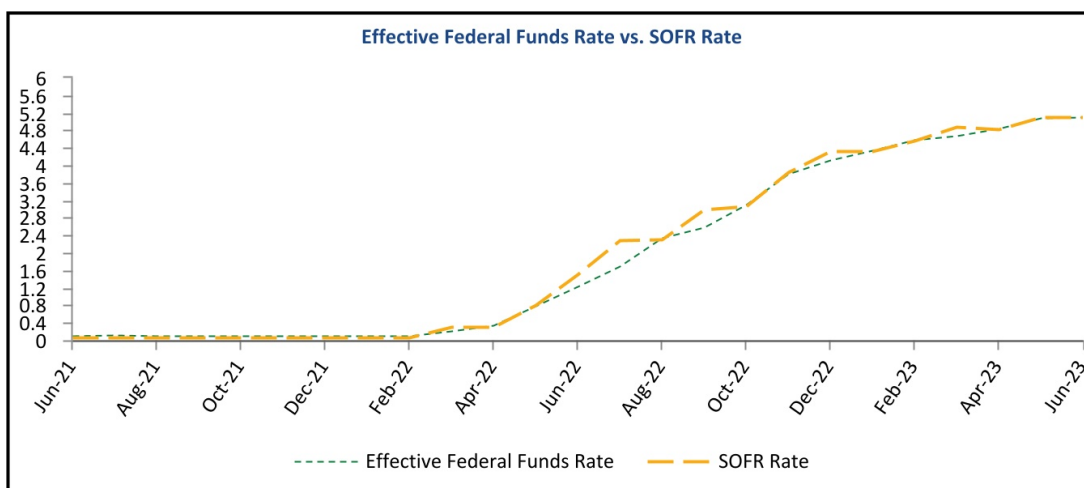


ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

Meeting Date	Lower Bound	Higher Bound
May 3, 2023	5.00 %	5.25 %
March 22, 2023	4.75 %	5.00 %
February 1, 2023	4.50 %	4.75 %
December 14, 2022	4.25 %	4.50 %
November 2, 2022	3.75 %	4.00 %
September 21, 2022	3.00 %	3.25 %
July 27, 2022	2.25 %	2.50 %
June 15, 2022	1.50 %	1.75 %

Our borrowings in the repurchase market have closely tracked the Fed Funds Rate, and SOFR. Traditionally, a lower Fed Funds Rate has indicated a time of increased net interest margin and higher asset values. Volatility in these rates and divergence from the historical relationship among these rates could negatively impact our ability to manage our securities portfolio. If rates were to increase as a result, our net interest margin and the value of our securities portfolio might suffer as a result. Our derivatives are either Fed Funds Rate or SOFR-based interest rate swap contracts (see Note 7 to the consolidated financial statements).

The following graph shows the effective Fed Funds Rate as compared to SOFR on a monthly basis from June 30, 2021 to June 30, 2023.



Long-term Interest Rates and Mortgage Spreads

Our securities are valued at an interest rate spread versus long-term interest rates (mortgage spread). This mortgage spread varies over time and can be above or below long-term averages, depending upon market participants' current desire to own MBS over other investment alternatives. When the mortgage spread gets smaller (or negative) versus long-term interest rates, our book value will be positively affected. When this spread gets larger (or positive), our book value will be negatively affected.

Mortgage spreads can vary due to movements in securities valuations, movements in long-term interest rates or a combination of both. We mainly use interest rate swap contracts, interest rate swaptions, basis swap contracts and futures



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

contracts to economically hedge against changes in the valuation of our securities. We do not use such hedging contracts for speculative purposes.

We may reduce our mortgage spread exposure by entering in to certain TBA Agency Securities short positions. The TBA short positions may represent different securities and maturities than our MBS and TBA Agency Security long positions, and accordingly, may perform somewhat differently. While we expect our TBA Agency Securities short positions to perform well compared to our related mortgage securities, there can be no assurance as to their relative performance.

Results of Operations

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Net Interest Income	\$ 5,760	\$ 35,405	\$ 17,750	\$ 66,370
Total Other Income (Loss)	48,464	(84,592)	15,105	(172,764)
Total Expenses after fees waived	(11,262)	(9,404)	(21,252)	(18,631)
Net Income (Loss)	<u>\$ 42,962</u>	<u>\$ (58,591)</u>	<u>\$ 11,603</u>	<u>\$ (125,025)</u>
Reclassification adjustment for realized loss on sale of available for sale Agency Securities	—	7,501	7,471	7,501
Net unrealized gain (loss) on available for sale Agency Securities	—	(42,151)	4,056	(120,689)
Other Comprehensive Income (Loss)	<u>—</u>	<u>(34,650)</u>	<u>11,527</u>	<u>(113,188)</u>
Comprehensive Income (Loss)	<u>\$ 42,962</u>	<u>\$ (93,241)</u>	<u>\$ 23,130</u>	<u>\$ (238,213)</u>

Net Income (Loss) for the three and six months ended June 30, 2023 compared to the three and six months ended June 30, 2022 reflected interest income from a larger average securities portfolio and lower mark to market losses on our Agency Securities due to changes in interest rates, offset by higher interest rates applicable to repurchase agreements due to higher rates and the larger average securities portfolio, and lower income from our derivatives.

Net interest income is a function of both our securities portfolio size and net interest rate spread.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Interest Income	\$ 134,835	\$ 48,440	\$ 253,070	\$ 81,810
Interest Expense	(129,075)	(13,035)	(235,320)	(15,440)
Net Interest Income	<u>\$ 5,760</u>	<u>\$ 35,405</u>	<u>\$ 17,750</u>	<u>\$ 66,370</u>

- Our average securities portfolio, including TBA Agency Securities, increased 38.2% from \$8,158,792 for the six months ended June 30, 2022 to \$11,272,925 for the six months ended June 30, 2023 due to the repositioning of our securities portfolio.
- Our average securities portfolio yield increased 1.36% and our cost of funds increased 1.83% quarter over quarter.
- Our net interest rate spread decreased by 0.47% quarter over quarter.



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

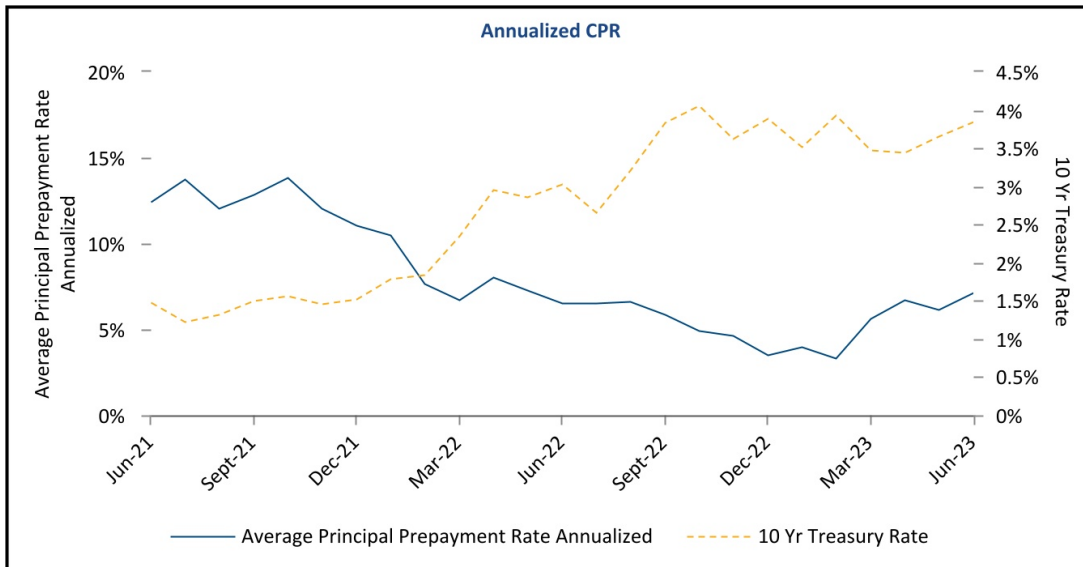
The following table presents the components of the yield earned on our securities portfolio for the quarterly periods ended on the dates shown below:

	Asset Yield ⁽¹⁾	Net Cost of Funds ⁽²⁾	Net Interest Margin	Interest Expense on Repurchase Agreements
June 30, 2023	4.24 %	2.49 %	1.75 %	5.17 %
March 31, 2023	3.77 %	1.80 %	1.97 %	4.71 %
December 31, 2022	3.25 %	0.66 %	2.59 %	3.80 %
September 2022	3.24 %	1.03 %	2.21 %	2.30 %
June 2022	2.88 %	0.66 %	2.22 %	0.83 %
March 2022	2.20 %	0.42 %	1.78 %	0.17 %
December 2021	2.15 %	0.40 %	1.75 %	0.16 %
September 2021	2.15 %	0.45 %	1.70 %	0.17 %
June 2021	1.95 %	0.50 %	1.45 %	0.17 %
March 2021	1.84 %	0.35 %	1.49 %	0.23 %

(1) Asset yield on securities portfolio and cash collateral posted to/by counterparties.

(2) This includes interest expense on repurchase agreements and interest income/expense on interest rate swap contracts and futures contracts.

The yield on our assets is most significantly affected by the rate of repayments on our Agency Securities. The following graph shows the annualized CPR on a monthly basis for the quarterly periods ended on the dates shown below.



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

Other Income (Loss)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Other Income (Loss):				
Realized loss on sale of available for sale Agency Securities (reclassified from Comprehensive Income (Loss))	\$ —	\$ (7,501)	\$ (7,471)	\$ (7,501)
Loss on Agency Securities, trading	(157,659)	(249,022)	(37,293)	(503,411)
Gain (Loss) on U.S. Treasury Securities	11,933	(33,983)	79	(112,370)
Gain on derivatives, net	194,190	205,914	59,790	450,518
Total Other Income (Loss)	<u>\$ 48,464</u>	<u>\$ (84,592)</u>	<u>\$ 15,105</u>	<u>\$ (172,764)</u>

Three and Six Months Ended June 30, 2023 vs. Three and Six Months Ended June 30, 2022

- During the first quarter of 2023, we sold the remaining balance of our Available for Sale Securities which resulted in a realized loss of \$(7,471).
- Loss on Agency Securities, trading, includes changes in fair value of the securities as well as the gain (loss) on sales. For the three and six months ended June 30, 2023, the change in fair value of the securities was \$(44,403) and \$246,118 compared to \$(64,543) and \$(318,932) for the three and six months ended June 30, 2022. During the three and six months ended June 30, 2023, we sold \$3,050,412 (including \$94,825 of receivable for unsettled sales) and \$3,818,535 of Agency Securities, trading, resulting in realized losses of \$(113,256) and \$(283,411). During the three and six months ended June 30, 2022, we sold \$1,681,292 of Agency Securities, trading (including \$427,203 in receivables for unsettled sales) which resulted in a loss of \$(184,479).
- Gain (Loss) on U.S. Treasury Securities resulted from the change in fair value of the securities as well as the loss on sales. For the three and six months ended June 30, 2023, the change in fair value of the securities was \$11,933 and \$5,468. For the three and six months ended June 30, 2023, we sold \$0 and \$(613,852) of U.S. Treasury Securities resulting in realized losses of \$0 and \$(5,389), respectively. For the three and six months ended June 30, 2022, the change in fair value of the securities was \$32,928 and \$314. For the three and six months ended June 30, 2022, we sold \$1,414,547 and \$2,932,385 of U.S. Treasury Securities resulting in losses of \$(66,911) and \$(112,684), respectively.
- Gain on Derivatives resulted from a combination of the following:
 - Changes in fair value due to interest rate movements.
 - Interest rate swap contracts' aggregate notional balance increased from \$6,350,000 at December 31, 2022 to \$8,811,000 at June 30, 2023.
 - Our total TBA Agency Securities aggregate notional balance was \$800,000 at December 31, 2022 and \$50,000 at June 30, 2023. The decrease in TBA prices resulted in losses of \$(3,286) and \$(443) and \$(17,899) and \$(117,093) for the three and six months ended June 30, 2023 and June 30, 2022, respectively.



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Expenses:				
Management fees	\$ 9,392	\$ 8,297	\$ 18,636	\$ 16,437
Compensation	1,261	1,410	2,420	2,819
Other Operating	2,259	1,647	3,496	3,275
Total Expenses	\$ 12,912	\$ 11,354	\$ 24,552	\$ 22,531
Less management fees waived	(1,650)	(1,950)	(3,300)	(3,900)
Total Expenses after fees waived	\$ 11,262	\$ 9,404	\$ 21,252	\$ 18,631

Expenses

The Company is managed by ACM, pursuant to a management agreement. The management fees are determined based on gross equity raised. Therefore, management fees increase when we raise capital and decline when we repurchase previously issued stock and liquidate distributions as approved and so designated by a majority of the Board. However, because the management fee rate decreased to 0.75% per annum for gross equity raised in excess of \$1.0 billion pursuant to the management agreement, the effective average management fee rate declines as equity is raised. The cost of repurchased stock and any dividends specifically designated by the Board as liquidation dividends will reduce the amount of gross equity raised used to calculate the monthly management fee. Realized and unrealized gains and losses do not affect the amount of gross equity raised. At June 30, 2023 and June 30, 2022, the effective management fee, prior to management fees waived, was 0.94% and 0.97% based on gross equity raised of \$4,042,078 and \$3,448,004, respectively. ACM began waiving 40% of its management fee during the second quarter of 2020 and on January 13, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of \$2,400 for the first quarter of 2021 and \$800 per month thereafter. On April 20, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of \$2,100 for the second quarter of 2021 and \$700 per month thereafter. On October 25, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver from the rate of \$700 per month to \$650 per month, effective November 1, 2021, until further notice. On February 14, 2023, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of \$1,650 for the first quarter of 2023 and \$550 per month thereafter until ACM provides further notice to ARMOUR (see Note 8 - Commitments and Contingencies).

Compensation includes non-executive director compensation as well as the restricted stock units awarded to our Board and executive officers through ACM. The fluctuation from year to year is due to the number of awards vesting.

Other Operating expenses include:

- Fees for market and pricing data, analytics and risk management systems and portfolio related data processing costs as well as stock exchange listing fees and similar stockholder related expenses, net of other miscellaneous income.
- Professional fees for securities clearing, legal, audit and consulting costs that are generally driven by the size and complexity of our securities portfolio, the volume of transactions we execute and the extent of research and due diligence activities we undertake on potential transactions.
- Insurance premiums for both general business and directors and officers liability coverage fluctuate from year to year due to changes in premiums.

Taxable Income

As a REIT that regularly distributes all of its taxable income, we are generally not required to pay federal income tax (see Note 13 to the consolidated financial statements).



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

Realized gains and losses on interest rate contracts and treasury futures terminated before their maturity are deferred and amortized over the remainder of the original term of the contract for REIT taxable income. At June 30, 2023 and December 31, 2022, we had approximately \$268,923 and \$307,316, respectively, of net deductible expense relating to previously terminated interest rate swap and treasury futures contracts amortizing through the year 2032. At June 30, 2023, we had \$257,341 of net operating loss carryforwards available for use indefinitely. For 2023, we forecast that estimated ordinary REIT taxable income will be positive. This would likely result in Series C Preferred Stock dividends for 2023 being treated as fully taxable ordinary income. Common stock dividends for 2023 are expected to partially be treated as taxable ordinary income.

Comprehensive Income (Loss)

Comprehensive income (loss) includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners (see Note 12 to the consolidated financial statements).

Financial Condition

Investments In Securities

Our securities portfolio consists primarily of Agency Securities backed by fixed rate home loans. From time to time, a portion of our Agency Securities may be backed by hybrid adjustable rate and adjustable rate home loans as well as unsecured notes and bonds issued by GSEs, U.S. Treasuries and money market instruments, subject to certain income tests we must satisfy for our qualification as a REIT. Our charter permits us to invest in MBS. Our TBA Agency Securities are reported at net carrying value and are reported in Derivatives, at fair value on our consolidated balance sheets (see Note 7 to the consolidated financial statements).

Agency Securities:

Agency Security purchase and sale transactions, including purchases and sales for forward settlement, are recorded on the trade date to the extent it is probable that we will take or make timely physical delivery of the related securities. Gains or losses realized from the sale of securities are included in income and are determined using the specific identification method. We typically purchase Agency Securities at premium prices. The premium price paid over par value on those assets is expensed as the underlying mortgages experience repayment or prepayment. The lower the prepayment rate, the lower the amount of amortization expense for a particular period. Accordingly, the yield on an asset and earnings are higher. If prepayment rates increase, the amount of amortization expense for a particular period will go up. These increased prepayment rates would act to decrease the yield on an asset and would decrease earnings.

Our net interest income is primarily a function of the difference between the yield on our assets and the financing (borrowing and hedging) cost of owning those assets. Since we tend to purchase Agency Securities at a premium to par, the main item that can affect the yield on our Agency Securities after they are purchased is the rate at which the mortgage borrowers repay the loan. While the scheduled repayments, which are the principal portion of the homeowners' regular monthly payments, are fairly predictable, the unscheduled repayments, which are generally refinancing of the mortgage but can also result from repurchases of delinquent, defaulted, or modified loans, are less so. Being able to accurately estimate and manage these repayment rates is a critical portion of the management of our securities portfolio, not only for estimating current yield but also for considering the rate of reinvestment of those proceeds into new securities, the yields on those new securities and the impact of the repayments on our hedging strategy.



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

TBA Agency Securities:

We account for TBA Agency Securities as derivative instruments if it is reasonably possible that we will not take or make physical delivery of the Agency Security upon settlement of the contract. TBA Agency Securities are forward contracts for the purchase ("long position") or sale ("short position") of Agency Securities at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date. The specific Agency Securities delivered pursuant to 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. We estimate the fair value of TBA Agency Securities based on similar methods used to value our Agency Securities. TBA Agency Securities are included in the table below on a gross basis as they can be used to establish and finance portfolio positions in Agency Securities.

The tables below summarize certain characteristics of our investments in securities at June 30, 2023 and December 31, 2022.

June 30, 2023	Principal Amount	Amortized Cost	Gross Unrealized Gain (Loss)	Fair Value	CPR ⁽¹⁾	Weighted Average Months to Maturity	Percent of Total
Agency Fixed Rates ≥ 181 months							
3.0%	610,466	548,705	(10,305)	538,400	2.4 %	338	4.8 %
3.5%	1,215,454	1,197,717	(87,864)	1,109,853	4.1 %	346	9.8 %
4.0%	1,167,121	1,168,772	(71,451)	1,097,321	4.0 %	347	9.7 %
4.5%	1,308,599	1,303,402	(44,103)	1,259,299	4.8 %	349	11.1 %
5.0%	2,077,911	2,072,445	(32,383)	2,040,062	5.0 %	352	18.1 %
5.5%	2,356,908	2,380,018	(28,107)	2,351,911	5.6 %	355	20.9 %
6.0%	2,316,917	2,364,304	(21,808)	2,342,496	9.4 %	355	20.8 %
6.5%	57,099	58,571	228	58,799	15.2 %	354	0.5 %
Other Agency Securities							
Agency CMBS	\$ 379,118	\$ 379,421	\$ (927)	\$ 378,494	n/a	120	3.4 %
Total Agency Securities	\$ 11,489,593	\$ 11,473,355	\$ (296,720)	\$ 11,176,635			99.1 %
TBA Agency Securities ⁽²⁾							
30 Year Short, 3.0%	\$ (500,000)	\$ (440,199)	\$ 43	\$ (440,156)	n/a	n/a	(3.9)%
30 Year Long, 5.0%	\$ 550,000	\$ 543,960	\$ (3,070)	\$ 540,890	n/a	n/a	4.8 %
Total TBA Agency Securities	\$ 50,000	\$ 103,761	\$ (3,027)	\$ 100,734	n/a	n/a	0.9 %
Totals	\$ 11,539,593	\$ 11,577,116	\$ (299,747)	\$ 11,277,369			100.0 %

(1) Weighted average CPR during the quarter for the securities owned at June 30, 2023. Negative CPR can occur if payments are not made on the first of the month and the scheduled principal amount is not received.

(2) Our TBA Agency Securities were recorded as derivative instruments in our accompanying consolidated financial statements. Our TBA Agency Securities were reported at net carrying values of \$(3,027), at June 30, 2023 and were reported in Derivatives, at fair value on our consolidated balance sheets (see Note 7 to the consolidated financial statements).



