

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: March 31, 2023

OR

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

COMMISSION FILE NUMBER: 1-33796

**CHIMERA INVESTMENT CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

**Maryland**  
(State or other jurisdiction of incorporation of organization)

**26-0630461**  
(I.R.S. Employer Identification Number)

**630 Fifth Avenue, Ste 2400**  
**New York, New York**  
(Address of Principal Executive Offices)

**10111**  
(Zip Code)

**(888) 895-6557**  
(Registrant's telephone number, including area code)

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$0.01 per share	CIM	New York Stock Exchange
8.00% Series A Cumulative Redeemable Preferred Stock	CIM PRA	New York Stock Exchange
8.00% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	CIM PRB	New York Stock Exchange
7.75% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	CIM PRC	New York Stock Exchange
8.00% Series D Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	CIM PRD	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 (Section 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 definition 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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date:

Class	Outstanding at April 30, 2023
Common Stock, \$0.01 par value	232,096,164

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# **CHIMERA INVESTMENT CORPORATION**

## **FORM 10-Q**

### **TABLE OF CONTENTS**

#### **PART I. FINANCIAL INFORMATION**

<b>ITEM 1.</b>	<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
	Consolidated Statements of Financial Condition as of March 31, 2023 (Unaudited) and December 31, 2022 (Derived from the audited consolidated financial statements as of December 31, 2022)	<a href="#"><u>2</u></a>
	Consolidated Statements of Operations (Unaudited) for the quarters ended March 31, 2023 and 2022	<a href="#"><u>3</u></a>
	Consolidated Statements of Comprehensive Income (Loss) (Unaudited) for the quarters ended March 31, 2023 and 2022	<a href="#"><u>4</u></a>
	Consolidated Statements of Changes in Stockholders' Equity (Unaudited) for the quarters ended March 31, 2023 and 2022	<a href="#"><u>5</u></a>
	Consolidated Statements of Cash Flows (Unaudited) for the quarters ended March 31, 2023 and 2022	<a href="#"><u>6</u></a>
	Notes to Consolidated Financial Statements (Unaudited)	<a href="#"><u>8</u></a>
<b>ITEM 2.</b>	<b>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</b>	<a href="#"><u>43</u></a>
<b>ITEM 3.</b>	<b>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</b>	<a href="#"><u>66</u></a>
<b>ITEM 4</b>	<b>CONTROLS AND PROCEDURES</b>	<a href="#"><u>72</u></a>

#### **PART II. OTHER INFORMATION**

<b>ITEM 1.</b>	<b>LEGAL PROCEEDINGS</b>	<a href="#"><u>73</u></a>
<b>ITEM 1A.</b>	<b>RISK FACTORS</b>	<a href="#"><u>73</u></a>
<b>ITEM 2.</b>	<b>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</b>	<a href="#"><u>73</u></a>
<b>ITEM 6.</b>	<b>EXHIBITS</b>	<a href="#"><u>73</u></a>
	<b>SIGNATURES</b>	<a href="#"><u>76</u></a>

## Part I - Financial Information

### Item 1. Consolidated Financial Statements

**CHIMERA INVESTMENT CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
(dollars in thousands, except share and per share data)  
(Unaudited)

