



**Part II** Organizational Action *(continued)*

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ SEE ATTACHED

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

18 Can any resulting loss be recognized? ▶ SEE ATTACHED

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

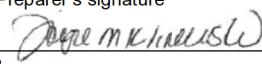
19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ SEE ATTACHED

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**  
Signature ▶  Date ▶ 2/9/2021

Print your name ▶ JAMES R. MOUNTAIN Title ▶ CHIEF FINANCIAL OFFICER

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	JOYCE M. KLINEWSKI		2/4/21		P01223511
	Firm's name ▶ DELOITTE TAX LLP			Firm's EIN ▶ 86-1065772	
	Firm's address ▶ 30 ROCKEFELLER PLAZA NEW YORK, NY 10112			Phone no. 215-299-4566	

**Armour Residential REIT, Inc.**

**Return of Capital (Nontaxable Distribution) to Common and Preferred Shareholders**

**Attachment to Form 997**

**Consult your tax advisor regarding the U.S. Federal, State, Local and Foreign tax consequences of the return of capital distributions made in 2020.**

**Part I – Reporting Issuer**

**Line 10. CUSIP**

See Line 12 response below.

**Line 12. Ticker Symbol**

Security Description	CUSIP	TICKER Symbol
7.875% PFD Series B	42315408	ARR-PB
7.00% PFD Series C	42315606	ARR-PRC
Common Stock	42315507	ARR

**Part II – Organizational Action**

**Line 14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.**

Armour Residential REIT, Inc. ("ARR") made cash distributions in calendar year 2020 to each of its preferred and common stock shareholders. As of December 31, 2020, it was determined that these distributions represent a non-dividend distribution to the preferred and common shareholders.

**Line 15. Describe the quantitative effect of the organizational action based on the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.**

The distributions made by ARR to its preferred and common shareholders during the calendar year 2020 are not taxable as dividends under Internal Revenue Code ("IRC") Section 301(c)(2) but are applied first against stock basis as a return of capital. To the extent that such portion, together with other such distributions made during the taxable year, exceeds the shareholder's basis in the stock, the excess is treated as gain from the sale or exchange of the stock. The distributions that are not taxable as dividends under IRC Section 301(c)(2) on a per share basis are as follows:

Security Description	Distribution Date	Distribution Per Share	Per Share Amount Not Treated as Dividend
7.875% PFD Series B	01/27/2020	\$0.164063	\$0.164063
	02/27/2020	\$0.164063	\$0.164063
7.00% PFD Series C	02/27/2020	\$0.145830	\$0.145830
	03/27/2020	\$0.145830	\$0.145830
	04/27/2020	\$0.145830	\$0.145830
	05/27/2020	\$0.145830	\$0.145830

	06/29/2020	\$0.145830	\$0.145830
	07/27/2020	\$0.145830	\$0.145830
	08/27/2020	\$0.145830	\$0.145830
	09/28/2020	\$0.145830	\$0.145830
	10/27/2020	\$0.145830	\$0.145830
	11/27/2020	\$0.145830	\$0.145830
	12/28/2020	\$0.145830	\$0.145830
Common Stock	01/30/2020	\$0.170000	\$0.170000
	02/27/2020	\$0.170000	\$0.170000
	03/27/2020	\$0.170000	\$0.170000
	06/29/2020	\$0.090000	\$0.090000
	07/30/2020	\$0.100000	\$0.100000
	08/28/2020	\$0.100000	\$0.100000
	09/29/2020	\$0.100000	\$0.100000
	10/29/2020	\$0.100000	\$0.100000
	11/27/2020	\$0.100000	\$0.100000
	12/29/2020	\$0.100000	\$0.100000

As such, each shareholder's tax basis in preferred or common stock of ARR is decreased by the lesser of the amount of the shareholder's share of the return of capital distributions or the shareholder's tax basis in such preferred or common stock.

**Line 16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.**

ARR's earnings and profits were calculated under IRC Section 312 as modified by IRC Section 857(d) for real estate investment trusts. Distributions in excess of the portion of the earnings and profits allocable to the preferred and common shares reduce the shareholder's tax basis in its shares to the extent of such basis.

Total cash distributions to ARR's preferred shares were \$11,163,017. Total cash distributions to ARR's common shares were \$74,734,529. Earnings and profits are first allocated to ARR's preferred classes of stockholders. ARR is estimating a tax loss for 2020. Thus, ARR's current and accumulated earnings and profits for the current taxable year totaled \$0. The amount of earnings and profits allocable to the preferred shares is \$0, resulting in a total non-dividend distribution (i.e., return of capital or capital gain) for the 2020 tax year attributable to all shareholders of preferred stock in the amount of \$11,163,017, and to all shareholders of common stock in the amount of \$74,734,529.

**Line 17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.**

IRS Sections 301, 312, and 316.

**Line 18. Can any resulting loss be recognized?**

No.

**Line 19. Provide any other information necessary to implement the adjustment, such as the reportable tax year:**

The reporting tax year is the 2020 calendar year.