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

December 31, 2022	Principal Amount	Amortized Cost	Gross Unrealized Gain (Loss)	Fair Value	CPR ⁽¹⁾	Weighted Average Months to Maturity	Percent of Total
Agency Fixed Rates ≤ 180 months							
3.5% to 6.0%	\$ 14,264	\$ 14,760	\$ (768)	\$ 13,992	1.3 %	111	0.2 %
Agency Fixed Rates ≥ 181 months							
2.0%	390,154	397,483	(74,778)	322,705	7.3 %	336	3.6 %
2.5%	608,261	645,600	(119,925)	525,675	8.3 %	331	5.9 %
3.0%	969,166	973,560	(120,174)	853,386	3.9 %	349	9.5 %
3.5%	1,229,970	1,212,939	(91,395)	1,121,544	3.4 %	352	12.5 %
4.0%	1,217,621	1,219,805	(72,499)	1,147,306	3.8 %	352	12.8 %
4.5%	1,509,102	1,510,336	(52,439)	1,457,897	4.4 %	350	16.2 %
5.0%	1,733,644	1,730,097	(17,792)	1,712,305	4.6 %	356	19.0 %
5.5%	1,039,085	1,048,377	(4,596)	1,043,781	— %	357	11.6 %
Total Agency Securities	<u>\$ 8,711,267</u>	<u>\$ 8,752,957</u>	<u>\$ (554,366)</u>	<u>\$ 8,198,591</u>	4.0 %	351	<u>91.3 %</u>
TBA Agency Securities							
30 Year ⁽²⁾							
4.5%	\$ 500,000	\$ 489,805	\$ (8,164)	\$ 481,641	n/a	n/a	5.4 %
5.0%	\$ 300,000	\$ 300,164	\$ (4,336)	\$ 295,828	n/a	n/a	3.3 %
Total TBA Agency Securities	<u>\$ 800,000</u>	<u>\$ 789,969</u>	<u>\$ (12,500)</u>	<u>\$ 777,469</u>	n/a	0	<u>8.7 %</u>
Totals	<u>\$ 9,511,267</u>	<u>\$ 9,542,926</u>	<u>\$ (566,866)</u>	<u>\$ 8,976,060</u>			<u>100.0 %</u>

(1) Weighted average CPR during the fourth quarter for the securities owned at December 31, 2022. Negative CPR can occur if payments are not made on the first of the month and the scheduled principal amount is not received.

(2) Our TBA Agency Securities were recorded as derivative instruments in our accompanying consolidated financial statements. Our TBA Agency Securities were reported at net carrying values of \$(11,797), at December 31, 2022 and were reported in Derivatives, at fair value on our consolidated balance sheets (see Note 7 to the consolidated financial statements).

The following tables summarize changes in our investments in securities as of June 30, 2023 and December 31, 2022, excluding TBA Agency Securities (see Note 7 to the consolidated financial statements).



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

	Available for Sale Securities		Trading Securities		U.S. Treasury Securities Sold Short
	Agency		Agency	U.S. Treasuries	
June 30, 2023					
Balance, December 31, 2022	\$ 187,944	\$	8,010,647	\$ —	\$ (506,074)
Purchases ⁽¹⁾	—		7,522,034	619,373	—
Proceeds from sales	(189,931)		(3,818,535)	(613,852)	—
Receivable for unsettled sales	—		(94,825)	—	—
Principal repayments	(1,997)		(402,013)	—	—
Current gains (losses)	3,946		(48,112)	(5,394)	5,468
Accrued interest payable	—		—	—	(57)
Amortization:					
Prior unrealized (gains) losses	110		10,819	5	—
Purchase (premium) discount	(72)		(3,380)	(132)	—
Balance, June 30, 2023	\$ —	\$	11,176,635	\$ —	\$ (500,663)
Percentage of Portfolio	—%		100.00%	—%	
December 31, 2022					
Balance, December 31, 2021	\$ 1,387,845	\$	3,018,676	\$ 198,833	\$ —
Purchases ⁽¹⁾	—		11,809,926	4,820,464	—
Proceeds from sales	(988,728)		(5,360,328)	(4,876,767)	(494,797)
Principal repayments	(77,101)		(496,508)	—	—
Current losses	(122,917)		(980,365)	(144,918)	(7,859)
Credit loss expense	(4,183)		—	—	—
Accrued interest payable	—		—	—	(3,418)
Amortization:					
Prior unrealized (gains) losses	(3,035)		33,699	509	—
Purchase (premium) discount	(3,937)		(14,453)	1,879	—
Balance, December 31, 2022	\$ 187,944	\$	8,010,647	\$ —	\$ (506,074)
Percentage of Portfolio	2.29%		97.71%	—%	

(1) Purchases include cash paid during the period, plus payable for investment securities purchased during the period as of period end.

[Repurchase Agreements, net](#)

We have entered into repurchase agreements to finance the majority of our MBS. Our repurchase agreements are secured by our MBS and bear interest at rates that have moved in close relationship to the Fed Funds Rate and SOFR. We have established borrowing relationships with numerous investment banking firms and other lenders, 18 of which had open repurchase agreements with us at June 30, 2023 and December 31, 2022. We had outstanding balances under our repurchase agreements, net at June 30, 2023 and December 31, 2022 of \$9,121,329 and \$6,463,058, respectively, consistent with the increase in our MBS in our securities portfolio. At June 30, 2023 and December 31, 2022, BUCKLER accounted for 48.4% and 50.2%, respectively, of our aggregate borrowings and had an amount at risk of 7.8% and 12.9%.



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

respectively, of our total stockholders' equity with a weighted average maturity of 21 days and 15 days, respectively, on repurchase agreements (see Note 6 to the consolidated financial statements).

Our repurchase agreements require excess collateral, known as a "haircut." At June 30, 2023, the average haircut percentage was 2.82% compared to 3.85% at December 31, 2022.

Derivative Instruments

We use various contracts to manage our interest rate risk as we deem prudent in light of market conditions and the associated costs with counterparties that have a high quality credit rating and with futures exchanges. We generally pay a fixed rate and receive a floating rate with the objective of fixing a portion of our borrowing costs and hedging the change in our book value to some degree. The floating rate we receive is generally the Fed Funds Rate or SOFR.

We had contractual commitments under derivatives at June 30, 2023 and December 31, 2022. At June 30, 2023 and December 31, 2022, we had derivatives with a net fair value of \$989,441 and \$971,440, respectively. The following tables present information about the potential effects of netting our derivatives if we were to offset the assets and liabilities on the accompanying consolidated balance sheets. We currently present these financial instruments at their gross amounts and they are included in Derivatives, at fair value on the accompanying consolidated balance sheets at June 30, 2023 and December 31, 2022.

Assets	Gross Amounts ⁽¹⁾	Gross Amounts Not Offset		
		Financial Instruments	Cash Collateral	Total Net
June 30, 2023				
Interest rate swap contracts ⁽²⁾	\$ 989,719	\$ (337)	\$ (919,153)	\$ 70,229
Futures contracts	11,252	(8,166)	2,810	5,896
TBA Agency Securities	78	(3,105)	5,164	2,137
Totals	\$ 1,001,049	\$ (11,608)	\$ (911,179)	\$ 78,262
December 31, 2022				
Interest rate swap contracts	\$ 983,659	\$ —	\$ (955,941)	\$ 27,718
Futures contracts	94	(516)	9,334	8,912
TBA Agency Securities	703	(12,500)	13,633	1,836
Totals	\$ 984,456	\$ (13,016)	\$ (932,974)	\$ 38,466

(1) See Note 4 - Fair Value of Financial Instruments for additional discussion.

(2) Includes \$22,099 of centrally-cleared interest rate swap contracts.

All of our interest rate contracts have floating leg interest rate indexes of either the Fed Funds Rate or SOFR. The Fed Funds Rate is published daily by the New York Federal Reserve and is a measure of unsecured borrowings by depository institutions from other depository institutions or GSEs. SOFR is published daily by the New York Federal Reserve and is the average overnight rate for borrowings secured by U.S. Treasury securities. We enter into interest rate swap contracts either directly with a counterparty (a "bilateral" contract) or through a centrally-cleared swap contract. In a bilateral contract, we exchange margin collateral with the counterparty and have exposure to counterparty risk. In a centrally-cleared contract, we exchange margin collateral with a Futures Clearing Merchant, with whom we have opened an account. Our counterparty risk is limited to the clearing exchange itself. All of our centrally-cleared swaps are cleared by the CME. In general, centrally-cleared interest rate swap contracts require us to post higher initial margin than bilateral contracts.



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

Liabilities	Gross Amounts Not Offset			Total Net
	Gross Amounts ⁽¹⁾	Financial Instruments	Cash Collateral	
June 30, 2023				
Interest rate swap contracts ⁽²⁾	\$ (337)	\$ 337	\$ —	\$ —
Futures contracts	(8,166)	8,166	—	—
TBA Agency Securities	(3,105)	3,105	—	—
Totals	\$ (11,608)	\$ 11,608	\$ —	\$ —
December 31, 2022				
Futures contracts	\$ (516)	\$ 516	\$ —	\$ —
TBA Agency Securities	(12,500)	12,500	—	—
Totals	\$ (13,016)	\$ 13,016	\$ —	\$ —

(1) See Note 4 - Fair Value of Financial Instruments for additional discussion.

(2) Includes \$(337) of centrally-cleared interest rate swap contracts.

At June 30, 2023, we had interest rate swap contracts with an aggregate notional balance of \$8,811,000, a weighted average swap rate of 2.14% and a weighted average term of 59 months. At December 31, 2022, we had interest rate swap contracts with an aggregate notional balance of \$6,350,000, a weighted average swap rate of 0.72% and a weighted average term of 73 months. We also had TBA Agency Securities with an aggregate notional balance of \$50,000 and \$800,000 at June 30, 2023 and December 31, 2022, respectively (see Note 7 to the consolidated financial statements).

The following table details the changes in the fair value of our interest rate swap contracts for the six months ended June 30, 2023 and for the year ended December 31, 2022.

Interest Swap Contracts	Six Months Ended June 30, 2023	For the Year Ended December 31, 2022
Net Balance, beginning of period	\$ 983,659	\$ 180,476
Net interest rate swap contract payments paid (received)	(56,511)	17,027
Interest rate swap income accrued	183,019	107,269
Interest rate swap expense accrued	(83,274)	(54,049)
Current unrealized gains (losses)	(123,849)	677,865
Amortization of prior unrealized gains	97,635	122,101
Loss on early terminations	(11,297)	(67,030)
Net, Balance, end of period	\$ 989,382	\$ 983,659

Our policies do not contain specific requirements as to the percentages or amount of interest rate risk that we are required to hedge. No assurance can be given that our derivatives will have the desired beneficial impact on our results of operations or financial condition. We have not elected cash flow hedge accounting treatment as allowed by GAAP. Since we do not designate our derivative activities as cash flow hedges, realized as well as unrealized gains/losses from these transactions will impact our GAAP earnings.

Use of derivative instruments may fail to protect or could adversely affect us because, among other things:



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

- available derivatives may not correspond directly with the interest rate risk for which protection is sought (e.g., the difference in interest rate movements for long-term U.S. Treasury Securities compared to Agency Securities);
- the duration of the derivatives may not match the duration of the related liability;
- the counterparty to a derivative agreement with us may default on its obligation to pay or not perform under the terms of the agreement and the collateral posted may not be sufficient to protect against any consequent loss;
- we may lose collateral we have pledged to secure our obligations under a derivative agreement if the associated counterparty becomes insolvent or files for bankruptcy;
- we may experience a termination event under one or more of our derivative agreements related to our REIT status, equity levels and performance, which could result in a payout to the associated counterparty and a taxable loss to us;
- the credit-quality of the party owing money on the derivatives may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the value of derivatives may be adjusted from time to time in accordance with GAAP to reflect changes in fair value; downward adjustments, or "mark-to-market losses," would reduce our net income or increase any net loss.

Although we attempt to structure our derivatives to offset the changes in asset prices, the complexity of the actual and expected prepayment characteristics of the underlying mortgages as well as the volatility in mortgage interest rates relative to U.S. Treasury and interest rate swap contract rates makes achieving high levels of offset difficult. We recognized net gains related to our derivatives of \$194,190 and \$59,790 and \$205,914 and \$450,518, for the three and six months ended June 30, 2023 and June 30, 2022, respectively.

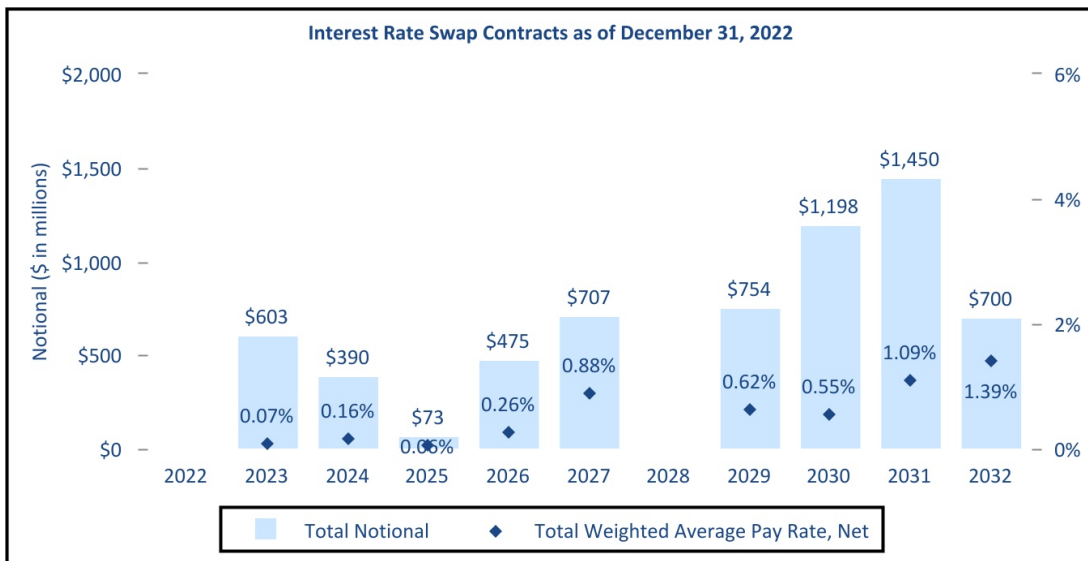
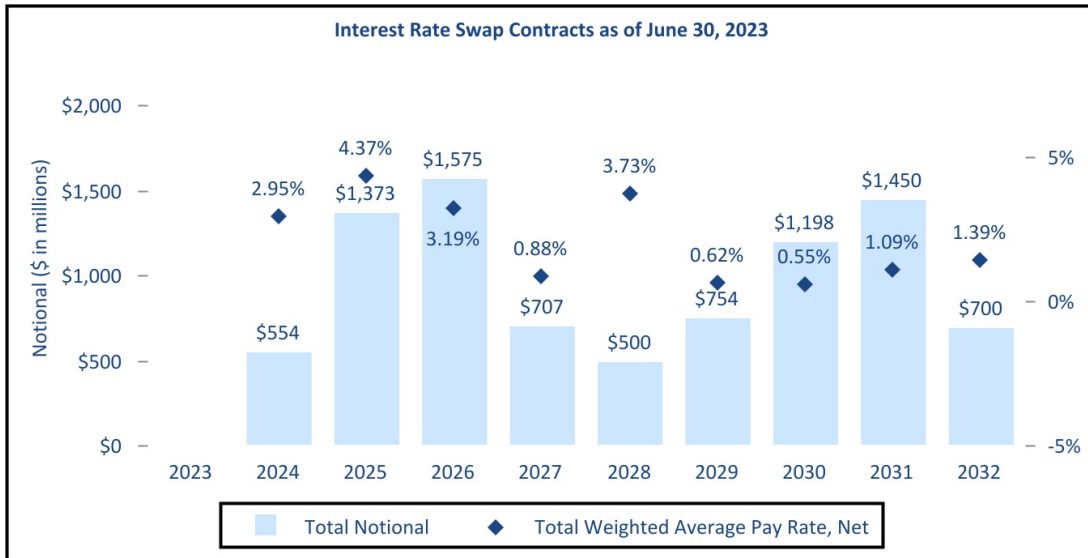
As required by the Dodd-Frank Act, the Commodity Futures Trading Commission has adopted rules requiring certain interest rate swap contracts to be cleared through a derivatives clearing organization. We are required to clear certain new interest rate swap contracts. Centrally-cleared interest rate swaps may have higher margin requirements than bilateral interest rate swaps. We have established an account with a futures commission merchant for this purpose. During the six months ended June 30, 2023, we entered into \$3,300,000 notional amount of centrally-cleared interest rate swap contracts.

We are required to account for our TBA Agency Securities as derivatives when it is reasonably possible that we will not take or make timely physical delivery of the related securities. However, from time to time, we use TBA Agency Securities primarily to effectively establish portfolio positions. See the section, "TBA Agency Securities" above.



ARMOUR Residential REIT, Inc.
Management’s Discussion and Analysis (continued)

The following graphs present the notional and weighted average interest rate of our interest rate swap contracts by year of maturity.



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

Liquidity and Capital Resources

At June 30, 2023, our liquidity totaled \$644,417, consisting of \$163,746 of cash plus \$480,671 of unencumbered Agency Securities and U.S. government securities (including securities received as collateral). Our primary sources of funds are borrowings under repurchase arrangements, monthly principal and interest payments on our MBS and cash generated from our operating results. Other potential sources of liquidity include our automatic shelf registration filed with the SEC, pursuant to which we may offer an unspecified amount of shares of our common stock, preferred stock, warrants, depositary shares and debt securities. During the three and six months ended June 30, 2023, we sold 15,160 and 45,023 shares under the 2021 Common stock ATM Sales Agreement for proceeds of \$77,478 and \$258,683, net of issuance costs and commissions of approximately \$707 and \$2,675. During the three and six months ended June 30, 2023, we repurchased 425 and 1,268 common shares under our current repurchase authorization for costs of \$2,072 and \$6,377 (refer to Note 10 to the consolidated financial statements). See Note 14 for additional discussion of transactions with BUCKLER.

We generally maintain liquidity to pay down borrowings under repurchase arrangements to reduce borrowing costs and otherwise efficiently manage our long-term investment capital. Because the level of our borrowings can be adjusted on a daily basis, the level of cash carried on our consolidated balance sheet is significantly less important than our potential liquidity available under our borrowing arrangements. We continue to pursue additional lending counterparties in order to help increase our financial flexibility and ability to withstand periods of contracting liquidity in the credit markets.

In addition to the repurchase agreement financing discussed above, from time to time we have entered into reverse repurchase agreements with certain of our repurchase agreement counterparties. Under a typical reverse repurchase agreement, we purchase U.S. Treasury Securities from a borrower in exchange for cash and agree to sell the same securities back in the future. We then sell such U.S. Treasury Securities to third parties and recognize a liability to return the securities to the original borrower. Reverse repurchase agreement receivables and repurchase agreement liabilities are presented net when they meet certain criteria, including being with the same counterparty, being governed by the same MRA, settlement through the same brokerage or clearing account and maturing on the same day. The practical effect of these transactions is to replace a portion of our repurchase agreement financing of our MBS in our securities portfolio with short positions in U.S. Treasury Securities. We believe that this helps to reduce interest rate risk, and therefore counterparty credit and liquidity risk. Both parties to the repurchase and reverse repurchase transactions have the right to make daily margin calls based on changes in the value of the collateral obtained and/or pledged. At June 30, 2023 we had \$512,500 in reverse repurchase agreements and obligations to return securities received as collateral associated with our reverse repurchase agreements of \$497,188. At December 31, 2022 we had \$704,276 in reverse repurchase agreements and obligations to return securities received as collateral associated with our reverse repurchase agreements of \$502,656.

Our primary uses of cash are to purchase MBS, pay interest and principal on our borrowings, fund our operations and pay dividends. From time to time, we purchase or sell assets for forward settlement up to 90 days in the future to lock in purchase prices or sales proceeds. At June 30, 2023 and December 31, 2022, we financed our securities portfolio with \$9,121,329 and \$6,463,058 of borrowings under repurchase agreements. We generally seek to borrow (on a recourse basis) between six and ten times the amount of our total stockholders' equity. Our debt to equity ratios at June 30, 2023 and December 31, 2022, were 7.11:1 and 5.81:1, respectively, as we substituted Agency MBS for TBA Agency Securities. Our leverage ratios, including notional on our TBA Agency Securities, were 7.19:1 and 6.51:1 at June 30, 2023 and December 31, 2022, respectively. Implied leverage, including TBA Securities and forward settling sales and unsettled purchases was 7.59:1 and 8.69:1 at June 30, 2023 and December 31, 2022, respectively.