	March 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 232,392	\$ 264,600
Non-Agency RMBS, at fair value (net of allowance for credit losses of \$ 10 million and \$7 million, respectively)	1,140,776	1,147,481
Agency MBS, at fair value	263,743	430,944
Loans held for investment, at fair value	12,382,047	11,359,236
Accrued interest receivable	73,022	61,768
Other assets	97,582	133,866
Derivatives, at fair value	14,199	4,096
<b>Total assets <sup>(1)</sup></b>	<b>\$ 14,203,761</b>	<b>\$ 13,401,991</b>
<b>Liabilities:</b>		
Secured financing agreements (\$4.5 billion and \$4.7 billion pledged as collateral, respectively, and includes \$371 million and \$374 million at fair value, respectively)	\$ 3,195,322	\$ 3,434,765
Securitized debt, collateralized by Non-Agency RMBS (\$271 million and \$276 million pledged as collateral, respectively)	77,742	78,542
Securitized debt at fair value, collateralized by Loans held for investment (\$ 10.7 billion and \$10.0 billion pledged as collateral, respectively)	7,507,228	7,100,742
Payable for investments purchased	660,047	9,282
Accrued interest payable	31,487	30,696
Dividends payable	63,880	64,545
Accounts payable and other liabilities	18,668	16,616
<b>Total liabilities <sup>(1)</sup></b>	<b>\$ 11,554,374</b>	<b>\$ 10,735,188</b>
<b>Commitments and Contingencies (See Note 16)</b>		
<b>Stockholders' Equity:</b>		
Preferred Stock, par value of \$0.01 per share, 100,000,000 shares authorized:		
8.00% Series A cumulative redeemable: 5,800,000 shares issued and outstanding, respectively (\$145,000 liquidation preference)	\$ 58	\$ 58
8.00% Series B cumulative redeemable: 13,000,000 shares issued and outstanding, respectively (\$325,000 liquidation preference)	130	130
7.75% Series C cumulative redeemable: 10,400,000 shares issued and outstanding, respectively (\$260,000 liquidation preference)	104	104
8.00% Series D cumulative redeemable: 8,000,000 shares issued and outstanding, respectively (\$200,000 liquidation preference)	80	80
Common stock: par value \$0.01 per share; 500,000,000 shares authorized, 232,093,167 and 231,824,192 shares issued and outstanding, respectively	2,321	2,318
Additional paid-in-capital	4,320,803	4,318,388
Accumulated other comprehensive income	224,755	229,345
Cumulative earnings	4,096,308	4,038,942
Cumulative distributions to stockholders	(5,995,172)	(5,922,562)
<b>Total stockholders' equity</b>	<b>\$ 2,649,387</b>	<b>\$ 2,666,803</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 14,203,761</b>	<b>\$ 13,401,991</b>

(1) The Company's consolidated statements of financial condition include assets of consolidated variable interest entities, or VIEs, that can only be used to settle obligations and liabilities of the VIE for which creditors do not have recourse to the primary beneficiary (Chimera Investment Corporation). As of March 31, 2023, and December 31, 2022, total assets of consolidated VIEs were \$10,494,798 and \$10,199,266, respectively, and total liabilities of consolidated VIEs were \$1,196,538 and \$6,772,125, respectively. See Note 8 for further discussion.

See accompanying notes to consolidated financial statements.

**CHIMERA INVESTMENT CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(dollars in thousands, except share and per share data)  
(Unaudited)

	<b>For the Quarters Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
<b>Net interest income:</b>		
Interest income <sup>(1)</sup>	\$ 189,250	\$ 202,175
Interest expense <sup>(2)</sup>	119,615	64,473
Net interest income	69,635	137,702
Increase/(decrease) in provision for credit losses	3,062	240
<b>Other investment gains (losses):</b>		
Net unrealized gains (losses) on derivatives	(8,551)	—
Realized gains (losses) on derivatives	(34,134)	—
Periodic interest cost of swaps, net	2,819	—
Net gains (losses) on derivatives	(39,866)	—
Net unrealized gains (losses) on financial instruments at fair value	64,592	(370,167)
Net realized gains (losses) on sales of investments	(5,264)	—
Gains (losses) on extinguishment of debt	2,309	—
Other investment gains (losses)	117	—
Total other gains (losses)	21,888	(370,167)
<b>Other expenses:</b>		
Compensation and benefits	10,491	11,353
General and administrative expenses	5,778	5,711
Servicing and asset manager fees	8,417	9,291
Transaction expenses	6,409	3,804
Total other expenses	31,095	30,159
<b>Income (loss) before income taxes</b>	<b>57,366</b>	<b>(262,864)</b>
Income tax expense (benefit)	—	(70)
<b>Net income (loss)</b>	<b>\$ 57,366</b>	<b>\$ (262,794)</b>
<b>Dividends on preferred stock</b>	<b>18,438</b>	<b>18,408</b>
<b>Net income (loss) available to common shareholders</b>	<b>\$ 38,928</b>	<b>\$ (281,202)</b>
<b>Net income (loss) per share available to common shareholders:</b>		
Basic	\$ 0.17	\$ (1.19)
Diluted	\$ 0.17	\$ (1.19)
<b>Weighted average number of common shares outstanding:</b>		
Basic	231,994,620	237,012,702
Diluted	235,201,614	237,012,702

(1) Includes interest income of consolidated VIEs of \$ 139,902 and \$ 131,066 for the quarters ended March 31, 2023 and 2022, respectively. See accompanying notes to consolidated financial statements for further discussion.

