# Form **8937** (December 2017) Department of the Treasury

### Report of Organizational Actions Affecting Basis of Securities

► See separate instructions.

OMB No. 1545-0123

Internal Revenue Service			See separate instructions.	
Part I Reporting	ssuer			
1 Issuer's name			2 Issuer's employer identification number (EIN)	
ARMOUR RESIDENTIA	L REIT, INC.			26-1908763
	3 Name of contact for additional information 4 Telephone No. of contact			5 Email address of contact
JAMES R. MOUNTAIN	I, CFO	772-617-	-4340	JRM@ARMOURCAP.COM
6 Number and street (or P.O. box if mail is not delivered to street address) of contact				7 City, town, or post office, state, and ZIP code of contact
3001 OCEAN DRIVE,	SUITE 201			VERO BEACH, FL 32963
8 Date of action		9 Class	sification and description	
SEE ATTACHED		PREFE	RRED AND COMMON S	STOCK
10 CUSIP number	11 Serial number(		12 Ticker symbol	13 Account number(s)
SEE ATTACHED			SEE ATTACHED	
	onal Action Attac	ch additional	statements if needed. S	ee back of form for additional questions.
the action ► SEE A  15 Describe the quantitat share or as a percenta	ive effect of the orga			rity in the hands of a U.S. taxpayer as an adjustment per
16 Describe the calculation	on of the change in b	pasis and the	data that supports the calcu	lation, such as the market values of securities and the
valuation dates ► <u>SE</u>				,

Pa	rt II	Organizational Action (continued)		
17		applicable Internal Revenue Code section(s) and subsection(s) upon which the tax t	reatment is based ▶	SEE ATTACHED
18	Can ar	y resulting loss be recognized? ► SEE ATTACHED		
_				
19	Provid	any other information necessary to implement the adjustment, such as the reportab	le tax year ▶ SEE <i>I</i>	ATTACHED
		er penalties of perjury, I declare that I have examined this return, including accompanying sche f, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all infor		
Sia		t, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all findi	mation of which prepare	i lias ally kilowiedge.
Sig: Her	_		2/0/	2021
	Sigr	ature	Date ► <u>2/9/</u>	2021
	Prin	your name ▶ JAMES R. MOUNTAIN	Title▶ CHIEF F	INANCIAL OFFICER
Pai		Print/Type preparer's name Preparer's signature	Date	Check if PTIN
	u parer	JOYCE M. KLINEWSKI JOYLE M KINEUSW	2/4/21	self-employed P01223511
	Only	Firm's name ▶DELOITTE TAX LLP		Firm's EIN ▶ 86-1065772
		Firm's address ▶30 ROCKEFELLER PLAZA NEW YORK, NY 1011	.2	Phone no. 215-299-4566

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

#### Armour Residential REIT, Inc.

## Return of Capital (Nontaxable Distribution) to Common and Preferred Shareholders Attachment to Form 8937

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	<b>Distribution Date</b>	<b>Distribution Per</b>	Per Share Amount
		Share	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
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
	07/27/2020 08/27/2020 09/28/2020 10/27/2020 11/27/2020 12/28/2020 01/30/2020 02/27/2020 03/27/2020 06/29/2020 07/30/2020 08/28/2020 09/29/2020 10/29/2020 11/27/2020	07/27/2020         \$0.145830           08/27/2020         \$0.145830           09/28/2020         \$0.145830           10/27/2020         \$0.145830           11/27/2020         \$0.145830           12/28/2020         \$0.145830           01/30/2020         \$0.170000           02/27/2020         \$0.170000           03/27/2020         \$0.170000           06/29/2020         \$0.090000           07/30/2020         \$0.100000           08/28/2020         \$0.100000           09/29/2020         \$0.100000           10/29/2020         \$0.100000           11/27/2020         \$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.