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

Securities Portfolio Matters

	For the Six Months Ended June 30,	
	2023	2022
Securities purchased using proceeds from repurchase agreements and principal repayments	\$ 8,141,407	\$ 9,281,740
Average securities portfolio	\$ 11,272,925	\$ 8,158,792
Cash received from principal repayments on MBS	\$ 404,010	\$ 287,457
Net cash increase from repurchase agreements, net	\$ 2,658,271	\$ 2,744,510
Cash interest payments made on liabilities	\$ 269,691	\$ 33,776
Cash and cash collateral posted to counterparties provided by (used in) operating activities ⁽¹⁾	\$ 45,298	\$ (73,759)

(1) The increase in cash and cash collateral posted to counterparties related to operating activities from 2022 to 2023 is related to exiting certain MBS positions.

Other Contractual Obligations

The Company is managed by ACM, pursuant to a management agreement (see Note 8 and Note 14 to the consolidated financial statements). The management agreement runs through December 31, 2029 and is thereafter automatically renewed for an additional five-year term unless terminated under certain circumstances.

The following table reconciles the fees incurred in accordance with the management agreement for the three and six months ended June 30, 2023 and June 30, 2022 (see Note 8 to the consolidated financial statements).

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
ARMOUR management fees	\$ 9,377	\$ 8,282	\$ 18,605	\$ 16,407
Less management fees waived	(1,650)	(1,950)	(3,300)	(3,900)
Total management fee expense	<u>\$ 7,727</u>	<u>\$ 6,332</u>	<u>\$ 15,305</u>	<u>\$ 12,507</u>

We adopted the 2009 Stock Incentive Plan (as amended, the "Plan") to attract, retain and reward directors and other persons who provide services to us in the course of operations. The Plan authorizes the Board to grant awards including common stock, restricted shares of common stock ("RSUs"), stock options, performance shares, performance units, stock appreciation rights and other equity and cash-based awards (collectively, "Awards"), subject to terms as provided in the Plan. At June 30, 2023, there were 867 shares available for future issuance under the Plan.

At June 30, 2023, there was approximately \$13,223 of unvested stock based compensation related to the Awards (based on a weighted grant date price of \$7.87 per share), which we expect to recognize as an expense as follows: for the remainder of 2023 an expense of \$1,881, in 2024 an expense of \$3,626, and thereafter an expense of \$7,716. Our policy is to account for forfeitures as they occur. We also pay each of our non-executive Board members quarterly fees, which are payable in cash, common stock, RSUs or a combination of common stock, RSUs and cash at the option of the director. Compensation to be paid to our non-executive Board in the form of cash and common equity is \$1,351 annually (see Note 9 to the consolidated financial statements).

We currently believe that we have sufficient liquidity and capital resources available for the acquisition of additional investments, repayments on repurchase borrowings, reacquisition of securities to be returned to borrowers and the payment of cash dividends as required for continued qualification as a REIT.



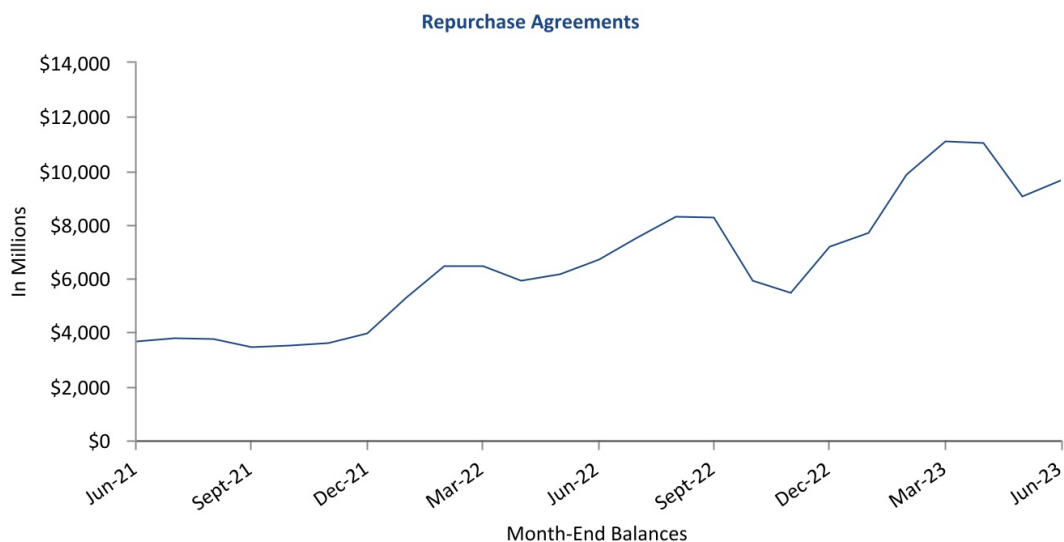
ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

[Repurchase Agreements, net](#)

Declines in the value of our Agency Securities portfolio can trigger margin calls by our lenders under our repurchase agreements. An event of default or termination event under the standard MRA would give our counterparty the option to terminate all repurchase transactions existing with us and require any amount due to be payable immediately.

Changing capital or other financial market regulatory requirements may cause our lenders to exit the repurchase market, increase financing rates, tighten lending standards or increase the amount of required equity capital or haircut we post, any of which could make it more difficult or costly for us to obtain financing.

The following graph represents the outstanding balances of our repurchase agreements (before the effect of netting reverse repurchase agreements), which finance most of our MBS. Our repurchase agreements balance will fluctuate based on our change in capital, leverage targets and the market prices of our assets (including the effects of principal paydowns) and the level and timing of investment and reinvestment activity (see Note 6 and Note 14 to the consolidated financial statements).



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

Effects of Margin Requirements, Leverage and Credit Spreads

Our MBS have values that fluctuate according to market conditions and, as discussed above, the market value of our MBS will decrease as prevailing interest rates or credit spreads increase. When the value of the securities pledged to secure a repurchase agreement decreases to the point where the positive difference between the collateral value and the loan amount is less than the haircut, our lenders may issue a margin call, which requires us to pay the difference in cash or pledge additional collateral to meet the obligations under our repurchase agreements. Under our repurchase facilities, our lenders have full discretion to determine the value of the MBS we pledge to them. Most of our lenders will value securities 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 principal repayments are announced monthly.

Forward-Looking Statements Regarding Liquidity

Based on our current portfolio, leverage rate and available borrowing arrangements, we believe that our cash flow from operations and our ability to make timely portfolio adjustments will be sufficient to enable us to meet anticipated short-term (one year or less) liquidity requirements such as to fund our investment activities, meet our financing obligations, pay fees under the management agreement and fund our distributions to stockholders and pay general corporate expenses.

We may increase our capital resources by obtaining long-term credit facilities or making public or private offerings of equity or debt securities, including classes of preferred stock, common stock and senior or subordinated notes to meet our liquidity requirements. As of the date hereof, we have "at-the-market" offering programs with 3,153 shares available under the Preferred C ATM Sales Agreement and 75,000 shares of common stock remain available under the 2023 Common stock ATM Sales Agreement (see Note 10 to the consolidated financial statements). These liquidity requirements include maturing repurchase agreements, settling TBA Agency Security positions and potentially making net payments on our interest rate swap contracts, and in each case, continuing to meet ongoing margin requirements. Such financing will depend on market conditions for capital raises and for the investment of any proceeds and there can be no assurances that we will successfully obtain any such financing.

Stockholders' Equity

See Note 10 to the consolidated financial statements.

Critical Accounting Policies

Valuation

Fair value is based on valuations obtained from third-party pricing services and/or dealer quotes. The third-party pricing services use common market pricing methods that include valuation models which incorporate such factors as coupons, collateral type, bond structure, historical and projected future prepayment speeds, priority of payments, historical and projected future delinquency rates and default severities, spread to the Treasury curve and interest rate swap curves, duration, periodic and life caps and credit enhancement. If the fair value of the MBS is not available from the third-party pricing services or such data appears unreliable, we obtain pricing indications from up to three dealers who make markets in similar MBS. Management reviews pricing used to ensure that current market conditions are properly reflected. This review includes, but is not limited to, comparisons of similar market transactions or alternative third-party pricing services, dealer pricing indications and comparisons to a third-party pricing model.

Valuation modeling is required because each individual MBS pool is a separately identified security with individual combinations of characteristics that influence market pricing. While the Agency Security market is generally very active and liquid within the context of broader classes of MBS, any particular security will likely trade infrequently. Our interest rate contracts are bilateral contracts with individual dealers and counterparties and are not cleared through recognized clearing



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

organizations. Valuation models for these positions rely on information from the active and liquid general interest rate swap market to infer the value of these unique positions.

From time to time, we challenge the information and valuations we receive from third-party pricing services. Occasionally, the third-party pricing services revise their information or valuations as a result of such challenges. While we have concluded that the fair values reflected in the financial statements are appropriate, there is no way to verify that the particular fair value estimated for any individual position represents the price at which it may actually be bought or sold at any given date.

Fair value for our U.S. Treasury Securities is based on obtaining a valuation for each U.S. Treasury Security from third-party pricing services and/or dealer quotes.

We update our fair value estimates at the end of each business day to reflect current market dynamics. During times of high market volatility, it can be difficult to obtain accurate market information timely, and accordingly, the confidence interval around our valuation estimates will increase, potentially significantly. During the three and six months ended June 30, 2023, the largest inter-day movement was the overall estimated values of our investment and hedge positions translated to a change in estimated book value of \$(0.19) per common share. Similarly, 95% of inter-day movements in estimated value translated to changes in estimated book value per share of \$0.19 or less.

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. Our financial statements are prepared in accordance with GAAP and any distributions we may make will be determined by our Board based in part on our REIT taxable income as calculated according to the requirements of the Code; in each case, our activities and balance sheet are measured with reference to fair value without considering inflation.

Subsequent Events

See Note 15 to the consolidated financial statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The forward-looking statements in this report are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. See Part I, Item 1A. "Risk Factors" of our most recent Annual Report on Form 10-K. You should carefully consider these risks before you make an investment decision with respect to our stock, along with the following factors that could cause actual results to vary from our forward-looking statements:

- the impact of COVID-19 or a new pandemic on our operations;
- the geopolitical situation as a result of the war in Ukraine may continue to adversely affect the U.S. economy, which may lead the Fed to take actions that may impact our business;
- the impact of the federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and the federal government and the Fed system;
- the possible material adverse effect on our business if the U.S. Congress passed legislation reforming or winding down Fannie Mae or Freddie Mac;
- mortgage loan modification programs and future legislative action;



ARMOUR Residential REIT, Inc.
Management's Discussion and Analysis (continued)

- actions by the Fed which could cause a change of the yield curve, which could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders;
- the impact of a delay or failure of the U.S. Government in reaching an agreement on the national debt ceiling;
- availability, terms and deployment of capital;
- extended trade disputes with foreign countries;
- changes in economic conditions generally;
- changes in interest rates, interest rate spreads and the yield curve or prepayment rates;
- general volatility of the financial markets, including markets for mortgage securities;
- a downgrade of the U.S. Government's or certain European countries' credit ratings and future downgrades of the U.S. Government's or certain European countries' credit ratings may materially adversely affect our business, financial condition and results of operations;
- our inability to maintain the level of non-taxable returns of capital through the payment of dividends to our stockholders or to pay dividends to our stockholders at all;
- inflation or deflation;
- the impact of a shutdown of the U.S. Government;
- availability of suitable investment opportunities;
- the degree and nature of our competition, including competition for MBS;
- changes in our business and investment strategy;
- our failure to maintain our qualification as a REIT;
- our failure to maintain an exemption from being regulated as a commodity pool operator;
- our dependence on ACM and ability to find a suitable replacement if ACM was to terminate its management relationship with us;
- the existence of conflicts of interest in our relationship with ACM, BUCKLER, certain of our directors and our officers, which could result in decisions that are not in the best interest of our stockholders;
- the potential for BUCKLER's inability to access attractive repurchase financing on our behalf or secure profitable third-party business;
- our management's competing duties to other affiliated entities, which could result in decisions that are not in the best interest of our stockholders;
- changes in personnel at ACM or the availability of qualified personnel at ACM;
- limitations imposed on our business by our status as a REIT under the Code;
- the potential burdens on our business of maintaining our exclusion from the 1940 Act and possible consequences of losing that exclusion;
- changes in GAAP, including interpretations thereof; and
- changes in applicable laws and regulations.

We cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on forward-looking statements, which apply only as of the date of this report. We do not intend and disclaim any duty or obligation to update or revise any industry information or forward-looking statements set forth in this report to reflect new information, future events or otherwise, except as required under the U.S. federal securities laws.



GLOSSARY OF TERMS
ARMOUR Residential REIT, Inc.

Term	Definition
Agency CMBS	Commercial mortgage backed securities.
Agency Securities	Securities issued or guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae; interests in or obligations backed by pools of fixed rate, hybrid adjustable rate and adjustable rate mortgage loans.
Basis swap contracts	Derivative contracts that allow us to exchange one floating interest rate basis for another, for example, 3 month Fed Funds Rates, thereby allowing us to diversify our floating rate basis exposures.
Board	ARMOUR's Board of Directors.
BUCKLER	A Delaware limited liability company, and a FINRA-regulated broker-dealer. The primary purpose of our investment in BUCKLER is to facilitate our access to repurchase financing, on potentially more attractive terms (considering rate, term, size, haircut, relationship and funding commitment) compared to other suitable repurchase financing counterparties.
CFO	Chief Financial Officer of ARMOUR, James Mountain.
CME	Chicago Mercantile Exchange.
Co-CEOs	Co-Chief Executive Officers of ARMOUR, Jeffrey Zimmer and Scott Ulm.
Code	The Internal Revenue Code of 1986.
Common Stock Repurchase Program	ARMOUR's common stock repurchase program authorized by our Board.
COVID-19	The Coronavirus pandemic.
CPR	Constant prepayment rate.
Credit Risk and Non-Agency Securities	Securities backed by residential mortgages in which we may invest, which are not issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act.
Exchange Act	Securities Exchange Act of 1934.
Fannie Mae	The Federal National Mortgage Association.
Fed	The U.S. Federal Reserve.
Fed Funds Rate	Federal Funds Effective Rate.
FINRA	The Financial Industry Regulatory Authority. A private corporation that acts as a self-regulatory organization.
Freddie Mac	The Federal Home Loan Mortgage Corporation.
GAAP	Accounting principles generally accepted in the United States of America.
Ginnie Mae	The Government National Mortgage Administration.
GSE	A U.S. Government Sponsored Entity. Obligations of agencies originally established or chartered by the U.S. government to serve public purposes as specified by the U.S. Congress; these obligations are not explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government.
Haircut	The weighted average margin requirement, or the percentage amount by which the collateral value must exceed the loan amount. Among other things, it is a measure of our unsecured credit risk to our lenders.
Hybrid	A mortgage that has a fixed rate for an initial term after which the rate becomes adjustable according to a specific schedule.
Interest-Only Securities	The interest portion of Agency Securities, which is separated and sold individually from the principal portion of the same payment.
ISDA	International Swaps and Derivatives Association.



ARMOUR Residential REIT, Inc.
GLOSSARY OF TERMS (continued)

JAVELIN	JAVELIN Mortgage Investment Corp., formerly a publicly-traded REIT. Since its acquisition on April 6, 2016, JAVELIN became a wholly-owned, qualified REIT subsidiary of ARMOUR and continues to be managed by ACM pursuant to the pre-existing management agreement between JAVELIN and ACM.
MBS	Mortgage backed securities. A security representing a direct interest in a pool of mortgage loans. The pass-through issuer or servicer collects the payments on the loans in the pool and “passes through” the principal and interest to the security holders on a pro rata basis.
Merger	The merger of JMI Acquisition Corporation with and into JAVELIN on April 6, 2016.
MRA	Master repurchase agreement. A document that outlines standard terms between the Company and counterparties for repurchase agreement transactions.
Multi-Family MBS	MBS issued under Fannie Mae's Delegated Underwriting System (DUS) program.
REIT	Real Estate Investment Trust. A special purpose investment vehicle that provides investors with the ability to participate directly in the ownership or financing of real-estate related assets by pooling their capital to purchase and manage mortgage loans and/or income property.
SEC	The Securities and Exchange Commission.
SOFR	Secured overnight funding rate. A measure of the cost of borrowing cash overnight collateralized by U.S. Treasury Securities.
TBA Agency Securities	Forward contracts for the purchase (“long position”) or sale (“short position”) of Agency Securities at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date.
TBA Drop Income	The discount associated with TBA Agency Securities contracts which reflects the expected interest income on the underlying deliverable Agency Securities, net of an implied financing cost, which would have been earned by the buyer if the TBA Agency Securities contract had settled on the next regular settlement date instead of the forward settlement date specified. TBA Drop Income is calculated as the difference between the forward settlement price of the TBA Agency Securities contract and the spot price of similar TBA Agency Securities contracts for regular settlement. The Company generally accounts for TBA Agency Securities contracts as derivatives and TBA Drop Income is included as part of the periodic changes in fair value of the TBA Agency Securities that the Company recognizes in the Other Income (Loss) section of its Consolidated Statement of Operations.
TRS	Taxable REIT subsidiary.
U.S.	United States.
1940 Act	The Investment Company Act of 1940.



Item 3. Quantitative and Qualitative Disclosures about Market Risk ARMOUR Residential REIT, Inc.

We seek to manage our risks related to the credit-quality of our assets, interest rates, liquidity, prepayment speeds and market value while, at the same time, seeking to provide an opportunity to stockholders to realize attractive risk adjusted returns through ownership of our capital stock. While we do not seek to avoid risk completely, we believe the risk can be quantified from historical experience and seek to actively manage that risk, to earn sufficient compensation to justify taking those risks and to maintain capital levels consistent with the risks we undertake.

Interest Rate Risk

Our primary market risk is interest rate risk. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Changes in the general level of interest rates can affect net interest income, which is the difference between the interest income earned on our assets and the interest expense incurred in connection with our liabilities, by affecting the spread between the interest-earning assets and interest-bearing liabilities. Changes in the level of interest rates also can affect the value of MBS and our ability to realize gains from the sale of these assets. A decline in the value of the MBS pledged as collateral for borrowings under repurchase agreements could result in the counterparties demanding additional collateral pledges or liquidation of some of the existing collateral to reduce borrowing levels.

Our borrowings are not subject to similar restrictions and are generally repurchase agreements of limited duration that track the Fed Funds Rate and SOFR and are periodically refinanced at current market rates. Therefore, on average, our cost of funds may rise or fall more quickly than our earnings rate on our assets. Hence, in a period of increasing interest rates, interest rates on our borrowings could increase without limitation, while the changes in the interest rates on our mortgage related assets could be limited. These factors could lower our net interest income or cause a net loss during periods of rising interest rates, which would negatively impact our liquidity, net income and our ability to make distributions to stockholders.

We anticipate that in most cases the interest rates, interest rate indices and repricing terms of our mortgage assets and our funding sources will not be identical, thereby creating an interest rate mismatch between assets and liabilities. These indices generally move in the same direction, but there can be no assurance that this will continue to occur. Furthermore, our net income may vary somewhat as the spread between one-month interest rates, the typical term for our repurchase agreements, and the interest rates on our mortgage assets varies. During periods of changing interest rates, such interest rate mismatches could negatively impact our net interest income, dividend yield and the market price of our stock.

Another component of interest rate risk is the effect changes in interest rates will have on the market value of our MBS. We face the risk that the market value of our MBS will increase or decrease at different rates than that of our liabilities, including our derivative instruments and obligations to return securities received as collateral.

We primarily assess our interest rate risk by estimating the effective duration of our assets and the effective duration of our liabilities and by estimating the time difference between the interest rate adjustment of our assets and the interest rate adjustment of our liabilities. Effective duration essentially measures the market price volatility of financial instruments as interest rates change. We generally estimate effective duration using various financial models and empirical data. Different models and methodologies can produce different effective duration estimates for the same securities.