(2) Includes interest expense of consolidated VIEs of \$ 60,152 and \$ 42,491 for the quarters ended March 31, 2023 and 2022, respectively. See accompanying notes to consolidated financial statements.

**CHIMERA INVESTMENT CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(dollars in thousands, except share and per share data)  
(Unaudited)

	<b>For the Quarters Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
<b>Comprehensive income (loss):</b>		
Net income (loss)	\$ 57,366	\$ (262,794)
<b>Other comprehensive income:</b>		
Unrealized gains (losses) on available-for-sale securities, net	(5,905)	(40,955)
Reclassification adjustment for net realized losses (gains) included in net income	1,315	—
Other comprehensive income (loss)	(4,590)	(40,955)
<b>Comprehensive income (loss) before preferred stock dividends</b>	<b>\$ 52,776</b>	<b>\$ (303,749)</b>
Dividends on preferred stock	\$ 18,438	18,408
<b>Comprehensive income (loss) available to common stock shareholders</b>	<b>\$ 34,338</b>	<b>\$ (322,157)</b>

See accompanying notes to consolidated financial statements.

**CHIMERA INVESTMENT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(dollars in thousands, except per share data)

**For the Quarter Ended March 31, 2023**

	Series A Preferred Stock Par Value	Series B Preferred Stock Par Value	Series C Preferred Stock Par Value	Series D Preferred Stock Par Value	Common Stock Par Value	Additional Paid- in Capital	Accumulated Other Comprehensive Income	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
<b>Balance, December 31, 2022</b>	\$ 58	\$ 130	\$ 104	\$ 80	\$ 2,318	\$ 4,318,388	\$ 229,345	\$ 4,038,942	\$ (5,922,562)	\$ 2,666,803
Net income (loss)	—	—	—	—	—	—	—	57,366	—	57,366
Other comprehensive income (loss)	—	—	—	—	—	—	(4,590)	—	—	(4,590)
Stock based compensation	—	—	—	—	3	2,415	—	—	—	2,418
Common dividends declared	—	—	—	—	—	—	—	—	(54,172)	(54,172)
Preferred dividends declared	—	—	—	—	—	—	—	—	(18,438)	(18,438)
<b>Balance, March 31, 2023</b>	\$ 58	\$ 130	\$ 104	\$ 80	\$ 2,321	\$ 4,320,803	\$ 224,755	\$ 4,096,308	\$ (5,995,172)	\$ 2,649,387

**For the Quarter Ended March 31, 2022**

	Series A Preferred Stock Par Value	Series B Preferred Stock Par Value	Series C Preferred Stock Par Value	Series D Preferred Stock Par Value	Common Stock Par Value	Additional Paid- in Capital	Accumulated Other Comprehensive Income	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
<b>Balance, December 31, 2021</b>	\$ 58	\$ 130	\$ 104	\$ 80	\$ 2,370	\$ 4,359,045	\$ 405,054	\$ 4,552,008	\$ (5,582,658)	\$ 3,736,191
Net income (loss)	—	—	—	—	—	—	—	(262,794)	—	(262,794)
Other comprehensive income (loss)	—	—	—	—	—	—	(40,955)	—	—	(40,955)
Stock based compensation	—	—	—	—	—	1,295	—	—	—	1,295
Common dividends declared	—	—	—	—	—	—	—	—	(78,601)	(78,601)
Preferred dividends declared	—	—	—	—	—	—	—	—	(18,408)	(18,408)
<b>Balance, March 31, 2022</b>	\$ 58	\$ 130	\$ 104	\$ 80	\$ 2,370	\$ 4,360,340	\$ 364,099	\$ 4,289,214	\$ (5,679,667)	\$ 3,336,728

See accompanying notes to financial statements.