The sensitivity analysis tables presented below reflect the estimated impact of an instantaneous parallel shift in the yield curve, up and down 50 and 100 basis points, on the market value of our interest rate-sensitive investments and net interest income, at June 30, 2023 and December 31, 2022. It assumes that the mortgage spread on our MBS remains constant. Actual interest rate movements over time will likely be different, and such differences may be material. When evaluating the impact of changes in interest rates, prepayment assumptions and principal reinvestment rates are adjusted based on ACM's expectations. Interest rates for interest rate swaps and repurchase agreements are assumed to remain positive. The analysis presented utilized assumptions, models and estimates of ACM based on ACM's judgment and experience.



ARMOUR Residential REIT, Inc.
Market Risk Disclosures (continued)

Change in Interest Rates	Percentage Change in Projected		
	Net Interest Income	Portfolio Including Derivatives	Shareholder's Equity
June 30, 2023			
1.00%	5.06%	(1.60)%	(14.59)%
0.50%	2.53%	(0.72)%	(6.57)%
(0.50)%	(2.51)%	0.52%	4.77%
(1.00)%	(5.01)%	0.79%	7.14%
December 31, 2022			
1.00%	2.81%	(1.60)%	(13.54)%
0.50%	1.41%	(0.76)%	(6.39)%
(0.50)%	(1.42)%	0.60%	5.08%
(1.00)%	(2.87)%	0.98%	8.31%

While the tables above reflect the estimated immediate impact of interest rate increases and decreases on a static securities portfolio, we rebalance our securities portfolio from time to time either to seek to take advantage of or reduce the impact of changes in interest rates. It is important to note that the impact of changing interest rates on market value and net interest income can change significantly when interest rates change beyond 100 basis points from current levels. Therefore, the volatility in the market value of our assets could increase significantly when interest rates change beyond amounts shown in the tables above. In addition, other factors impact the market value of and net interest income from our interest rate-sensitive investments and derivative instruments, such as the shape of the yield curve, market expectations as to future interest rate changes and other market conditions. Accordingly, interest income would likely differ from that shown above and such difference might be material and adverse to our stockholders.

Mortgage Spread Risk

Weakness in the mortgage market may adversely affect the performance and market value of our investments. This could negatively impact our book value. Furthermore, if our lenders are unwilling or unable to provide additional financing, we could be forced to sell our MBS at an inopportune time when prices are depressed.

The table below quantifies the estimated changes in the fair value of our securities portfolio and in our shareholders' equity as of June 30, 2023 and December 31, 2022. The estimated impact of changes in spreads is in addition to our interest rate sensitivity presented above. Our securities portfolio's sensitivity to mortgage spread changes will vary with changes in interest rates and in the size and composition of our securities portfolio. Therefore, actual results could differ materially from our estimates.

Change in MBS spread	June 30, 2023		December 31, 2022	
	Percentage Change in Projected		Percentage Change in Projected	
	Portfolio Value	Shareholders' Equity	Portfolio Value	Shareholders' Equity
+25 BPS	(1.36)%	(11.93)%	(1.54)%	(12.39)%
+10 BPS	(0.54)%	(4.77)%	(0.61)%	(4.96)%
-10 BPS	0.54%	4.77%	0.61%	4.96%
-25 BPS	1.36%	11.93%	1.54%	12.39%



ARMOUR Residential REIT, Inc.
Market Risk Disclosures (continued)

Prepayment Risk

As we receive payments of principal on our MBS, premiums paid on such securities are amortized against interest income and discounts are accreted to interest income as realized. Premiums arise when we acquire MBS at prices in excess of the principal balance of the mortgage loans underlying such MBS. Conversely, discounts arise when we acquire MBS at prices below the principal balance, adjusted for expected impairment losses, of the mortgage loans underlying such MBS. Volatility in actual prepayment speeds will create volatility in the amount of premium amortization we recognize. Higher speeds will reduce our interest income and lower speeds will increase our interest income.

Credit Risk

We have limited our exposure to impairment losses on our securities portfolio of Agency Securities. The payment of principal and interest on the Freddie Mac and Fannie Mae Agency Securities are guaranteed by those respective agencies and the payment of principal and interest on the Agency Securities guaranteed by Ginnie Mae are backed by the full faith and credit of the U.S. Government. Fannie Mae and Freddie Mac remain in conservatorship of the U.S. Government. There can be no assurances as to how or when the U.S. Government will end these conservatorships or how the future profitability of Fannie Mae and Freddie Mac and any future credit rating actions may impact the credit risk associated with Agency Securities and, therefore, the value of the Agency Securities. All of our Agency Securities are issued and guaranteed by GSEs or Ginnie Mae. The GSEs have a long term credit rating of AA+.

At June 30, 2023 and December 31, 2022, we did not own any Credit Risk and Non-Agency Securities. From time to time we may purchase Credit Risk and Non-Agency Securities at prices which incorporate our expectations for prepayment speeds, defaults, delinquencies and severities. These expectations determine the yields we receive on our assets. If actual prepayment speeds, defaults, delinquencies and severities are different from our expectations, our actual yields could be higher or lower. We evaluate each investment based on the characteristics of the underlying collateral and securitization structure, rather than relying on the ratings assigned by rating agencies. Credit Risk and Non-Agency Securities are subject to risk of loss with regard to principal and interest payments.

Liquidity Risk

Our primary liquidity risk arises from financing long-maturity MBS with short-term debt. The interest rates on our borrowings adjust frequently while the interest rates on our MBS are fixed. Accordingly, in a period of rising interest rates, our borrowing costs will usually increase faster than our interest earnings from MBS. Our repurchase agreements require that we maintain adequate pledged collateral. A decline in the value of the MBS pledged as collateral for borrowings under repurchase agreements could result in the counterparties demanding additional collateral pledges or liquidation of some of the existing collateral to reduce borrowing levels.

Operational Risk

We rely on our financial, accounting and other data processing systems. Computer malware, viruses, computer hacking and phishing attacks have become more prevalent in our industry and may occur on our systems. Although we have not detected a material cybersecurity breach to date, other financial services institutions have reported material breaches of their systems, some of which have been significant. Even with all reasonable security efforts, not every breach can be prevented or even detected. It is possible that we have experienced an undetected breach. There is no assurance that we, or the third parties that facilitate our business activities, have not or will not experience a breach. It is difficult to determine what, if any, negative impact may directly result from any specific interruption or cyber-attacks or security breaches of our networks or systems (or the networks or systems of third parties that facilitate our business activities) or any failure to maintain performance.

ACM has established an IT Committee to help mitigate technology risks including cybersecurity. One of the roles of the IT Committee is to oversee cyber risk assessments, monitor applicable key risk indicators, review cybersecurity training procedures, oversee the Company's Cybersecurity Incident Response Plan and engage third parties to conduct periodic



ARMOUR Residential REIT, Inc.
Market Risk Disclosures (continued)

penetration testing. Our cybersecurity risk assessment includes an evaluation of cyber risk related to sensitive data held by third parties on their systems. There is no assurance that these efforts will effectively mitigate cybersecurity risk and mitigation efforts are not an assurance that no cybersecurity incidents will occur.

In addition, our Audit Committee periodically monitors and oversees our information and cybersecurity risks including reviewing and approving any information and cybersecurity policies, procedures and resources, and reviewing our information and cybersecurity risk assessment, detection, protection, and mitigation systems.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Co-Chief Executive Officers (“Co-CEOs”) and Chief Financial Officer (“CFO”) participated in an evaluation by our management of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of our fiscal quarter that ended on June 30, 2023. Based on their participation in that evaluation, our Co-CEOs and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2023 to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and to ensure that information required to be disclosed in our reports filed or furnished under the Exchange Act, is accumulated and communicated to our management, including our Co-CEOs and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Internal Control Over Financial Reporting

Our Co-CEOs and CFO also participated in an evaluation by our management of any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2023. That evaluation did not identify any changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



PART II. OTHER INFORMATION
ARMOUR Residential REIT, Inc.
(in thousands, except per share)

Item 1. Legal Proceedings

There have been no material changes to the legal proceedings disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 15, 2023.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 15, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table presents information regarding our repurchases made during the three months ended June 30, 2023 (in thousands, except per share price). In the four business days prior to and after the announcement of our stock repurchase program (the "Common Stock Repurchase Program") there were no purchases or sales by any directors or officers of common stock.

Period	Class of Shares	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plans or Programs ⁽³⁾	Total Number of Shares Purchased on the Open Market
April 1, 2023 through April 30, 2023	Common	—	\$ —	—	5,889	—
May 1, 2023 through May 31, 2023	Common	(425)	\$ (4.88)	(425)	5,464	(425)
June 1, 2023 through June 30, 2023	Common	—	\$ —	—	5,464	—
Totals		(425)		(425)	5,464	(425)

(1) All shares were repurchased pursuant to the Common Stock Repurchase Program (see Note 10 to the consolidated financial statements).

(2) Weighted average share price, including fees and commissions.

(3) The Board authorized the Common Stock Repurchase Program to initially authorize the Company to repurchase up to \$100 million of its outstanding shares of common stock, which Common Stock Repurchase Program was announced on December 17, 2012. The Board subsequently amended the repurchase authorization on March 5, 2014 to increase the repurchase authorization from \$100 million shares to 50,000 shares. On July 28, 2015, the Board increased the repurchase authorization to 9,000 shares effective in connection with the Company's one-for-eight reverse stock split of its common stock in July 2015. Most recently, the Board increased the repurchase authorization back up to 9,000 shares on June 4, 2019. At June 30, 2023 there were 5,464 authorized shares remaining under the current Common Stock Repurchase Program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.



ARMOUR Residential REIT, Inc.
Item 6. Exhibits

Item 5. Other Information

On July 26, 2023, the Company entered into a new Equity Sales Agreement, dated July 26, 2023 (the “2023 Common stock ATM Sales Agreement”), with BUCKLER, an affiliate of the Company and member of the Financial Industry Regulatory Authority, JonesTrading Institutional Services LLC (“JonesTrading”), JMP Securities LLC (“JMP Securities”), Ladenburg Thalmann & Co. Inc. (“Ladenburg”) and B. Riley Securities, Inc. (“B. Riley Securities,” and together with BUCKLER, JonesTrading, JMP Securities and Ladenburg, the “Agents”), as sales agents, and ACM, pursuant to which the Company may, from time to time, issue and sell up to 75,000 shares (“Shares”) of the Company’s common stock through or to such designated Agents.

The 2023 Common stock ATM Sales Agreement relates to a proposed “at the market offering” of shares of the Company’s common stock (the “Offering”). The Shares are being offered pursuant to a prospectus supplement (the “ATM Prospectus Supplement”) filed with the SEC on July 26, 2023, in connection with the Company’s effective shelf registration statement on Form S-3 (Registration No. 333-253311). Sales of the Company’s common stock through the Agents, if any, will be made in amounts and at times to be determined by the Company from time to time, but neither the Company nor the Agents have an obligation to sell any of the shares in the Offering. Actual sales will depend on a variety of factors to be determined by the Company from time to time, including (among others) market conditions, the trading price of the Company’s common stock and determinations by the Company of the appropriate sources of funding for the Company. Under the Sales Agreement, the Agents have agreed to use commercially reasonable efforts consistent with their normal trading and sales practices to sell common stock in agency transactions. The 2023 Common stock ATM Sales Agreement provides that the Agents will be entitled to compensation of up to 2.0% of the gross sales price per share for any of the common stock sold under the Sales Agreement in agency transactions.

Sales of the common stock, if any, under the 2023 Common stock ATM Sales Agreement may be made by means of transactions that are deemed to be “at-the-market offerings” as defined in Rule 415 under the Securities Act of 1933, as amended and may include block sales and other privately negotiated transactions to investors. Neither the Company nor the Agents have an obligation to sell any of the common stock in the Offering, and the Company or Agents may at any time suspend solicitation and offers under the Sales Agreement or terminate the Sales Agreement. The Company intends to use the proceeds from any sales to acquire additional MBS and other mortgage-related assets in accordance with its objectives and strategies described in the Company’s most recent Annual Report on Form 10-K and other filings with the SEC.

The 2023 Common stock ATM Sales Agreement contains customary representations, warranties and agreements of the Company and ACM and customary conditions to completing future sale transactions, indemnification rights and obligations of the parties and termination provisions.

The 2023 Common stock ATM Sales Agreement is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q and is incorporated herein by reference. The foregoing description of the 2023 Common stock ATM Sales Agreement and the transactions contemplated thereby is qualified in its entirety by reference to Exhibit 10.1.

Also attached as Exhibit 5.1 to this Quarterly Report on Form 10-Q and incorporated herein by reference is a legal opinion regarding the validity of the shares to be issued and sold in the Offering.

This Item 5 disclosure shall not constitute an offer to sell or a solicitation of an offer to buy any securities, nor shall there be any sale of these securities in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or other jurisdiction.



ARMOUR Residential REIT, Inc.
Item 6. Exhibits

Item 6. Exhibits

Exhibit Number	Exhibit Index	Description
5.1		Opinion of Holland & Knight LLP, regarding the validity of the shares to be issued and sold in the Offering.
10.1		Equity Sales Agreement, dated July 26, 2023, by and among ARMOUR Residential REIT, Inc. and ARMOUR Capital Management LP, and BUCKLER Securities LLC, JonesTrading Institutional Services LLC, JMP Securities LLC, Ladenburg Thalmann & Co. Inc., and B. Riley Securities, Inc.
31.1		Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a). (1)
31.2		Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a). (1)
31.3		Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a). (1)
32.1		Certification of Chief Executive Officer Pursuant to 18 U.S.C. §1350 (2)
32.2		Certification of Chief Executive Officer Pursuant to 18 U.S.C. §1350 (2)
32.3		Certification of Chief Financial Officer Pursuant to 18 U.S.C. §1350 (2)
101.INS		XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH		XBRL Taxonomy Extension Schema Document (1)
101.CAL		XBRL Taxonomy Extension Calculation Linkbase Document (1)
101.DEF		XBRL Taxonomy Extension Definition Linkbase Document (1)
101.LAB		XBRL Taxonomy Extension Label Linkbase Document (1)
101.PRE		XBRL Taxonomy Extension Presentation Linkbase Document (1)
104		Cover Page Interactive Data (formatted as Inline XBRL and contained in Exhibit 101)
(1)		Filed herewith.
(2)		Furnished herewith.



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

July 26, 2023

ARMOUR RESIDENTIAL REIT, INC.

/s/ James R. Mountain

James R. Mountain

Chief Financial Officer, Duly Authorized Officer and Principal
Financial Officer

Holland & Knight

701 Brickell Avenue, Suite 3300 | Miami, FL 33131 | T 305.374.8500 | F 305.789.7799
Holland & Knight LLP | www.hkllaw.com

July 26, 2023

ARMOUR Residential REIT, Inc.
3001 Ocean Drive, Suite 201
Vero Beach, Florida 32963

Re: Shelf Registration Statement on Form S-3 (Registration No. 333-253311)

Ladies and Gentlemen:

Reference is made to the Registration Statement on Form S-3 (Registration No. 333-253311) (the "Registration Statement") filed with the Securities and Exchange Commission (the "Commission") on February 19, 2021 by ARMOUR Residential REIT, Inc. (the "Company") pursuant to the requirements of the Securities Act of 1933, as amended (the "Act"). We are rendering this opinion letter in connection with the filing of a prospectus supplement dated July 26, 2023 (the "Prospectus Supplement"). The Prospectus Supplement relates to the offering by the Company of up to 75,000,000 shares (the "Shares") of the Company's common stock, par value \$0.001 per share (the "Common Stock"), in an "at-the-market" offering, pursuant to an Equity Sales Agreement dated July 26, 2023, which Shares are covered by the Registration Statement. We understand that the Shares are to be offered and sold in the manner set forth in the Registration Statement and the Prospectus Supplement.

We have acted as your counsel in connection with the preparation of the Prospectus Supplement. We are familiar with the proceedings taken by the Board of Directors of the Company in connection with the authorization, issuance and sale of the Shares. We have examined all such documents as we have considered necessary in order to enable us to render this opinion letter, including, but not limited to, (i) the Registration Statement, (ii) the Base Prospectus, dated February 19, 2021, included with the Registration Statement (the "Prospectus"), (iii) the Prospectus Supplement, (iv) the Company's Articles of Incorporation, as amended, (v) the Company's Bylaws, as amended, (vi) certain resolutions adopted by the Board of Directors of the Company, the independent members of the Board of Directors of the Company and the Audit Committee of the Board of Directors of the Company, (vii) corporate records and instruments, (viii) a specimen certificate representing the Shares, and (ix) such laws and regulations as we have deemed necessary for the purposes of rendering the opinion set forth herein. In our examination, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of and conformity to originals of such documents that have been presented to us as duplicates or certified or conformed copies, the accuracy, completeness and authenticity of originals, the due execution and delivery of all documents (except that no such assumption is made as to the Company) where due execution and delivery are a prerequisite to the effectiveness thereof, and that the Shares will be issued against payment of valid consideration under applicable law. As to any facts material to the opinion expressed herein, which were not independently established or verified, we have relied, to the extent we have deemed reasonably appropriate, upon statements and representations or certificates of officers or directors of the Company.

Based upon the foregoing, we are of the opinion that the Shares have been duly authorized and, when issued and delivered by the Company against payment therefor as set forth in the Registration Statement and the Prospectus Supplement, will be validly issued, fully paid and non-assessable.

The opinion expressed herein is limited to the corporate laws of the State of Maryland and we express no opinion as to the effect on the matters covered by the laws of any other jurisdiction. We assume no obligation to supplement this opinion letter if any applicable law changes after the date hereof or if we become aware of any fact that may change the opinion expressed herein after the date hereof.

We hereby consent to the filing of this opinion letter as part of the Registration Statement and to the reference of our firm under the caption "Legal Matters" in the Prospectus Supplement. In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission.

Very truly yours,

/s/ HOLLAND & KNIGHT LLP

HOLLAND & KNIGHT LLP

ARMOUR Residential REIT, INC.

Up to 75,000,000 shares of Common Stock
(\$0.001 par value per share)

EQUITY SALES AGREEMENT

July 26, 2023

BUCKLER Securities LLC
5 Greenwich Office Park, Suite 450
Greenwich, CT 06831

JMP Securities LLC
600 Montgomery, Suite 1100
San Francisco, CA 94111

Ladenburg Thalmann & Co. Inc.
640 5th Ave., 4th Floor
New York, NY 10019

B. Riley Securities, Inc.
299 Park Avenue, 21st Floor
New York, New York 10171

JonesTrading Institutional Services LLC
325 Hudson St. 6th Floor
New York, NY 10013

Ladies and Gentlemen:

ARMOUR Residential REIT, Inc., a Maryland corporation (the "Company"), that is externally managed by ARMOUR Capital Management LP, a Delaware limited partnership (the "Manager"), proposes, subject to the terms and conditions stated herein, to issue and sell from time to time to or through one or more of BUCKLER Securities LLC ("BUCKLER"), JMP Securities LLC ("JMP"), Ladenburg Thalmann & Co. Inc. ("Ladenburg"), B. Riley Securities, Inc. ("B. Riley Securities") and JonesTrading Institutional Services LLC ("JonesTrading" and together with BUCKLER, JMP, Ladenburg and B. Riley Securities, the "Agents"), shares (the "Shares") of the Company's common stock, \$0.001 par value (the "Common Stock"), in an aggregate amount up to 75,000,000 Shares, on the terms set forth in this agreement ("the "Agreement").

The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") an "automatic shelf registration statement," as defined under Rule 405 ("Rule 405")

under the Securities Act of 1933, as amended (the “1933 Act”), on Form S-3 (File No. 333-253311), covering the public offering and sale of certain securities of the Company, including the Shares, under the 1933 Act and the rules and regulations promulgated thereunder (the “1933 Act Regulations”), which automatic shelf registration statement became effective under Rule 462(e) of the 1933 Act Regulations (“Rule 462(e)”). The “Registration Statement,” as of any time, means such registration statement as amended by any post-effective amendments thereto at such time, including the exhibits and any schedules thereto at such time, the documents incorporated or deemed to be incorporated by reference therein at such time pursuant to Item 12 of Form S-3 under the 1933 Act and the documents otherwise deemed to be a part thereof as of such time pursuant to Rule 430B of the 1933 Act Regulations (“Rule 430B”); provided, however, that the “Registration Statement” without reference to a time means such registration statement as amended by any post-effective amendments thereto as of the time of the first contract of sale for the Shares, which time shall be considered the “new effective date” of the Registration Statement with respect to the Shares within the meaning of paragraph (f)(2) of Rule 430B (“Rule 430B(f)(2)”), including the exhibits and schedules thereto at such time, the documents incorporated or deemed to be incorporated by reference therein at such time pursuant to Item 12 of Form S-3 under the 1933 Act and the documents otherwise deemed to be a part thereof as of such time pursuant to Rule 430B. The base prospectus filed as part of such automatic shelf registration statement, as amended in the form in which it has been filed most recently with the Commission in accordance with Section 3(b) or 3(c) hereof, including the documents incorporated or deemed incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, is referred to herein as the “Base Prospectus.” Promptly after execution and delivery of this Agreement, the Company will prepare and file a prospectus supplement relating to the Shares in accordance with the provisions of Rule 424(b) of the 1933 Act Regulations (“Rule 424(b)”). Such final prospectus supplement, as amended by the prospectus supplement filed most recently with the Commission in accordance with Section 3(b), 3(c) or 3(w) hereof, as the case may be, including the documents incorporated or deemed to be incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, is referred to herein as the “Prospectus Supplement.” The Base Prospectus, as amended by the Prospectus Supplement and any applicable pricing supplement thereto, in the form the Base Prospectus, the Prospectus Supplement and any such pricing supplement are first furnished to the Agent for use in connection with the offering and sale of Shares, are collectively referred to herein as the “Prospectus.” For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus or the Prospectus or any amendment or supplement thereto shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system (or any successor system)(“EDGAR”).

As used in this Agreement:

“Applicable Time” means, with respect to any offer and sale of Shares, the time immediately prior to the first contract of sale for such Shares, or such other time as agreed by the Company and the Agent.

“General Disclosure Package” means each Issuer General Use Free Writing Prospectus, if any, issued prior to the Applicable Time, the most recent Prospectus filed with the Commission in accordance with Section 3(b), 3(c) or 3(w) hereof that is distributed to investors prior to the Applicable Time and the number of Shares and the initial offering price per Share, all considered together.

“Issuer Free Writing Prospectus” means any “issuer free writing prospectus,” as defined in Rule 433 of the 1933 Act Regulations (“Rule 433”), including, without limitation, any “free writing prospectus” (as defined in Rule 405) relating to the Shares that is (i) required to be filed with the Commission by the Company, (ii) a “road show that is a written communication” within the meaning of Rule 433(d)(8)(i), whether or not required to be filed with the Commission, or (iii) exempt from filing with the Commission pursuant to Rule 433(d)(5)(i) because it contains a description of the Shares or of the offering thereof that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company’s records pursuant to Rule 433(g).

“Issuer General Use Free Writing Prospectus” means any Issuer Free Writing Prospectus approved by the Agent for general distribution to investors, as evidenced by communications between the Company and the Agent, as the case may be.

“Issuer Limited Use Free Writing Prospectus” means any Issuer Free Writing Prospectus that is not an Issuer General Use Free Writing Prospectus.

All references in this Agreement to financial statements and schedules and other information which is “contained,” “included,” “made,” “stated” or “referred to” (or other references of like import) in the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to include all such financial statements and schedules and other information incorporated or deemed incorporated by reference in the Registration Statement, any preliminary prospectus or the Prospectus, as the case may be, prior to the Applicable Time relating to the particular Shares; and all references in this Agreement to amendments or supplements to the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to include the filing of any document under the Securities Exchange Act of 1934, as amended (the “1934 Act”), and the rules and regulations promulgated thereunder (the “1934 Act Regulations”) incorporated or deemed to be incorporated by reference in the Registration Statement, such preliminary prospectus or the Prospectus, as the case may be, at or after the Applicable Time relating to the particular Shares.

Section 1. Representations and Warranties. The Company and the Manager represent and warrant to the Agents and agree with the Agents, as of the date hereof and as of each Representation Date (as

defined below) on which a certificate is required to be delivered pursuant to Section 3(n) of this Agreement and as of the time of each sale of any Shares pursuant to this Agreement, as follows:

(i) Compliance of the Registration Statement, the Prospectus and Incorporated Documents. The Company meets the requirements for use of Form S-3 under the 1933 Act. The Registration Statement is an automatic shelf registration statement under Rule 405 and the Shares have been and remain eligible for registration by the Company on such automatic shelf registration statement. Each of the Registration Statement and any post-effective amendment thereto has become effective under the 1933 Act. No stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued under the 1933 Act, no notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) of the 1933 Act Regulations (“Rule 401(g)(2)”) has been received by the Company, no order preventing or suspending the use of any preliminary prospectus or the Prospectus or any amendment or supplement thereto has been issued and no proceedings for any of those purposes have been instituted or are pending or, to the Company’s knowledge, contemplated. The Company has complied with each request (if any) from the Commission for additional information.

Each of the Registration Statement and any post-effective amendment thereto, at the time of its effectiveness and as of each deemed effective date with respect to the Agents pursuant to Rule 430B(f)(2), complied in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations. Each of any preliminary prospectus and the Prospectus and any amendment or supplement thereto, at the time it was filed with the Commission, complied in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and is identical to the electronically transmitted copy thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

The documents incorporated or deemed to be incorporated by reference in the Registration Statement, any preliminary prospectus and the Prospectus, when they became effective or at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the 1934 Act and the 1934 Act Regulations.

(ii) Accurate Disclosure. Neither the Registration Statement nor any amendment thereto, at its effective time or at any Settlement Date, contained, contains or will contain an untrue statement of a material fact or omitted, omits or will omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. At each Applicable Time, neither (A) the General Disclosure Package nor (B) any individual Issuer Limited Use Free Writing Prospectus, when considered together with the General Disclosure Package, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not

misleading. Neither the Prospectus nor any amendment or supplement thereto (including any prospectus wrapper), as of its issue date, at the time of any filing with the Commission pursuant to Rule 424(b) or at any Settlement Date, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The documents incorporated or deemed to be incorporated by reference in the Registration Statement, the General Disclosure Package and the Prospectus, at the time the Registration Statement became effective or when such documents incorporated by reference were or hereafter are filed with the Commission, as the case may be, when read together with the other information in the Registration Statement, the General Disclosure Package or the Prospectus, as the case may be, did not, do not and will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(iii) Issuer Free Writing Prospectuses. No Issuer Free Writing Prospectus conflicts or will conflict with the information contained in the Registration Statement, any preliminary prospectus or the Prospectus or any amendment or supplement thereto, including any document incorporated by reference therein, that has not been superseded or modified. Any offer that is a written communication relating to the Shares made prior to the initial filing of the Registration Statement by the Company or any person acting on its behalf (within the meaning, for this paragraph only, of Rule 163(c) of the 1933 Act Regulations) has been filed with the Commission in accordance with the exemption provided by Rule 163 of the 1933 Act Regulations (“Rule 163”) and otherwise complied with the requirements of Rule 163, including, without limitation, the legending requirement, to qualify such offer for the exemption from Section 5(c) of the 1933 Act provided by Rule 163.

(iv) Well-Known Seasoned Issuer. (A) At the original effectiveness of the Registration Statement, (B) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the 1933 Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the 1934 Act or form of prospectus), (C) at the time the Company or any person acting on its behalf (within the meaning, for this clause only, of Rule 163(c)) made any offer relating to the Shares in reliance on the exemption of Rule 163, (D) at the date of this Agreement, and (E) at each Applicable Time, the Company was and is a “well-known seasoned issuer,” as defined in Rule 405.

(v) Company Not Ineligible Issuer. (A) At the time of filing the Registration Statement and any post-effective amendment thereto, (B) at the earliest time thereafter that the Company or another offering participant made a *bona fide* offer (within the meaning of Rule 164(h)(2) of the 1933 Act Regulations) of the Shares, (C) at the date of this Agreement and (D) at each Applicable Time, the Company was not and is not an “ineligible issuer,” as defined in Rule 405, without taking account of any determination by the Commission pursuant to Rule 405 that it is not necessary that the Company be considered an ineligible issuer.

(vi) Independent Accountants. The accountants who expressed their opinion with respect to the financial statements and supporting schedules included in the Registration Statement, the General Disclosure Package and the Prospectus are independent public accountants as required by the 1933 Act, the 1933 Act Regulations, the 1934 Act, the 1934 Act Regulations and the Public Accounting Oversight Board.

(vii) Financial Statements; Non-GAAP Financial Measures. The financial statements of the Company included in the Registration Statement, the General Disclosure Package and the Prospectus, together with the related schedules and notes, present fairly in all material respects the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company and its consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The financial statements of the businesses or properties acquired or proposed to be acquired, if any, included in the Registration Statement, the General Disclosure Package and the Prospectus present fairly in all material respects the information set forth therein, have been prepared in conformity with GAAP applied on a consistent basis and otherwise have been prepared in all material respects, in accordance with, in the case of businesses acquired or to be acquired, the applicable financial statement requirements of Rule 3-05 or, in the case of real estate operations acquired or to be acquired, Rule 3-14 of Regulation S-X. The supporting schedules, if any, present fairly in all material respects in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Registration Statement, the General Disclosure Package and the Prospectus present fairly in all material respects the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included therein. Any pro forma financial statements and the related notes thereto included in the Registration Statement, the General Disclosure Package and the Prospectus present fairly in all material respects the information shown therein, have been prepared in all material respects in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. Except as included in the Registration Statement, the General Disclosure Package and the Prospectus, no historical or pro forma financial statements or supporting schedules are required to be included in the Registration Statement, any preliminary prospectus or the Prospectus under the 1933 Act or the 1933 Act Regulations. All disclosures contained in the Registration Statement, the General Disclosure Package or the Prospectus, if any, regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission) comply with Regulation G under the 1934 Act and Item 10 of Regulation S-K under the 1933 Act, to the extent applicable. The interactive data in eXtensible Business Reporting Language incorporated by reference in the Registration Statement, the General Disclosure Package and the

Prospectus fairly presents in all material respects the required information and has been prepared in accordance with the Commission's rules and guidelines applicable thereto.

(viii) No Material Adverse Change. Except as stated in the Registration Statement, the General Disclosure Package and the Prospectus, since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package or the Prospectus, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs, business prospects or properties of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Change"), (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise, and (C) except for regular monthly dividends on the Common Stock, and regular dividends on the Company's 7.00% Series C Cumulative Redeemable Preferred Stock, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class or series of its capital stock.

(ix) Good Standing of the Company and the Manager. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Maryland. The Manager is a limited partnership organized under the Delaware Revised Limited Partnership Act and in good standing as a limited partnership in the state of Delaware. Each of the Company and the Manager has all requisite power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the General Disclosure Package and the Prospectus and to enter into and perform its obligations under, and to consummate the transactions contemplated in, this Agreement. Each of the Company and the Manager is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not, singly or in the aggregate, result in a material adverse effect in (A) the condition, financial or otherwise, or in the earnings, business affairs, business prospects or properties of the Company and the Manager and their respective subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (B) the ability of the Company and the Manager to enter into and perform any of their obligations under, or to consummate any of the transactions contemplated in, this Agreement (collectively, a "Material Adverse Effect").

(x) Good Standing of Subsidiaries. If applicable, each "significant subsidiary" of the Company (as such term is defined in Rule 1-02 of Regulation S-X) (each, a "Significant Subsidiary" and, collectively, the "Significant Subsidiaries"), has been duly organized and is validly existing in good standing under the laws of the jurisdiction of its incorporation or organization, has all requisite power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the General Disclosure Package and the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which such qualification is required,

whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not, singly or in the aggregate, result in a Material Adverse Effect. If applicable, except as described in the Registration Statement, the General Disclosure Package and the Prospectus, all of the outstanding shares of capital stock of or other equity interests in each Significant Subsidiary, have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company, directly or through other subsidiaries of the Company, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity. If applicable, none of the outstanding shares of capital stock of or other equity interests in any Significant Subsidiary were issued in violation of the preemptive or similar rights of any securityholder of such Significant Subsidiary or any other person or entity.

(xi) Listing of Common Stock. The outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable. None of the outstanding shares of capital stock of the Company were issued in violation of the preemptive or other similar rights of any securityholder of the Company or any other person or entity. The Common Stock has been registered pursuant to Section 12(b) of the 1934 Act, and has been listed, and the Shares have been approved for listing, subject to official notice of issuance, on the New York Stock Exchange (the “NYSE”), and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the 1934 Act or the listing of the Common Stock (including the Shares) on the NYSE, nor has the Company received any notification that the Commission or the NYSE is contemplating terminating such registration or listing.

(xii) Authorization of this Agreement. This Agreement has been duly authorized, executed and delivered by the Company and the Manager.

(xiii) Authorization and Description of Shares. The Shares have been duly authorized for issuance and sale by the Company pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement against payment of the consideration set forth in this Agreement, will be validly issued and fully paid and non-assessable. The issuance of the Shares is not subject to the preemptive or other similar rights of any securityholder of the Company or any other person or entity. The Common Stock conforms in all material respects to all statements relating thereto contained in the Registration Statement, the General Disclosure Package and the Prospectus and such statements conform in all material respects to the rights set forth in the instruments defining the same. No holder of Shares will be subject to personal liability by reason of being such a holder.

(xiv) Registration Rights. There are no persons with registration rights or other similar rights to have any securities registered for sale pursuant to the Registration Statement or otherwise registered for sale or sold by the Company under the 1933 Act pursuant to this Agreement, other than those rights that

have been disclosed in the Registration Statement, the General Disclosure Package and the Prospectus or have been waived.

(xv) Absence of Violations, Defaults and Conflicts. Neither the Company nor any of its subsidiaries are (A) in violation of its charter, by-laws or similar organizational document, (B) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries are a party or by which it or any of them may be bound or to which any of the properties, assets or operations of the Company or any of its subsidiaries are subject (collectively, “Agreements and Instruments”), except for such defaults that would not, singly or in the aggregate, result in a Material Adverse Effect, or (C) in violation of any law, statute, rule, regulation, judgment, order, writ or decree of any arbitrator, court, governmental body, regulatory body, administrative agency or other authority, body or agency having jurisdiction over the Company or any of its subsidiaries or any of their respective properties, assets or operations (each, a “Governmental Entity”), except for such violations that would not, singly or in the aggregate, result in a Material Adverse Effect. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and in the Registration Statement, the General Disclosure Package and the Prospectus (including the issuance and sale of Shares and the use of the proceeds from the sale thereof as described therein under the caption “Use of Proceeds”) and compliance by the Company with its obligations hereunder have been duly authorized by all requisite action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any properties, assets or operations of the Company or any of its subsidiaries pursuant to, the Agreements and Instruments (except for such conflicts, breaches, defaults or Repayment Events or liens, charges or encumbrances that would not, singly or in the aggregate, result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter, by-laws or similar organizational document of the Company or any of its subsidiaries or any law, statute, rule, regulation, judgment, order, writ or decree of any Governmental Entity. As used herein, a “Repayment Event” means any event or condition which gives the holder of any note, debenture or other financing instrument (or any person acting on such holder’s behalf) the right to require the repurchase, redemption or repayment of all or a portion of the related financing by the Company or any of its subsidiaries.

(xvi) Absence of Labor Dispute. No labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company or the Manager, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any of its subsidiaries’ principal suppliers, manufacturers, customers or contractors, which could, singly or in the aggregate, result in a Material Adverse Effect.

(xvii) Absence of Proceedings. Except as stated in the Registration Statement, the General Disclosure Package and the Prospectus, there is no action, suit, proceeding, inquiry or investigation before or brought by any Governmental Entity now pending, or, to the knowledge of the Company and the Manager, threatened, against or affecting the Company, the Manager or any of their respective subsidiaries, which could, singly or in the aggregate, result in a Material Adverse Effect. The aggregate of all pending legal or governmental proceedings to which the Company or any of its subsidiaries are a party or of which any of their respective properties, assets or operations are the subject which are not described in the Registration Statement, the General Disclosure Package and the Prospectus, including ordinary routine litigation incidental to the business, would not, singly or in the aggregate, result in a Material Adverse Effect.

(xviii) Accuracy of Exhibits. There are no contracts or documents which are required to be described in the Registration Statement, any preliminary prospectus or the Prospectus or to be filed as exhibits to the Registration Statement which have not been so described and filed as required.

(xix) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any Governmental Entity is necessary or required for the Company's due authorization, execution and delivery of, or performance of its obligations under, this Agreement or for the offering, issuance, sale or delivery of Shares or the consummation of the transactions contemplated in this Agreement, except such as have been already obtained or as may be required under the 1933 Act, the 1933 Act Regulations, the rules of the NYSE, the securities laws of any state or non-U.S. jurisdiction or the rules of Financial Industry Regulatory Authority, Inc. ("FINRA").

(xx) Possession of Licenses and Permits. The Company and its subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate Governmental Entities necessary to conduct the business now operated by them, except where the failure so to possess would not, singly or in the aggregate, result in a Material Adverse Effect. The Company and its subsidiaries are in compliance with the terms and conditions of all Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, result in a Material Adverse Effect. All of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not, singly or in the aggregate, result in a Material Adverse Effect. Neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any Governmental Licenses which, if the subject of an unfavorable decision, ruling or finding, could, singly or in the aggregate, result in a Material Adverse Effect.

(xxi) Title to Property. The Company and its subsidiaries have good and marketable title to all real property owned by them and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind

except such as (A) are described in the Registration Statement, the General Disclosure Package and the Prospectus or (B) do not, singly or in the aggregate, materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company or any of its subsidiaries. All of the leases and subleases material to the business of the Company and its subsidiaries, considered as one enterprise, and under which the Company or any of its subsidiaries holds properties described in the Registration Statement, the General Disclosure Package or the Prospectus, are in full force and effect, and neither the Company nor any such subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to its rights under any of the leases or subleases mentioned above or affecting or questioning its rights to the continued possession of the leased or subleased premises under any such lease or sublease.

(xxii) Possession of Intellectual Property. The Company and its subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know how (including, without limitation, trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement or conflict, if the subject of an unfavorable decision, ruling or finding, invalidity or inadequacy could, singly or in the aggregate, result in a Material Adverse Effect. The Company and its subsidiaries own or have a valid right to access and use all computer systems, networks, hardware, software, databases, websites and equipment used to process, store, maintain and operate data, information and functions used in connection with the business of the Company and its subsidiaries (the "Company IT Systems"). The Company IT Systems are adequate for, and operate and perform in all material respects as required in connection with, the operation of the business of the Company and its subsidiaries as currently conducted, except as would not, individually or in the aggregate, be expected to have a Material Adverse Effect. The Company and its subsidiaries have implemented reasonable backup, security and disaster recovery technology, and to the Company's knowledge there have been no breaches, violations, outages or unauthorized uses of or accesses to the Company IT Systems and data (including all personal, personally identifiable, sensitive, confidential or regulated data), nor any incidents under internal review or investigations relating to the same.

(xxiii) Environmental Laws. Except as described in the Registration Statement, the General Disclosure Package and the Prospectus or would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries are in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent,

decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products, asbestos-containing materials or mold (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries and (D) there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or Governmental Entity, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws.

(xxiv) Accounting Controls and Disclosure Controls. The Company and each of its subsidiaries maintain effective internal control over financial reporting (as defined under Rule 13-a15 and Rule 15d-15 of the 1934 Act Regulations) and a system of internal accounting controls sufficient to provide reasonable assurances that: (A) transactions are executed in accordance with management's general or specific authorization; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management's general or specific authorization; (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (E) the interactive data in eXtensible Business Reporting Language incorporated by reference in the Registration Statement, the General Disclosure Package and the Prospectus fairly presents the required information and is prepared in accordance with the Commission's rules and guidelines applicable thereto. Except as described in the Registration Statement, the General Disclosure Package and the Prospectus, since the end of the Company's most recent audited fiscal year, there has been (1) no material weakness in the Company's internal control over financial reporting (whether or not remediated) and (2) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company and each of its subsidiaries maintain an effective system of disclosure controls and procedures (as defined in Rule 13a-15 and Rule 15d-15 of the 1934 Act Regulations) that are designed to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the 1934 Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and is accumulated and communicated to the Company's management, including its principal executive officer or officers and principal financial officer or officers, as appropriate, to allow timely decisions regarding disclosure.