**CHIMERA INVESTMENT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(dollars in thousands)

	For the Quarters Ended	
	March 31, 2023	March 31, 2022
<b>Cash Flows From Operating Activities:</b>		
Net income (loss)	\$ 57,366	\$ (262,794)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
(Accretion) amortization of investment discounts/premiums, net	3,468	25,897
Accretion (amortization) of deferred financing costs, debt issuance costs, and Securitized debt discounts/premiums, net	7,143	(2,676)
Net unrealized losses (gains) on derivatives	8,551	—
Proceeds (payments) for derivative settlements	(17,509)	—
Margin (paid) received on derivatives	35,128	—
Net unrealized losses (gains) on financial instruments at fair value	(64,592)	370,167
Net realized losses (gains) on sales of investments	5,264	—
Other investment (gains) losses	(117)	—
Net increase (decrease) in provision for credit losses	3,062	240
(Gain) loss on extinguishment of debt	(2,309)	—
Equity-based compensation expense	2,418	1,295
Changes in operating assets:		
Decrease (increase) in accrued interest receivable, net	(11,254)	(2,904)
Decrease (increase) in other assets	981	(1,160)
Changes in operating liabilities:		
Increase (decrease) in accounts payable and other liabilities	2,051	6,335
Increase (decrease) in accrued interest payable, net	790	1,518
Net cash provided by (used in) operating activities	\$ 30,441	\$ 135,918
<b>Cash Flows From Investing Activities:</b>		
Agency MBS portfolio:		
Purchases	\$ (888)	\$ (44,627)
Sales	167,675	—
Principal payments	355	230,321
Non-Agency RMBS portfolio:		
Purchases	—	(23,000)
Sales	—	—
Principal payments	19,122	76,472
Loans held for investment:		
Purchases	(589,984)	(1,019,118)
Sales	—	—
Principal payments	321,711	592,603
Net cash provided by (used in) investing activities	\$ (82,009)	\$ (187,349)
<b>Cash Flows From Financing Activities:</b>		
Proceeds from secured financing agreements	\$ 8,457,223	\$ 8,972,972
Payments on secured financing agreements	(8,699,286)	(8,810,180)
Proceeds from securitized debt borrowings, collateralized by Loans held for investment	944,095	262,118
Payments on securitized debt borrowings, collateralized by Loans held for investment	(609,370)	(495,172)
Payments on securitized debt borrowings, collateralized by Non-Agency RMBS	(28)	(1,719)
Common dividends paid	(54,836)	(78,194)
Preferred dividends paid	(18,438)	(18,407)
Net cash provided by (used in) financing activities	\$ 19,360	\$ (168,582)
Net increase (decrease) in cash and cash equivalents	(32,208)	(220,013)

Cash and cash equivalents at beginning of period		264,600	385,741
Cash and cash equivalents at end of period	\$	232,392 \$	165,728
<b>Supplemental disclosure of cash flow information:</b>			
Interest received	\$	181,464 \$	225,168
Interest paid	\$	111,682 \$	66,143
<b>Non-cash investing activities:</b>			
Payable for investments purchased	\$	660,047 \$	259,796
Net change in unrealized gain (loss) on available-for sale securities	\$	(5,905) \$	(40,955)
<b>Transfer of investments due to consolidation</b>			
Loans held for investment, at fair value	\$	— \$	1,047,838
Securitized debt at fair value, collateralized by loans held for investment	\$	— \$	774,510
Non-Agency RMBS, at fair value	\$	— \$	(218,276)
<b>Non-cash financing activities:</b>			
Dividends declared, not yet paid	\$	63,880 \$	86,560

See accompanying notes to consolidated financial statements.

## CHIMERA INVESTMENT CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Organization

Chimera Investment Corporation, or the Company, was organized in Maryland on June 1, 2007. The Company commenced operations on November 21, 2007 when it completed its initial public offering. The Company elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, or the Code.

The Company is an internally managed REIT that is primarily engaged, through its subsidiaries, in the business of investing in a diversified portfolio of mortgage assets, including residential mortgage loans, Agency RMBS, Non-Agency RMBS, Agency CMBS, and other real estate-related assets. The following defines certain of the commonly used terms in this Quarterly Report on Form 10-Q: Agency refers to a federally chartered corporation, such as Fannie Mae or Freddie Mac, or an agency of the U.S. Government, such as Ginnie Mae; MBS refers to mortgage-backed securities secured by pools of residential or commercial mortgage loans; Agency RMBS and Agency CMBS refer to MBS that are secured by pools of residential and commercial mortgage loans, respectively, and are issued or guaranteed by an Agency; Agency MBS refers to MBS that are issued or guaranteed by an Agency and includes Agency RMBS and Agency CMBS collectively; Non-Agency RMBS refers to residential MBS that are not guaranteed by any agency of the U.S. Government or any Agency. IO refers to Interest-only securities.

The Company conducts its operations through various subsidiaries including subsidiaries it treats as taxable REIT subsidiaries, or TRSs. In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly and generally may engage in any real estate or non-real estate related business. The Company currently has twelve wholly-owned direct subsidiaries: Chimera RMBS Whole Pool LLC and Chimera RMBS LLC formed in June 2009; CIM Trading Company LLC, or CIM Trading, formed in July 2010; Chimera Funding TRS LLC, or CIM Funding TRS, a TRS formed in October 2013; Chimera CMBS Whole Pool LLC and Chimera RMBS Securities LLC formed in March 2015; Chimera RR Holding LLC formed in April 2016; Anacostia LLC, a TRS formed in June 2018; NYH Funding LLC, a TRS formed in May 2019; Kali 2020 Holdings LLC formed in May 2020; Varuna Capital Partners LLC formed in September 2020; and Aarna Holdings LLC formed in November 2020.

During 2022, the Company exchanged its interest in Kah Capital Management, LLC for an interest in Kah Capital Holdings, LLC, which is accounted for as an equity method investment in other assets on the Statement of Financial Condition at March 31, 2023. Kah Capital Holdings, LLC is the parent of Kah Capital Management, LLC. The Company did not pay any investment services fees to Kah Capital Management, LLC during the quarter ended March 31, 2023. The Company paid \$250 thousand during the quarter ended March 31, 2022, in fees to Kah Capital Management, LLC. These fees were paid for investment services provided, and are reported within Other Expenses on the Statement of Operations. The Company has made a \$75 million capital commitment to a fund managed by Kah Capital Management, LLC. As of March 31, 2023, the Company has funded \$27 million towards that commitment. The Company's investment in this fund is accounted for as an equity method investment in other assets on the Statement of Financial Condition. The Company records any gains and losses associated with its equity method investments in other investment gains (losses) on the Statement of Operations.

#### 2. Summary of the Significant Accounting Policies

##### (a) Basis of Presentation and Consolidation

The accompanying consolidated financial statements and related notes of the Company have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. In the opinion of the Company, all normal and recurring adjustments considered necessary for a fair presentation of its financial position, results of operations and cash flows have been included. Investment transactions are recorded on the trade date.

The consolidated financial statements include the Company's accounts, the accounts of its wholly-owned subsidiaries, and variable interest entities, or VIEs, in which the Company is the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

The Company uses securitization trusts considered to be VIEs in its securitization transactions. VIEs are defined as entities in which equity investors (i) do not have the characteristics of a controlling financial interest, or (ii) do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The entity that

consolidates a VIE is known as its primary beneficiary and is generally the entity with (i) the power to direct the activities that most significantly impact the VIEs' economic performance, and (ii) the right to receive benefits from the VIE or the obligation to absorb losses of the VIE that could be significant to the VIE. For VIEs that do not have substantial on-going activities, the power to direct the activities that most significantly impact the VIEs' economic performance may be determined by an entity's involvement with the design and structure of the VIE.

The trusts are structured as entities that receive principal and interest on the underlying collateral and distribute those payments to the security holders. The assets held by the securitization entities are restricted in that they can only be used to fulfill the obligations of the securitization entity. The Company's risks associated with its involvement with these VIEs are limited to its risks and rights as a holder of the security it has retained as well as certain risks associated with being the sponsor and depositor of and the seller, directly or indirectly to, the securitizations entities.

Determining the primary beneficiary of a VIE requires judgment. The Company determined that for the securitizations it consolidates, its ownership provides the Company with the obligation to absorb losses or the right to receive benefits from the VIE that could be significant to the VIE. In addition, the Company has the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance, or power, such as rights to replace the servicer without cause, or the Company was determined to have power in connection with its involvement with the structure and design of the VIE.

The Company's interest in the assets held by these securitization vehicles, which are consolidated on the Company's Consolidated Statements of Financial Condition, is restricted by the structural provisions of these trusts, and a recovery of the Company's investment in the vehicles will be limited by each entity's distribution provisions. Generally, the securities retained by the Company are the most subordinate in the capital structure, which means those securities receive distributions after the senior securities have been paid. The liabilities of the securitization vehicles, which are also consolidated on the Company's Consolidated Statements of Financial Condition, are non-recourse to the Company, and can only be satisfied using proceeds from each securitization vehicle's respective asset pool.

The assets of securitization entities are comprised of residential mortgage-backed securities, or RMBS, or residential mortgage loans. See Notes 3, 4 and 9 for further discussion of the characteristics of the securities and loans in the Company's portfolio.