(xxv) Payment of Taxes. All United States federal income tax returns of the Company and its subsidiaries required by law to be filed have been filed and all taxes shown by such returns or otherwise assessed, which are due and payable, have been paid, except assessments against which appeals have been or will be promptly taken and as to which adequate reserves have been provided. The United States federal income tax returns of the Company and its subsidiaries through the fiscal year ended 2017 have been settled and no assessment in connection therewith has been made against the Company or any of its subsidiaries. The Company and its subsidiaries have filed all other tax returns that are required to have been filed by them pursuant to applicable foreign, state, local or other law except insofar as the failure to file such returns would not, singly or in the aggregate, result in a Material Adverse Effect, and has paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company or any of its subsidiaries, except for such taxes, if any, as are being contested in good faith and as to which adequate reserves have been established by the Company. The charges, accruals and reserves on the books of the Company in respect of any income and corporation tax liability for any years not finally determined are adequate to meet any assessments or re-assessments for additional income tax for any years not finally determined, except to the extent of any inadequacy that would not, singly or in the aggregate, result in a Material Adverse Effect.

(xxvi) Insurance. The Company and its subsidiaries carry or are entitled to the benefits of insurance, with financially sound and reputable insurers, in such amounts and covering such risks as is generally maintained by companies of established repute engaged in the same or similar business, and all such insurance is in full force and effect. The Company has no reason to believe that it or any of its subsidiaries will not be able (A) to renew its existing insurance coverage as and when such policies expire or (B) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not, singly or in the aggregate, result in a Material Adverse Effect. Neither of the Company nor any of its subsidiaries has been denied any insurance coverage which it has sought or for which it has applied.

(xxvii) Investment Company Act. The Company is not required, and upon the issuance and sale of the Shares as contemplated herein and the application of the net proceeds therefrom as described in the Registration Statement, the General Disclosure Package and the Prospectus will not be required, to register as an “investment company” under the Investment Company Act of 1940, as amended (the “1940 Act”).

(xxviii) Absence of Manipulation. Neither the Company nor any affiliate of the Company has taken, nor will the Company or any such affiliate take, directly or indirectly, any action which is designed, or would be expected, to cause or result in, or which constitutes, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any Shares or to result in a violation of Regulation M under the 1934 Act.

(xxix) Foreign Corrupt Practices Act. None of the Company, the Manager, any of their respective subsidiaries or, to the knowledge of the Company, the Manager, any director, officer, agent, employee, affiliate or other person acting on behalf of the Company or the Manager or any of their respective subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of either (A) the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the “FCPA”), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any “foreign official” (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA or (B) the U.K. Bribery Act 2010 (the “Bribery Act”), and the Company, its subsidiaries and, to the knowledge of the Company, its other affiliates have conducted their businesses in compliance with the FCPA and the Bribery Act and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(xxx) Money Laundering Laws. The operations of the Company, the Manager and their respective subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Entity (collectively, the “Money Laundering Laws”). No action, suit or proceeding by or before any Governmental Entity involving the Company, the Manager or any of their respective subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company or the Manager, threatened.

(xxxi) OFAC. None of the Company, the Manager or any of their respective subsidiaries or, to the knowledge of the Company, the Manager, any director, officer, agent, employee, affiliate or other person acting on behalf of the Company or the Manager or any of its subsidiaries is (A) an individual or entity (“Person”) currently the subject or target of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of the Treasury’s Office of Foreign Assets Control, the United Nations Security Council, the European Union, Her Majesty’s Treasury, or other relevant sanctions authority (collectively, “Sanctions”), or (B) located, organized or resident in a country or territory that is the subject of Sanctions. The Company will not, directly or indirectly, use the proceeds of the sale of the Shares, or lend, contribute or otherwise make available such proceeds to any of its subsidiaries, joint venture partners or other Persons, to fund any activities of or business with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions or in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions.

(xxxii) Lending Relationship. Except as disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, the Company (A) does not have any material lending or other relationship with the Agents or any bank, lending or other affiliate of the Agent and (B) does not intend to use any of the proceeds from the sale of the Shares to repay any outstanding debt owed to the Agents or any affiliate of the Agents.

(xxxiii) Statistical and Market-Related Data. Any statistical and market-related data included in the Registration Statement, the General Disclosure Package or the Prospectus are based on or derived from sources that the Company believes, after reasonable inquiry, to be reliable and accurate and, to the extent required, the Company has obtained the written consent to the use of such data from such sources.

(xxxiv) No Commissions. Neither the Company nor any of its subsidiaries are a party to any contract, agreement or understanding with any person (other than as contemplated by this Agreement) that would give rise to a valid claim against the Company or any of its subsidiaries or the Agents for a brokerage commission, finder's fee or like payment in connection with the offering and sale of any Shares.

(xxxv) No Real Property Holding Corporation Status. At any time since its inception, the Company has not been a United States real property holding corporation within the meaning of Section 897(c) of the United States Internal Revenue Code of 1986, as amended (the "Code").

(xxxvi) REIT Election. The Company made a timely election to be subject to tax as a real estate investment trust ("REIT") pursuant to Sections 856 through 860 of the Code for its taxable year ended December 31, 2009 and has not and will not revoke such election with respect to any taxable year through its taxable year ending December 31, 2023. Commencing with its taxable year ended December 31, 2009, the Company has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and the Company's actual and proposed method of operation as set forth in the Registration Statement and the Prospectus does and will enable it to meet the requirements for qualification and taxation as a REIT under the Code. All statements regarding the Company's qualification and taxation as a REIT and descriptions of the Company's organization and proposed method of operation set forth in the Prospectus are true, complete and correct in all material respects.

(xxxvii) Description of Operations and Business. The description of the Company's organization and actual and proposed method of operation set forth in the Registration Statement and the Prospectus is accurate and presents fairly the matters referred to therein in all material respects; the Company's operating policies and investment guidelines described in the Registration Statement and the Prospectus accurately reflect in all material respects the current intentions of the Company with respect to the

operation of its business, and no material deviation from such guidelines or policies is currently contemplated.

(xxxviii) Related-Party Transactions. There are no business relationships or related-party transactions involving the Company or, if applicable, any Significant Subsidiary, or the Manager or any other person required to be described in the Prospectus that have not been described as required.

(xxxix) Employee Benefit Plans. The Company and any “employee benefit plan” (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, “ERISA”) established or maintained by the Company, or its “ERISA Affiliates” (as defined below) are in compliance in all material respects with ERISA. “ERISA Affiliates” means, with respect to the Company, any member of any group of organizations described in Sections 414(b),(c),(m) or (o) of the Code of which the Company is a member. No “reportable event” (as defined under ERISA) has occurred or is reasonably expected to occur with respect to any “employee benefit plan” established or maintained by the Company, or any of its ERISA Affiliates. No “employee benefit plan” established or maintained by the Company or any of its ERISA Affiliates, if such “employee benefit plan” were terminated, would have any “amount of unfunded benefit liabilities” (as defined under ERISA). Neither the Company, nor any of its ERISA Affiliates has incurred or reasonably expects to incur any liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any “employee benefit plan” or (ii) Sections 412, 4971, 4975 or 4980B of the Code. Each “employee benefit plan” established or maintained by the Company or any of its ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification.

(xl) No Non-Compete Obligations. To the Company’s knowledge, no director or officer is subject to any non-competition agreement or non-solicitation agreement with any employer or prior employer which could materially affect each director’s or officer’s ability to be and act in the capacity of a director or officer of the Company.

(xli) No Unlawful Influence. The Company has not offered, or caused the Agents to offer, the Shares to any person or entity with the intention of unlawfully influencing a journalist or publication to write or publish favorable information about the Company or any such affiliate.

(xlii) Sarbanes-Oxley. The Company is in material compliance with all applicable provisions of the Sarbanes-Oxley Act of 2002 that are currently effective.

(xliii) FINRA Exemption. As of the date of this Agreement, the Company meets the definition of an “experienced issuer” as defined in FINRA Rule 5110(j)(6) for purposes of the exemption from filing under FINRA Conduct Rule 5110(h)(1)(C).

Any certificate signed by any officer or other authorized signatory of the Company or the Manager and delivered to the Agents or to counsel for the Agents shall be deemed a representation and warranty by the Company or the Manager, as applicable, to the Agents as to the matters covered thereby.

Section 2. Sale and Delivery of Shares.

(a) Subject to the terms and conditions set forth herein, the Company may, from time to time, in its sole discretion, propose to a Designated Agent (as defined below), by means of a telephone call or other method mutually agreed to in writing by the parties, to issue and sell Shares through such Designated Agent acting as sales agent from time to time (a "Placement Notice"). No notice to or consent from the other Agents will be required in connection with the selection of a Designated Agent by the Company. As used herein, "Designated Agent" shall mean, with respect to any issuance or sale, the Agent(s) selected by the Company to act as sales agent(s) in accordance with Section 2 hereof, provided that such Agent(s) selected by the Company has/have agreed to act as sales agent(s). Sales of the Shares, if any, through a Designated Agent acting as sales agent will be made by any method permitted by law deemed to be an "at the market offering" as defined in Rule 415 of the 1933 Act. The Designated Agent shall be under no obligation to purchase Shares on a principal basis pursuant to this Agreement, except as otherwise agreed by the Designated Agent.

(b) The Shares are to be sold through the Designated Agent on an agented basis on any day (other than a day on which the NYSE is scheduled to close prior to its regular weekday closing time)(each, a "Trading Day") on which (i) the Company has instructed the Designated Agent to make such sales and (ii) the Company has satisfied its covenants and conditions specified in Sections 3 and 5 hereof. On any Trading Day, the Company may sell Shares through the Designated Agent and, if it determines to do so, shall instruct the Designated Agent by telephone (confirmed promptly by telecopy or email, which confirmation will be promptly acknowledged by the Designated Agent) as to the maximum number of Shares to be sold on such Trading Day and the minimum or average minimum price per Share at which such Shares may be sold. Subject to the terms and conditions specified herein (including, without limitation, the accuracy of the representations and warranties of the Company and the performance by the Company of its covenants and other obligations, contained herein and the satisfaction of the additional conditions specified in Section 5 hereof), the Designated Agent shall use its commercially reasonable efforts, consistent with its normal trading and sales practices and applicable law and regulations, to sell all of the Shares so designated by the Company as sales agent in accordance with such instruction. The Company and the Designated Agent each acknowledge and agree that (A) there can be no assurance that the Designated Agent will be successful in selling any Shares and (B) the Designated Agent will not incur any liability or obligation to the Company if they fail to sell Shares for any reason other than a failure to use its commercially reasonable efforts, consistent with its normal trading and sales practices and applicable law and regulations, to sell such Shares as required by this Agreement.

(c) The Company or the Designated Agent through whom the sale of Shares are to be made as sales agent on any Trading Day may, upon notice to the other party hereto by telephone (confirmed promptly by telecopy or email, which confirmation will be promptly acknowledged by the receiving party), suspend the offering of Shares with respect to which the Designated Agent is acting as sales agent for any reason and at any time; provided, however, that such suspension shall not affect or impair the parties' respective obligations with respect to the Shares sold, or with respect to Shares that the Company has agreed to sell, hereunder prior to the giving of such notice.

(d) The gross sales price of any Shares sold pursuant to this Agreement by the Designated Agent acting as sales agent of the Company shall be equal to, in the discretion of the Designated Agent but subject to the specific instructions of the Company, the market price prevailing at the time of sale for the Shares sold by the Designated Agent on the NYSE or otherwise, at prices related to prevailing market prices or at negotiated prices. The compensation payable to the Designated Agent for sales of Shares with respect to which the Designated Agent acts as sales agent shall be equal to up to 2.0% of the gross sales price for such Shares or such lesser amount as is agreed between the Company and the Designated Agent. The remaining proceeds, after further deduction for any transaction fees, transfer taxes or similar taxes or fees imposed by any Governmental Entity or self-regulatory organization in respect of such sales, shall constitute the net proceeds to the Company for such sales (the "Net Proceeds"). The Designated Agent shall notify the Company as promptly as practicable if any deduction referenced in the preceding sentence will be made.

(e) In acting as sales agent hereunder, the Designated Agent shall provide written confirmation to the Company following the close of trading on the NYSE on each Trading Day on which Shares are sold under this Agreement setting forth the number of Shares sold on such day, the aggregate gross sales proceeds of the Shares, the aggregate Net Proceeds to the Company and the aggregate compensation payable by the Company to the Designated Agent with respect to such sales.

(f) Under no circumstances shall the aggregate gross sales price or number, as the case may be, of Shares offered or sold pursuant to this Agreement, or which are the subject of instructions to the Designated Agent as sales agent pursuant to Section 2(b) hereof, exceed the aggregate gross sales price or number, as the case may be, of Shares (i) referred to in the preamble paragraph of this Agreement, as reduced by prior sales of Shares under this Agreement, (ii) available for sale under the Registration Statement or (iii) duly authorized from time to time to be issued and sold under this Agreement by the Company or approved for listing on the NYSE, and, in each case referred to in clause (ii) and (iii), notified to the Designated Agent in writing. In addition, under no circumstances shall any Shares with respect to which the Designated Agent acts as sales agent be offered or sold, or be the subject of instructions to the Designated Agent as sales agent pursuant to Section 2(b) hereof, at a price lower than the minimum price therefor duly authorized from time to time by the Company and notified to the

Designated Agent in writing. The Agents shall have no responsibility for maintaining records with respect to Shares available for sale under the Registration Statement or for determining the aggregate gross sales price, number or minimum price of Shares duly authorized by the Company.

(g) Settlement for sales of Shares will occur on the second business day that is also a Trading Day following the trade date on which such sales were made, in either case unless another date shall be agreed to in writing by the Company and the Designated Agent (each such day, a “Settlement Date”). On each Settlement Date for the sale of Shares through the Designated Agent as sales agent, such Shares shall be delivered by the Company to the Designated Agent in book-entry form to the Designated Agent’s account at The Depository Trust Company against payment by the Designated Agent of the Net Proceeds from the sale of such Shares in same day funds delivered to an account designated by the Company. If the Company shall default on its obligation to deliver Shares through the Designated Agent as sales agent on any Settlement Date, the Company shall (i) indemnify and hold the Designated Agent harmless against any loss, claim or damage arising from or as a result of such default by the Company and (ii) pay the Designated Agent any commission to which it would otherwise be entitled absent such default.

(h) Notwithstanding any other provision of this Agreement, the Company shall not offer or sell, or instruct the Designated Agent to offer or sell, any Shares through the Designated Agent as sales agent (and, by notice to the Designated Agent given by telephone (confirmed promptly by telecopy or email), shall cancel any instructions for any such offer or sale of any Shares prior to the commencement of the periods referenced below), and the Designated Agent shall not be obligated to make any such offer or sale of Shares, (i) during any period in which the Company is, or could be deemed to be, in possession of material non-public information or (ii) except as provided in Section 2(i) hereof, at any time from and including the date on which the Company issues a press release containing, or shall otherwise publicly announce, its earnings, revenues or other operating results for a fiscal period or periods (each, an “Earnings Announcement”) through and including the time that is 24 hours after the time that the Company files a Quarterly Report on Form 10-Q or an Annual Report on Form 10-K (a “Filing Time”) that includes consolidated financial statements as of and for the same fiscal period or periods, as the case may be, covered by such Earnings Announcement.

(i) Notwithstanding clause (ii) of Section 2(h) hereof, if the Company wishes to offer or sell Shares through the Designated Agent as sales agent at any time during the period from and including an Earnings Announcement through and including the corresponding Filing Time, the Company shall first (i) prepare and deliver to the Designated Agent (with a copy to counsel for the Designated Agent) a Current Report on Form 8-K that includes substantially the same financial and related information (together with management’s discussion and analysis thereof) that was included in such Earnings Announcement (other than any earnings projections and similar forward-looking data and officers’ quotations) (each, an “Earnings 8-K”), in form and substance reasonably satisfactory to the Designated Agent and the Company, and, prior to its filing, obtain the written consent of the Designated Agent to such filing (which

consent shall not be unreasonably withheld), (ii) provide the Designated Agent with the officers' certificates, secretary's certificates, opinions of counsel and accountants' letter specified in Section 3(n), (o), (p) and (q), respectively, hereof, unless such deliveries are waived by the terms herein or by the Designated Agent, (iii) afford the Designated Agent the opportunity to conduct a due diligence review in accordance with Section 3(t) hereof prior to filing such Earnings 8-K and (iv) file such Earnings 8-K with the Commission. For purposes of clarity, the parties hereto agree that (A) the delivery of any officers' certificates, secretary's certificates, opinions of counsel or accountants' letter pursuant to this Section 2(i) shall not relieve the Company from any of its obligations under this Agreement with respect to any Quarterly Report on Form 10-Q or Annual Report on Form 10-K, as the case may be, including, without limitation, the obligation to deliver officers' certificates, opinions of counsel and accountants' letters as provided in Section 3(n), (o), (p) and (q), respectively, hereof, and (B) this Section 2(i) shall in no way affect or limit the operation of clause (i) of Section 2(h) hereof, which shall have independent application.

(j) The Company agrees that any offer to sell, any solicitation of an offer to buy, or any sales of Shares or any other equity security of the Company shall only be effected by or through an Agent, and only a single Agent, on any single given date, and in no event shall the Company request that more than one Agent sell Shares on the same day; provided however that (i) the foregoing limitation shall not apply to (A) exercise of any option, warrant, right or any conversion privilege set forth in the instruction governing such securities, (B) sales solely to employees, directors or security holders of the Company or its subsidiaries, or to a trustee or other person acquiring such securities for the accounts of such person and (ii) such limitation shall not apply (A) on any day during which no sales are made pursuant to this Agreement or (B) during a period in which the Company has notified the Agents that it will not sell Common Stock under this Agreement and (1) no Placement Notice is pending or (2) after a Placement Notice has been withdrawn.

Section 3. Covenants. The Company agrees with the Agents:

(a) *Compliance with Securities Regulations and Commission Requests*. The Company, subject to Section 3(b) and 3(c) hereof, will comply with the requirements of Rule 430B, and will notify the Agents immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement or any new registration statement relating to the Shares shall become effective or any amendment or supplement to the Prospectus shall have been filed (other than an amendment or supplement providing solely for the determination of the terms of an offering of securities unless related to an offering of Shares), (ii) any new Prospectus Supplement that includes information in addition to the information referred to in Section 3(w) hereof, (iii) of the receipt of any comments from the Commission, (iv) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus, including any document incorporated by reference therein, or for additional information, (v) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or any notice of

objection to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) or of the issuance of any order preventing or suspending the use of any preliminary prospectus or the Prospectus or any amendment or supplement thereto, or of the suspension of the qualification of any Shares for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes or of any examination pursuant to Section 8(d) or 8(e) of the 1933 Act concerning the Registration Statement, and (vi) if the Company becomes the subject of a proceeding under Section 8A of the 1933 Act in connection with any offering of Shares. The Company will effect all filings required under Rule 424(b), in the manner and within the time period required by Rule 424(b) (without reliance on Rule 424(b)(8)), and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop, prevention or suspension order and, if any such order is issued, to obtain the lifting thereof at the earliest possible moment. In the event of any issuance of a notice of objection by the Commission, the Company shall take all necessary action to permit offers and sales of Shares by or through the Agents, including, without limitation, amending the Registration Statement or filing a new shelf registration statement relating thereto. The Company shall pay the required Commission filing fees relating to the Shares prior to the time the initial Prospectus Supplement is filed with the Commission or the time any subsequent Prospectus Supplement that increases the gross offering price or number of Shares that may offered and sold under this Agreement from that referenced in the immediately preceding Prospectus Supplement filed with the Commission.

(b) *Continued Compliance with Securities Laws.* The Company will comply with the 1933 Act, the 1933 Act Regulations, the 1934 Act and the 1934 Act Regulations so as to permit the completion of sales of Shares as contemplated in this Agreement and in the Registration Statement, the General Disclosure Package and the Prospectus. If any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Agents or counsel to the Company, to (i) amend the Registration Statement in order that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) amend or supplement the General Disclosure Package or the Prospectus in order that the General Disclosure Package or the Prospectus, as the case may be, will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser or (iii) amend the Registration Statement or amend or supplement the General Disclosure Package or the Prospectus, as the case may be, including, without limitation, the filing of any document incorporated by reference therein, in order to comply with the requirements of the 1933 Act, the 1933 Act Regulations, the 1934 Act or the 1934 Act Regulations, the Company will promptly (A) give the Agents written notice of such event or condition, (B) prepare any amendment or supplement as may be necessary to correct such statement or omission or to comply with such requirements and, a reasonable amount of time prior to any proposed filing or use, furnish the Agent with copies of any such amendment or

supplement and (C) file with the Commission any such amendment or supplement and use its reasonable best efforts to have any amendment to the Registration Statement declared effective by the Commission as soon as possible if the Company is no longer eligible to file an automatic shelf registration statement; provided, however, that the Company shall not file or use any such amendment or supplement to which the Agents or counsel for the Agents shall reasonably object.