#### **(b) Statements of Financial Condition Presentation**

The Company's Consolidated Statements of Financial Condition include both the Company's direct assets and liabilities and the assets and liabilities of consolidated securitization vehicles. Retained beneficial interests of the consolidated securitization vehicles are eliminated in consolidation. Assets of each consolidated VIE can only be used to satisfy the obligations of that VIE, and the liabilities of consolidated VIEs are non-recourse to the Company. The Company is not obligated to provide, nor does it intend to provide, any financial support to these consolidated securitization vehicles. The notes to the consolidated financial statements describe the Company's assets and liabilities including the assets and liabilities of consolidated securitization vehicles. See Note 8 for additional information related to the Company's investments in consolidated securitization vehicles.

Certain prior period investment balances for Non-Agency Subordinate and Interest-Only securities were updated to conform to current period presentation.

#### **(c) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the Company 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. Although the Company's estimates contemplate current conditions and how it expects them to change in the future, it is reasonably possible that actual conditions could be materially different than anticipated in those estimates, which could have a material adverse impact on the Company's results of operations and its financial condition.

The Company has made significant estimates including in accounting for income recognition on Agency MBS, Non-Agency RMBS, IO MBS (Note 3) and residential mortgage loans (Note 4), valuation of Agency MBS and Non-Agency RMBS (Notes 3 and 5), residential mortgage loans (Notes 4 and 5) and securitized debt (Notes 5 and 7). Actual results could differ materially from those estimates.

#### **(d) Significant Accounting Policies**

There have been no significant changes to the Company's accounting policies included in Note 2 to the consolidated financial statements of the Company's Form 10-K for the year ended December 31, 2022, other than the significant accounting policies discussed below.

#### **Fair Value Disclosure**

A complete discussion of the methodology utilized by the Company to estimate the fair value of its financial instruments is included in Note 5 to these consolidated financial statements.

#### **Income Taxes**

The Company does not have any material unrecognized tax positions that would affect its financial statements or require disclosure. No accruals for penalties and interest were necessary as of March 31, 2023 or December 31, 2022.

#### **(e) Recent Accounting Pronouncements**

##### **Reference Rate Reform (Topic 848)**

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2020-4, *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in this update provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update apply only to contracts, hedging relationships, and other transactions that reference London Inter Bank Offering Rate (or LIBOR) or another reference rate expected to be discontinued because of reference rate reform. The amendments in this update are effective for contracts held by the Company subject to reference rate reform that fall within the scope of this update beginning immediately through December 31, 2022 at which time the transition is expected to be complete. The Company has not yet had any contracts modified to adopt reference rate reform. When a contract within the scope of this update is updated for reference rate reform, the Company will evaluate the impact in accordance with this update.

#### **3. Mortgage-Backed Securities**

The Company classifies its Non-Agency RMBS as senior, subordinated, or Interest-only. The Company also invests in Agency MBS which it classifies as Agency RMBS to include residential and residential interest-only MBS and Agency CMBS to include commercial and commercial interest-only MBS. Senior interests in Non-Agency RMBS are generally entitled to the first principal repayments in their pro-rata ownership interests at the acquisition date. The tables below present amortized cost, allowance for credit losses, fair value and unrealized gain/losses of the Company's MBS investments as of March 31, 2023 and December 31, 2022.

<b>March 31, 2023</b>										
(dollars in thousands)										
	Principal or Notional Value	Total Premium	Total Discount	Amortized Cost	Allowance for credit losses	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gain/(Loss)	
<b>Non-Agency RMBS</b>										
Senior	\$ 1,135,367	\$ 9,359	\$ (613,753)	\$ 530,973	\$ (7,866)	\$ 745,163	\$ 229,058	\$ (7,002)	\$ 222,056	
Subordinated	603,192	3,745	(304,848)	302,089	(2,385)	286,759	21,860	(34,805)	(12,945)	
Interest-only	3,049,186	161,269	—	161,269	—	108,854	20,237	(72,652)	(52,415)	
<b>Agency RMBS</b>										
Interest-only	406,985	18,682	—	18,682	—	14,846	848	(4,684)	(3,836)	
<b>Agency CMBS</b>										
Project loans	132,718	2,241	—	134,959	—	125,785	—	(9,174)	(9,174)	
Interest-only	2,441,039	136,530	—	136,530	—	123,112	1,593	(15,011)	(13,418)	
<b>Total</b>	<b>\$ 7,768,487</b>	<b>\$ 331,826</b>	<b>\$ (918,601)</b>	<b>\$ 1,284,502</b>	<b>\$ (10,251)</b>	<b>\$ 1,404,519</b>	<b>\$ 273,596</b>	<b>\$ (143,328)</b>	<b>\$ 130,268</b>	