(c) *Filing or Use of Amendments and Supplements.* The Company will give the Agents written notice of its intention to file or use any amendment to the Registration Statement or any amendment or supplement to the General Disclosure Package or the Prospectus (other than an amendment or supplement thereto relating solely to the offering of securities unless related to an offering of Shares), whether pursuant to the 1933 Act, the 1934 Act or otherwise and will furnish the Agents with copies of any such document a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Agents or counsel for the Agents shall reasonably object.

(d) *Delivery of Registration Statements.* The Company has furnished or will deliver to the Agents and counsel for the Agents, without charge, signed copies of the Registration Statement as originally filed and each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated or deemed to be incorporated by reference therein) and signed copies of all consents and certificates of experts. The signed copies of the Registration Statement and each amendment thereto furnished to the Agents and counsel for the Agents will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) *Delivery of Prospectuses.* The Company will furnish to the Agents, without charge, upon execution of this Agreement and thereafter during the period in which a prospectus is (or, but for the exception afforded by Rule 172 of the 1933 Act Regulations (“Rule 172”), would be) required by the 1933 Act to be delivered in connection with any offer or sale of Shares, such number of copies of the Prospectus (as amended or supplemented) as the Agents may reasonably request. The Company will also furnish, upon request of the Agents, copies of the Prospectus (as amended or supplemented) to each exchange or market on which sales of Shares were made as may be required by the rules and regulations of such exchange or market. The Prospectus and any amendments or supplements thereto furnished in accordance with this Section will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(f) *Reporting Requirements.* The Company, during the period in which a prospectus is (or, but for the exception afforded by Rule 172, would be) required by the 1933 Act to be delivered in connection with any offer or sale of Shares, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods prescribed by, and meeting the requirements of, the 1934 Act and the 1934 Act Regulations. Additionally, the Company shall report the use of the net proceeds from the

sale of any Shares as may be required under the 1933 Act and the 1933 Act Regulations, including, if applicable, Rule 463 of the 1933 Act Regulations.

(g) *Blue Sky Qualifications*. The Company will use its reasonable best efforts, in cooperation with the Agents to qualify the Shares for offering and sale under the applicable securities laws of such states and non-U.S. jurisdictions as the Agents may, from time to time, designate and to maintain such qualifications in effect so long as required to complete the sale of the Shares contemplated by this Agreement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(h) *Earnings Statement*. The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide to the Agents the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(i) *Use of Proceeds*. The Company will use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in the Registration Statement, the General Disclosure Package and the Prospectus under “Use of Proceeds.”

(j) *Listing*. The Company will use its reasonable best efforts to effect and maintain the listing of the Shares on, and satisfy the requirements of, the NYSE.

(k) *Notice of Certain Actions*. The Company will not, if and when an instruction to a Designated Agent to sell Shares pursuant to Section 2 has been delivered by the Company or is pending, without the prior written consent of the Designated Agent, unless it gives the Designated Agent at least five business days’ prior written notice, (i) directly or indirectly offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for shares of Common Stock or file any registration statement under the 1933 Act with respect to any of the foregoing, or (ii) enter into any swap or any other agreement or transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap, agreement or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Shares to be sold hereunder, (B) any shares of Common Stock issued by the Company upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof and referred to in the Registration Statement, the General Disclosure Package and the Prospectus, (C) any shares of Common Stock issued or options to purchase Common Stock granted

pursuant to existing employee benefit plans of the Company referred to in the Registration Statement, the General Disclosure Package and the Prospectus, (D) any shares of Common Stock issued pursuant to any non-employee director stock plan or dividend reinvestment and/or stock purchase plan referred to in the Registration Statement, the General Disclosure Package and the Prospectus, or (E) any shares of the Company's existing series of preferred stock that it may issue under a preferred stock "at the market offering" program. Upon receipt of any written notice contemplated above, the Designated Agent may suspend its activity under this Agreement for such period of time as deemed appropriate by the Designated Agent.

(l) *Issuer Free Writing Prospectuses.* The Company agrees that, unless it obtains the prior written consent of the Agents, it will not make any offer relating to the Shares that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a "free writing prospectus," or a portion thereof, required to be filed by the Company with the Commission or retained by the Company under Rule 433. The Company represents that it has treated or agrees that it will treat each such free writing prospectus consented to by the Agents as an "issuer free writing prospectus," as defined in Rule 433, and that it will comply with the applicable requirements of Rule 433 with respect thereto, including timely filing with the Commission where required, legending and record keeping. If at any time following issuance of an Issuer Free Writing Prospectus any event shall occur or condition shall exist as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information contained in the Registration Statement, any preliminary prospectus or the Prospectus or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Agents and will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(m) *No Stabilization or Manipulation.* The Company agrees that neither it nor any affiliate of the Company will take, directly or indirectly, any action which is designed, or would be expected, to cause or result in, or which constitutes, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any Shares or to result in a violation of Regulation M under the 1934 Act.

(n) *Representation Dates; Officers' Certificates.* On the date of execution of this Agreement and (i) upon recommencement of the offering of Shares under this Agreement following the temporary suspension of sales hereunder, (ii) each time the Company files a Prospectus relating to the Shares or amends or supplements the Registration Statement or the Prospectus relating to the Shares by means of a post-effective amendment, sticker, or supplement, or a new registration statement relating to the Shares shall become effective, other than (A) by means of incorporation of documents by reference into the Registration Statement or the Prospectus relating to the Securities, which shall be subject to the provisions

of clauses (iii) through (iv) below, or (B) a prospectus supplement filed pursuant to Rule 424(b) under the 1933 Act relating solely to an offering of securities (including, without limitation, preferred stock) other than the Shares pursuant to this Agreement; (iii) each time the Company files an Annual Report on Form 10-K under the 1934 Act (a “Form 10-K Representation Date”); (iv) each time the Company files its Quarterly Reports on Form 10-Q under the 1934 Act; or (v) each time the Company files a Current Report on Form 8-K containing amended financial information (other than information “furnished” pursuant to Item 2.02 or Item 7.01 of Form 8-K or to provide disclosure pursuant to Item 8.01 of Form 8-K relating to the reclassification of certain properties as discontinued operations in accordance with Statement of Financial Accounting Standards No. 144) under the 1934 Act (such recommencement date and each filing or other dates referred to in clauses (i) through (v) shall be a “Representation Date”); each of the Company and Manager shall furnish the Agents with an officers’ certificate, substantially in form and substance as set forth in Section 5(d), within three (3) Trading Days of any Representation Date. The requirement to provide deliverables under Sections 3(n) through 3(q) shall be waived for any applicable Representation Date occurring at a time at which no instruction to sell Shares under Section 2(b) hereunder is pending, which waiver shall continue until the earlier to occur of the date the Company delivers an instruction to sell Shares under Section 2(b) hereunder (which shall be considered a Representation Date) and the next occurring Representation Date. No new instruction to sell Shares under Section 2(b) shall be delivered until the deliverables in Sections 3(n) through 3(q), as may be required with respect to a Representation Date, shall have been delivered and such deliverables shall all be delivered and dated the same day.

(o) *Secretary’s Certificates.* On the date of execution of this Agreement and within three (3) Trading Days after each Representation Date on which there has been a change to the resolutions referred to below in this Section 3(o), each of the Company and the Manager shall deliver to the Agents a certificate executed by the Secretary of the Company and Secretary of the Manager, respectively, signing in such capacity, dated as of such date (i) in the case of the Company, certifying that attached thereto are true and complete copies of the resolutions duly adopted by the Board of Directors or a duly authorized committee thereof of the Company authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby (including, without limitation, the issuance of the Shares pursuant to this Agreement), which authorization shall be in full force and effect on and as of the date of such certificate, and in the case of the Manager, certifying that attached thereto are true and complete copies of the resolutions duly adopted by the general partners of the Manager authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated thereby, which authorization shall be in full force and effect on and as of the date of such certificate in each case, and (ii) certifying and attesting to the office, incumbency, due authority and specimen signatures of each person who executed this Agreement for or on behalf of the Company and the Manager, respectively.

(p) *Legal Opinions.* If and to the extent reasonably requested by the Agents pursuant to their due diligence review under Section 3(t) below, on the date of execution of this Agreement and within three (3) Trading Days after each Form 10-K Representation Date with respect to which the Company and the Manager are obligated to deliver an officers' certificate for which no waiver is applicable (or the next occurring Representation Date for which no waiver is applicable, if the Form 10-K Representation Date is waived), (A) the Company shall cause to be furnished to the Agents the written opinion of Holland & Knight LLP, counsel to the Company, substantially in the form attached hereto as Exhibit A (the "Corporate Counsel Opinion") and the written opinion of Mayer Brown LLP, special tax counsel to the Company, substantially in the form attached hereto as Exhibit B (the "Tax Opinion") and together with the Corporate Counsel Opinion, the "Company Counsel Opinions") and (B) Duane Morris LLP, counsel to the Agents, shall furnish to the Agents a written opinion in form and substance reasonably satisfactory to the Agents (the "Agent Counsel Opinion"); *provided, however*, that in the case of a 10-K Representation Date, in lieu of such opinions, counsel may furnish the Agents with a letter to the effect that the Agents may rely on a prior opinion delivered under this Section 3(p) to the same extent as if it were dated the date of such letter.

(q) *Comfort Letter.* If and to the extent reasonably requested by the Agents pursuant to their due diligence review under Section 3(t) below, on the date of execution of this Agreement and within three (3) Trading Days after each Form 10-K Representation Date with respect to which the Company and the Manager are obligated to deliver officers' certificates for which no waiver is applicable (or the next occurring Representation Date for which no waiver is applicable, if the Form 10-K Representation Date is waived), the Company shall cause Deloitte LLP (and/or any other independent requested public accounting firm whose report is included in or incorporated by reference in the Registration Statement or the Prospectus) to furnish the Agents letters (the "Comfort Letters"), dated the date the Comfort Letter is delivered, in form and substance satisfactory to the Agents, (i) confirming that they are an independent registered public accounting firm within the meaning of the 1933 Act, the 1934 Act and the PCAOB and (ii) stating, as of such date, the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(r) *Trading in the Common Stock.* The Company consents to the Agents trading in the Common Stock for its own account and for the account of its clients at the same time as sales of Shares occur pursuant to this Agreement.

(s) *Non-Consummation Offer.* If, to the knowledge of the Company, any filing required by Rule 424 in connection with an offering of Shares shall not have been made or the representations and warranties of the Company or the Manager contained in this Agreement shall not be true and correct on the applicable Settlement Date, the Company will offer to any person who has agreed to purchase Shares from or through the Agents the right to refuse to purchase and pay for such Shares.

(t) *Due Diligence Review.* The Company and the Manager will cooperate with any due diligence review reasonably requested by the Agents or counsel for the Agents, fully and in a timely manner, in connections with offers and sales of Shares from time to time, including, without limitation, and upon reasonable notice, providing information and making available documents and appropriate corporate officers, during regular business hours and at the Company's principal offices. Such due diligence requests may include, but are not limited to (i) written opinions of Holland & Knight LLP, counsel to the Company, substantially in the form attached hereto as Exhibit A, (ii) written opinions of Mayer Brown LLP, special tax counsel to the Company, substantially in the form attached hereto as Exhibit B, (iii) comfort letters satisfactory in form and substance from Deloitte LLP and/or any other independent registered public accounting firm whose report is included in or incorporated by reference in the Registration Statement or Prospectus, and (iv) such other documents or information as the Agents or counsel for the Agents shall deem reasonably necessary or advisable in the circumstances.

(u) *Renewal Deadline.* If, immediately prior to the third anniversary of the initial effective date of the Registration Statement (the "Renewal Deadline"), this Agreement is still in effect, the Company will, prior to the Renewal Deadline, (i) promptly notify the Agents and (ii) promptly file, if it is eligible to do so, a new automatic shelf registration statement relating to the Shares, in a form and substance satisfactory to the Agents. If, at the time the Company intends to file such a new automatic shelf registration statement, it is not eligible to do so, the Company will, prior to the Renewal Deadline, (i) promptly notify the Agents, (ii) promptly file a new shelf registration statement on the proper form relating to the Shares, in a form and substance satisfactory to the Agents, (iii) use its reasonable best efforts to cause such new shelf registration statement to be declared effective within 60 days after the Renewal Deadline and (iv) promptly notify the Agents of such effectiveness. The Company will take all other action necessary or appropriate to permit the offering and sale of the Shares to continue as contemplated in the expired Registration Statement. References herein to the "Registration Statement" shall include such new automatic shelf registration statement or such new shelf registration statement, as the case may be.

(v) *Ceasing Eligibility For Use of Automatic Shelf Registration Statement Form.* If, at any time, during the term of this Agreement the Company receives a notice from the Commission pursuant to Rule 401(g)(2) or otherwise ceases to be eligible to use the automatic shelf registration statement form, the Company will (i) promptly notify the Agents, (ii) promptly file a new shelf registration statement or post-effective amendment on the proper form relating to such Shares, in form and substance satisfactory to the Agents, (iii) use its reasonable best efforts to cause such new shelf registration statement or post-effective amendment to be declared effective as soon as practicable and (iv) promptly notify the Agents of such effectiveness. The Company will take all other action necessary or appropriate to permit the offering and sale of the Shares to continue as contemplated in the Registration Statement that was the subject of the Rule 401(g)(2) notice or for which the Company has otherwise become ineligible. References herein to

the “Registration Statement” shall include such new shelf registration statement or post-effective amendment, as the case may be.

(w) *Update of Activity under this Agreement.* The Company shall disclose (i) in each Annual Report on Form 10-K or Quarterly Report on Form 10-Q filed by the Company in respect of any fiscal quarterly period (which, in the case of an Annual Report on Form 10-K, would mean the last quarterly period of the fiscal year) in which sales of Shares were made by or through the Agents under this Agreement, or (ii) to the extent required by applicable law and/or interpretations of the Commission, in Prospectus Supplements for each such fiscal quarterly period, the number of Shares sold by or through the Agents under this Agreement during such fiscal quarterly period and the net proceeds received by the Company and the aggregate compensation paid by the Company to the Agents with respect to such sales.

Section 4. Payment of Expenses.

(a) *Expenses.* The Company will pay or cause to be paid all expenses incident to the performance of their obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and each amendment thereto, (ii) the preparation, printing and delivery to the Agents of copies of any preliminary prospectus, any Issuer Free Writing Prospectus and the Prospectus and any amendments or supplements thereto and any costs associated with electronic delivery of any of the foregoing by the Agents to investors, (iii) the preparation, issuance and delivery of the certificates for the Shares, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Shares to the Agents, (iv) the fees and disbursements of the Company’s counsel, accountants and other advisors, (v) the qualification of the Shares under securities laws in accordance with the provisions of Section 3(g) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Agents in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the fees and expenses of any transfer agent or registrar for the Shares, (vii) the costs and expenses of the Company relating to investor presentations on any “road show” undertaken in connection with the marketing of the Shares, (viii) the filing fees incident to, and the reasonable fees and disbursements of counsel for the Agents in connection with, the review by FINRA of the terms of sales of Shares, and (ix) the fees and expenses incurred in connection with the listing of the Shares on the NYSE.

(b) Upon execution of this Agreement, the Company will pay all reasonable and customary expenses incurred by the Agents incident to the negotiation and performance of the Agents obligations hereunder (the “Reimbursable Expenses”), including fees and disbursements of counsel to the Agents, consultant fees, travel and lodging expenses and any other fees and expenses incurred by the Agents in connection with this Agreement and the transactions contemplated hereby, not to exceed \$75,000 in the aggregate (“Expense Cap”). All Reimbursable Expenses incurred by the Agents shall be invoiced to the

Company in reasonable detail by either the Agents or the counsel to the Agents and paid by the Company ten (10) days after the delivery of such invoice to the Company.

Section 5. Conditions of Agent's Obligations. The obligations of the Agents hereunder are subject to the accuracy of the representations and warranties of the Company and the Manager contained herein or in certificates of any officer or general partner, as applicable, of the Company or Manager delivered pursuant to the provisions hereof at each Representation Date, to the performance by the Company and the Manager of their respective covenants and other obligations hereunder, and to the following further conditions:

(a) *Effectiveness of Registration Statement and Filing of Prospectus*. The Company shall have filed the Registration Statement with the Commission not earlier than three years prior to the date hereof and the Registration Statement became effective upon filing in accordance with Rule 462(e). The Company shall have filed with the Commission the Prospectus on or prior to the date of this Agreement and any subsequent Base Prospectus or Prospectus Supplement prior to any Applicable Time and related Settlement Date, as applicable, in each case in the manner and within the time period required by Rule 424(b), and each Issuer Free Writing Prospectus, if any, in the manner and within the time period required by Rule 433. No stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued under the 1933 Act, no notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) has been received by the Company, no order preventing or suspending the use of any preliminary prospectus or the Prospectus or any amendment or supplement thereto has been issued and no proceedings for any of those purposes have been instituted or are pending or, to the Company's knowledge, contemplated. The Company shall have complied with any and all requests for additional information on the part of the Commission to the reasonable satisfaction of the Agents. The Company shall have paid the required Commission filing fees relating to the Shares as specified in Section 3(a) hereof.

(b) *Opinions of Company Counsel, Company Tax Counsel, and Counsel to the Agents*. The Agents shall have received the Company Counsel Opinions and Agent Counsel Opinion, if required to be delivered pursuant to Section 3(p), on or before the date on which delivery of such opinions are required pursuant to Section 3(p); provided, however, that in the case of a Form 10-K Representation Date, in lieu of such opinions, counsel may furnish the Agents with a letter to the effect that the Agents may rely on a prior opinion delivered under Section 3(p) to the same extent as if it were dated the date of such letter.

(c) *Comfort Letter*. The Agents shall have received the Comfort Letter, if required to be delivered pursuant to Section 3(q), on or before the date on which delivery of such letter is required pursuant to Section 3(q).

(d) *Officers' Certificates for the Company and the Manager.* On the date of this Agreement, there shall not have been, since the date of the latest audited financial statements included in the Registration Statement, the General Disclosure Package and the Prospectus or since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package and the Prospectus, any Material Adverse Change, and the Agents shall have received pursuant to Section 3(n): (i) a certificate of the Chief Executive Officer or President of the Company and of the Chief Financial Officer or Chief Accounting Officer of the Company and (ii) a certificate of the General Partner or Chief Executive Officer or Chief Financial Officer of the Manager, each dated such date, to the effect that (A) there has been no such Material Adverse Change, (B) the representations and warranties of the Company and the Manager, as applicable, in this Agreement are true and correct with the same force and effect as though expressly made on and as of such date, (C) the Company and the Manager, as applicable, have complied with all agreements and satisfied all conditions on their respective part to be performed or satisfied on or prior to such date and (D) no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued under the 1933 Act, no notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) has been received by the Company and the Manager, as applicable, no order preventing or suspending the use of any preliminary prospectus or the Prospectus or any amendment or supplement thereto has been issued and no proceedings for any of those purposes have been instituted or are pending or, to their knowledge, contemplated.

(e) *Secretary's Certificates for the Company and the Manager.* The Agents shall have received the Secretary's Certificates, if required pursuant to Section 3(o).

(f) *Listing.* The Shares shall have been approved for listing, subject to official notice of issuance, on the NYSE.

(g) *Additional Documents.* On the date of this Agreement, counsel for the Agents shall have been furnished with such documents and opinions as they may require for the purpose of enabling them to render the opinions or make the statements requested by the Agents, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the covenants, obligations or conditions, contained herein; and all proceedings taken by the Company in connection with the issuance and sale of the Shares as contemplated herein shall be satisfactory in form and substance to the Agents and counsel for the Agents.

(h) *Termination of this Agreement.* If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Agents by notice to the Company at any time, and any such termination shall be without liability of any party to any other party except the provisions of Sections 1, 3(h), 4, 6, 7, 8, 12, 13, 14 and 15 hereof shall remain in full force and effect notwithstanding such termination.

Section 6. Indemnification.

(a) *Indemnification of the Agents.* The Company agrees to indemnify and hold harmless the Agents, their affiliates (as such term is defined in Rule 501(b) of the 1933 Act Regulations (each, an “Affiliate”), selling agents, officers and directors and each person, if any, who controls the Agents within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including any information deemed to be a part thereof pursuant to Rule 430B, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included (A) in any preliminary prospectus, any Issuer Free Writing Prospectus, the General Disclosure Package or the Prospectus (or any amendment or supplement thereto) or (B) in any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of any offering of Shares (“Marketing Materials”), including any roadshow or investor presentations made to investors by the Company (whether in person or electronically), or the omission or alleged omission in any preliminary prospectus, any Issuer Free Writing Prospectus, the General Disclosure Package or the Prospectus (or any amendment or supplement thereto) or in any Marketing Materials of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any Governmental Entity, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 6(d) below) any such settlement is effected with the written consent of the Company;

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by the Agents), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any Governmental Entity, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above; provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in the Registration Statement (or any amendment thereto), including any

information deemed to be a part thereof pursuant to Rule 430B, or in the General Disclosure Package or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with information furnished to the Company by the Agents in writing expressly for use therein.

(b) *Indemnification of Company, Directors and Officers.* The Agents agree, severally and not jointly, to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in Section 6(a) hereof, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including any information deemed to be a part thereof pursuant to Rule 430B, or in the General Disclosure Package or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with the information furnished to the Company by the Agents in writing expressly for use therein.

(c) *Actions against Parties; Notification.* Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 6(a) hereof, counsel to the indemnified parties shall be selected by the Agents, and, in the case of parties indemnified pursuant to Section 6(b) hereof, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the prior written consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any Governmental Entity, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) *Settlement without Consent if Failure to Reimburse.* If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(ii) hereof effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

Section 7. Contribution. If the indemnification provided for in Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party severally shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Agents, on the other hand, from the applicable offering of Shares or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Agents, on the other hand, in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company, on the one hand, and the Agents, on the other hand, in connection with the applicable offering of Shares shall be deemed to be in the same proportion as the total net proceeds from such offering (before deducting expenses) received by the Company, on the one hand, bear to the total commissions received by the Agents, on the other hand.

The relative fault of the Company, on the one hand, and the Agents, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by the Agents and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Agents' respective obligations to contribute pursuant to this Section 7 are several in proportion to the respective total commissions received by the Agents, and not joint.

The Company and the Agents agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably

incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any Governmental Entity, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, no Agent shall be required to contribute any amount in excess of the total commissions received by such Agent in connection with Shares placed by it for sale to the public.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, each person, if any, who controls the Agents within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act and the Agents; Affiliates, selling agents, officers and directors shall have the same rights to contribution as the Agents, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company.

Section 8. Representations, Warranties and Agreements to Survive. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company and the Manager or any of their respective subsidiaries submitted pursuant hereto, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Agents or their Affiliates, selling agents, officers or directors or any person controlling the Agents, or the Company or its officers or directors, or any person controlling the Company and (ii) delivery of and payment for the Shares.

Section 9. Termination.

(a) This Agreement may be terminated for any reason, at any time, by either the Company or the Agents upon the giving of three days prior written notice to the other party hereto.

(b) In the event of any termination under this Section 9, neither party will have any liability to the other party hereto, except that (i) the Agents shall be entitled to any commissions earned in accordance with Section 2(b) hereof, (ii) if at the time of termination an offer to purchase any Shares has been accepted by the Company but the Settlement Date has not occurred, the covenants set forth in Section 3 hereof shall remain in effect until such Shares are resold or so delivered, as the case may be, and (iii) the covenant set forth in Section 3(h) hereof, the provisions of Section 4 hereof, the indemnity and

contribution agreements set forth in Sections 6 and 7 hereof, and the provisions of Sections 8, 12, 13, 14 and 15 hereof shall remain in effect.

Section 10. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Agents shall be directed to BUCKLER Securities LLC, 5 Greenwich Office Park, Suite 450, Greenwich, CT 06831, Attention: Rich Misiano; JMP Securities LLC, 600 Montgomery, Suite 1100 San Francisco, CA 94111, Attn.: Trading (Aidan Whitehead (awhitehead@jmpsecurities.com); Lee Weiner (lweiner@jmpsecurities.com); Compliance (Ken Murai, KMurai@jmpsecurities.com); Legal (Walter Conroy (wconroy@jmpsecurities.com)); Banking (Jorge Solares-Parkhurst, JSolares@jmpsecurities.com) and Tyler Gallen, TGallen@jmpsecurities.com); Ladenburg Thalmann & Co. Inc., 640 5th Ave., 4th Floor, New York, NY 10019, Attn: Peter Blum, Steve Kaplan; B. Riley Securities, Inc., 299 Park Avenue, New York, NY 10171, Attn: General Counsel (atmdesk@brileyfin.com); JonesTrading Institutional Services LLC, 900 Island Park Drive, Suite 200, Daniel Island, SC 29492, Attn: Burke Cook (burke@jonestrading.com); in each case, with a copy to Duane Morris LLP, 1540 Broadway, New York, NY 10036, Attention: Dean M. Colucci, Email: dmcolucci@duanemorris.com, and notices to the Company and the Manager shall be directed to each at 3001 Ocean Drive, Suite 201, Vero Beach, FL 32963, Attention: Chief Financial Officer, with a copy to Holland & Knight LLP, 701 Brickell Avenue, Suite 3300, Miami, FL 33131, Attention: Bradley D. Houser, Esq.

Section 11. No Advisory or Fiduciary Relationship. The Company and the Manager acknowledge and agree that (a) each purchase and sale of Shares pursuant to this Agreement, including the determination of the respective initial public offering prices of Shares, if any, and any related discounts and commissions, is an arm's-length commercial transaction between the Company and the Manager, on the one hand, and the Agents, on the other hand, (b) the Agents have not assumed and will not assume any advisory or fiduciary responsibility in favor of the Company or the Manager or any of their respective subsidiaries or other affiliates with respect to any offering of Shares or the process leading thereto (irrespective of whether the Agents have advised or is currently advising the Company or the Manager or any of their respective subsidiaries or other affiliates on other matters) or any other obligation to the Company or the Manager except the obligations expressly set forth in this Agreement, (c) the Agents and their affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company and the Manager, and (d) the Agents have not provided any legal, accounting, financial, regulatory or tax advice to the Company or the Manager or any other person or entity with respect to any offering of Shares and the Company and the Manager have consulted their own respective legal, accounting, financial, regulatory and tax advisors to the extent it deemed appropriate.

Section 12. Parties.

(a) This Agreement shall each inure to the benefit of and be binding upon the Agents, the Company, the Manager and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Agents, their Affiliates and selling agents, the Company, the Manager and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Agents, their Affiliates and selling agents, the Company, the Manager and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Shares shall be deemed to be a successor by reason merely of such purchase.

(b) The Company shall have the right, power and authority, in its absolute discretion, to add new Agents to this Agreement without the consent of the existing Agents. The existing Agents shall execute any amendment to this Agreement that is reasonably requested by the Company to add any such new Agents hereto.

Section 13. TRIAL BY JURY. EACH OF THE COMPANY (ON ITS BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS STOCKHOLDERS AND AFFILIATES), THE MANAGER AND THE AGENTS HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 14. GOVERNING LAW. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF, THE STATE OF NEW YORK WITHOUT REGARD TO ITS CHOICE OF LAW PROVISIONS.

Section 15. Consent to Jurisdiction; Waiver of Immunity. Each of the Company, the Manager and the Agents agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby shall be instituted in (i) the federal courts of the United States of America located in the City and County of New York, Borough of Manhattan or (ii) the courts of the State of New York located in the City and County of New York, Borough of Manhattan (collectively, the "Specified Courts"), and irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any Specified Court, as to which such jurisdiction is non-exclusive) of the Specified Courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to a party's address set forth in Section 10 hereof shall be effective service of process upon such party for any suit, action or proceeding brought in any Specified Court. Each

of the Company, the Manager and the Agents irrevocably and unconditionally waives any objection to the laying of venue of any suit, action or proceeding in the Specified Courts and irrevocably and unconditionally waives and agrees not to plead or claim in any Specified Court that any such suit, action or proceeding brought in any Specified Court has been brought in an inconvenient forum.

Section 16. Time. TIME SHALL BE OF THE ESSENCE OF THIS AGREEMENT. EXCEPT AS OTHERWISE SET FORTH HEREIN, SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

Section 17. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

Section 18. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

[Signature Page Follows]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company and the Manager a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Agents, the Company and the Manager in accordance with its terms.

Very truly yours,

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ Jeffrey J. Zimmer

Name: Jeffrey J. Zimmer

Title: Co-Chief Executive Officer

ARMOUR CAPITAL MANAGEMENT, LP

By: Stacumny LLC, its general partner

By: /s/ Scott J. Ulm

Name: Scott J. Ulm

Title: Member

Accepted as of the date hereof:

BUCKLER SECURITIES LLC

By: /s/ Richard Misiano

Name: Rich Misiano

Title: Chief Executive Officer

JMP SECURITIES LLC

By: /s/ Jorge Solares-Parkhurst

Name: Jorge Solares-Parkhurst

Title: Managing Director

LADENBURG THALMANN & CO. INC.

By: /s/ Steve Kaplan

Name: Steve Kaplan

Title: Head of Capital Markets

B. RILEY SECURITIES, INC.

By: /s/ Patrice McNicoll

Name: Patrice McNicoll

Title: Co-Head of Investment Banking

JONESTRADING INSTITUTIONAL SERVICES LLC

By: s/ Burke Cook

Name: Burke Cook

Title: General Counsel

[Signature Page to Equity Sales Agreement]

FORM OF OPINION OF COMPANY'S COUNSEL
TO BE DELIVERED PURSUANT TO SECTION 3(p)

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maryland. The Manager is a limited partnership organized under the Delaware Revised Uniform Limited Partnership Act and in good standing as a limited partnership in the State of Delaware.

(ii) Each of the Company and the Manager has the corporate or partnership, as applicable, power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the General Disclosure Package and the Prospectus and to enter into and perform its obligations under, and to consummate the transactions contemplated in, this Agreement.

(iii) Each of the Company and the Manager is duly qualified as a foreign corporation to transact business and is in good standing or active status in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not, singly or in the aggregate, result in a Material Adverse Effect.

(iv) The Significant Subsidiary has been duly incorporated and is validly existing in good standing under the laws of the State of Maryland, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the General Disclosure Package and the Prospectus and is duly qualified to transact business and is in good standing or active status in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing or active status would not, singly or in the aggregate, result in a Material Adverse Effect; except as described in the Registration Statement, the General Disclosure Package and the Prospectus, all of the outstanding shares of capital stock of or other equity interests in the Significant Subsidiary have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company, directly or through subsidiaries, and, to our knowledge, are free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; and none of the outstanding shares of capital stock of or other equity interests in the Significant Subsidiary were issued in violation of the preemptive or similar rights of any securityholder of the Significant Subsidiary or any other person or entity. [Opinion to be provided if applicable.]

(v) The outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; and, to our knowledge, none of the outstanding shares of capital stock of the Company were issued in violation of the preemptive or other similar rights of any securityholder of the Company or any other person or entity.

(vi) The Common Stock has been registered pursuant to Section 12(b) of the 1934 Act, and has been listed, and the Shares have been approved for listing, subject to official notice of issuance, on the NYSE, and, to our knowledge, the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the 1934 Act or the listing of the Common Stock (including the Shares) on the NYSE, nor, to our knowledge, has the Company received any notification that the Commission or the NYSE is contemplating terminating such registration or listing.

(vii) The form of certificate used to evidence the Common Stock complies in all material respects with all applicable statutory requirements, with any applicable requirements of the charter and by-laws of the Company and the requirements of the NYSE.

(viii) The Shares have been duly authorized for issuance and sale by the Company pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement against payment of the consideration set forth in this Agreement, will be validly issued and fully paid and non-assessable. To our knowledge, the issuance of the Shares is not subject to the preemptive or other similar rights of any securityholder of the Company or any other person or entity. No holder of Shares will be subject to personal liability by reason of being such a holder.

(ix) This Agreement has been duly authorized, executed and delivered by the Company and the Manager.

(x) The Registration Statement became effective upon filing with the Commission pursuant to Rule 462(e); the filing of the Prospectus has been made in the manner and within the time period required by Rule 424(b) (without reference to Rule 424(b)(8)); the filing of each Issuer Free Writing Prospectus, if any, has been made in the manner and within the time period required by Rule 433; and, to our knowledge, no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued under the 1933 Act, no notice of objection to the use of the Registration Statement pursuant to Rule 401(g)(2) has been received by the Company and no order preventing or suspending the use of any preliminary prospectus or the Prospectus or any amendment or supplement thereto has been issued and no proceedings for any such purpose have been instituted or are pending or threatened by the Commission or any other Governmental Entity.

(xi) The Registration Statement and any post-effective amendment thereto and the Prospectus and any amendment or supplement thereto (other than (A) the financial statements and supporting schedules

and other financial data included therein or omitted therefrom and (B) the documents incorporated or deemed to be incorporated by reference therein, as to which we express no opinion), as of their respective effective or issue dates, complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations.

(xii) The documents incorporated or deemed to be incorporated by reference in the Registration Statement, the General Disclosure Package and the Prospectus (other than the financial statements and supporting schedules and other financial data included therein or omitted therefrom, as to which we express no opinion), when they were filed with the Commission, complied as to form in all material respects with the requirements of the 1934 Act and the 1934 Act Regulations.

(xiii) To our knowledge, there is not pending or threatened any action, suit, proceeding, inquiry or investigation before or brought by any Governmental Entity against or affecting the Company or the Manager or any of their respective subsidiaries, which, singly or in the aggregate, would reasonably be expected to result in a Material Adverse Effect, and we have not been engaged to represent the Company or the Manager in any such action, suit, proceeding, inquiry or investigation.

(xiv) The information in the Registration Statement, the General Disclosure Package and the Prospectus under “Description of Capital Stock-Shares of Common Stock” and “Description of Capital Stock-Shares of Preferred Stock” in the Registration Statement under Item 15, to the extent that it constitutes matters of law, summaries of legal matters, the Company’s charter and bylaws or legal proceedings (to the extent referenced in paragraph (xiii) above), or legal conclusions, has been reviewed by us and is correct in all material respects.

(xv) All descriptions in the Registration Statement, the General Disclosure Package and the Prospectus of contracts and other documents to which the Company or its subsidiaries are a party are accurate in all material respects; and, to our knowledge, there are no franchises, contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Registration Statement, the General Disclosure Package and the Prospectus or to be filed as exhibits to the Registration Statement or any report filed with the Commission under the 1934 Act other than those described or referred to therein or filed or incorporated by reference as exhibits thereto.

(xvi) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any Governmental Entity (other than under the 1933 Act and the 1933 Act Regulations, which have been obtained, or as may be required under the securities or blue sky laws of the various states and non-U.S. jurisdictions, as to which we express no opinion) is necessary or required in connection with the Company’s or the Manager’s due authorization, execution or delivery of, or performance of their respective obligations under, this Agreement or for the offering, issuance, sale or delivery of Shares or the consummation of the transactions contemplated in this Agreement.

(xvii) The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated in this Agreement and in the Registration Statement, the General Disclosure Package and the Prospectus (including the issuance and sale of Shares and the use of the proceeds from the sale of Shares as described therein under the caption “Use of Proceeds”) and compliance by the Company and the Manager with their respective obligations under this Agreement do not and will not, whether with or without the giving of notice or lapse of time or both, conflict with or constitute a breach of, or default or Repayment Event under, or result in the creation or imposition of any lien, charge or encumbrance upon any property, assets or operations of the Company or the Manager or any of their respective subsidiaries pursuant to, any Agreements and Instruments, known to us, except for such conflicts, breaches, defaults or Repayment Events or liens, charges or encumbrances that would not, singly or in the aggregate, result in a Material Adverse Effect, nor will such action result in any violation of the provisions of the charter or by laws or similar organizational document of the Company or the Manager or any of their respective subsidiaries, or any law, statute, rule, regulation, or, to our knowledge, any judgment, order, writ or decree, of any Governmental Entity.

(xviii) To our knowledge, there are no persons with registration rights or other similar rights to have any shares of Common Stock registered for resale pursuant to the Registration Statement or this Agreement or otherwise registered by the Company under the 1933 Act.

(xix) The Company is not required, and upon the issuance and sale of the Shares as contemplated in this Agreement and the application of the net proceeds therefrom as described in the Registration Statement, the General Disclosure Package and the Prospectus will not be required, to register as an “investment company” under the 1940 Act.

Nothing has come to our attention that caused us to believe that the Registration Statement or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430B (except for financial statements and supporting schedules and other financial data included or incorporated or deemed to be incorporated by reference therein or omitted therefrom, as to which we make no statement), at the time such Registration Statement or any such amendment became effective originally or as of the new effective date under Rule 430B, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus or any amendment or supplement thereto (except for financial statements and schedules and other financial data included or incorporated or deemed to be incorporated by reference therein or omitted therefrom, as to which we make no statement), at the time the Prospectus was issued, at the time any such amended or supplemented prospectus was issued or at the Settlement Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not

misleading. In addition, nothing has come to our attention that caused us to believe that the General Disclosure Package (except for financial statements and schedules and other financial data included or incorporated or deemed to be incorporated by reference therein or omitted therefrom, as to which we make no statement), at the Applicable Time, included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of circumstances under which they were made, not misleading.

In rendering such opinion, such counsel may rely, as to matters of fact (but not as to legal conclusions), to the extent they deem proper, on certificates of responsible officers of the Company and public officials. Such opinion shall not state that it is to be governed or qualified by, or that it is otherwise subject to, any treatise, written policy or other document relating to legal opinions, including, without limitation, the Legal Opinion Accord of the ABA Section of Business Law (1991).

FORM OF OPINION OF COMPANY'S SPECIAL TAX COUNSEL
TO BE DELIVERED PURSUANT TO SECTION 3(p)

(i) Commencing with the Company's taxable year ending on December 31, 2016, the Company has been organized and operated in conformity with the requirements for qualification and taxation as a real estate investment trust (a "REIT") under the Code, and its current organization and proposed method of operation will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code.

(ii) Although the discussion set forth in the Registration Statement under the heading "Material U.S. Federal Income Tax Considerations" does not purport to summarize all possible U.S. federal income tax consequences of the purchase, ownership and disposition of the Common Stock, such discussion, though general in nature, constitutes in all material respects a fair and accurate summary of the material U.S. federal income tax consequences of the purchase, ownership and disposition of the Common Stock, subject to the qualifications set forth therein. The U.S. federal income tax consequences of the purchase, ownership and disposition of the Common Stock by an investor will depend upon that investor's particular situation and we express no opinion as to the completeness of the discussion set forth in the Registration Statement as applied to any particular investor.

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott J. Ulm of ARMOUR Residential REIT, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2023 of ARMOUR Residential REIT, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting

Date: July 26, 2023

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ Scott J. Ulm
Scott J. Ulm
Co-Chief Executive Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey J. Zimmer of ARMOUR Residential REIT, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2023 of ARMOUR Residential REIT, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting

Date: July 26, 2023

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ Jeffrey J. Zimmer

Jeffrey J. Zimmer

Co-Chief Executive Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James R. Mountain of ARMOUR Residential REIT, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2023 of ARMOUR Residential REIT, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting

Date: July 26, 2023

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ James R. Mountain

James R. Mountain
Chief Financial Officer

**Certification Pursuant To
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of ARMOUR Residential REIT, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott J. Ulm, Co-Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 26, 2023

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ Scott J. Ulm
Scott J. Ulm
Co-Chief Executive Officer

**Certification Pursuant To
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of ARMOUR Residential REIT, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey J. Zimmer, Co-Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 26, 2023

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ Jeffrey J. Zimmer
Jeffrey J. Zimmer
Co-Chief Executive Officer

**Certification Pursuant To
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of ARMOUR Residential REIT, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James R. Mountain, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 26, 2023

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ James R. Mountain

James R. Mountain
Chief Financial Officer