**December 31, 2022**

(dollars in thousands)

	Principal or Notional Value	Total Premium	Total Discount	Amortized Cost	Allowance for credit losses	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gain/(Loss)
<b>Non-Agency RMBS</b>									
Senior	\$ 1,153,458	\$ 7,377	\$ (624,803)	\$ 536,032	\$ (4,418)	\$ 761,808	\$ 237,127	\$ (6,933)	\$ 230,194
Subordinated	611,206	3,872	(310,757)	304,321	(2,770)	286,909	22,035	(36,677)	(14,642)
Interest-only	3,114,930	162,820	—	162,820	—	98,764	15,968	(80,024)	(64,056)
<b>Agency RMBS</b>									
Interest-only	409,940	18,768	—	18,768	—	15,148	1,371	(4,991)	(3,620)
<b>Agency CMBS</b>									
Project loans	302,685	5,805	(192)	308,298	—	289,418	—	(18,880)	(18,880)
Interest-only	2,669,396	139,738	—	139,738	—	126,378	1,654	(15,014)	(13,360)
<b>Total</b>	<b>\$ 8,261,615</b>	<b>\$ 338,380</b>	<b>\$ (935,752)</b>	<b>\$ 1,469,977</b>	<b>\$ (7,188)</b>	<b>\$ 1,578,425</b>	<b>\$ 278,155</b>	<b>\$ (162,519)</b>	<b>\$ 115,636</b>

The following tables present the gross unrealized losses and estimated fair value of the Company's Agency and Non-Agency MBS by length of time that such securities have been in a continuous unrealized loss position at March 31, 2023 and December 31, 2022. All Non-Agency RMBS held as available-for-sale, and not accounted under the fair value option election in an unrealized loss position have been evaluated by the Company for current expected credit losses.

**March 31, 2023**

(dollars in thousands)

	Unrealized Loss Position for Less than 12 Months			Unrealized Loss Position for 12 Months or More			Total		
	Estimated Fair Value	Unrealized Losses	Number of Positions	Estimated Fair Value	Unrealized Losses	Number of Positions	Estimated Fair Value	Unrealized Losses	Number of Positions
<b>Non-Agency RMBS</b>									
Senior	\$ 14,238	\$ (626)	4	\$ 43,383	\$ (6,376)	5	\$ 57,621	\$ (7,002)	9
Subordinated	101,311	(12,185)	19	91,846	(22,620)	17	193,157	(34,805)	36
Interest-only	26,489	(12,748)	47	21,640	(59,904)	66	48,129	(72,652)	113
<b>Agency RMBS</b>									
Interest-only	3,799	(326)	2	5,362	(4,358)	6	9,161	(4,684)	8
<b>Agency CMBS</b>									
Project loans	125,785	(9,174)	124	—	—	—	125,785	(9,174)	124
Interest-only	15,266	(1,701)	2	98,724	(13,310)	6	113,990	(15,011)	8
<b>Total</b>	<b>\$ 286,888</b>	<b>\$ (36,760)</b>	<b>198</b>	<b>\$ 260,955</b>	<b>\$ (106,568)</b>	<b>100</b>	<b>\$ 547,843</b>	<b>\$ (143,328)</b>	<b>298</b>

**December 31, 2022**

(dollars in thousands)

	Unrealized Loss Position for Less than 12 Months			Unrealized Loss Position for 12 Months or More			Total		
	Estimated Fair Value	Unrealized Losses	Number of Positions	Estimated Fair Value	Unrealized Losses	Number of Positions	Estimated Fair Value	Unrealized Losses	Number of Positions
<b>Non-Agency RMBS</b>									
Senior	\$ 83,553	\$ (6,170)	13	\$ 7,577	\$ (763)	1	\$ 91,130	\$ (6,933)	14
Subordinated	161,959	(27,120)	28	37,025	(9,557)	8	198,984	(36,677)	36
Interest-only	41,890	(24,411)	79	15,213	(55,613)	50	57,103	(80,024)	129
<b>Agency RMBS</b>									
Interest-only	6,062	(500)	4	2,825	(4,491)	4	8,887	(4,991)	8
<b>Agency CMBS</b>									
Project loans	281,307	(18,880)	131	—	—	—	281,307	(18,880)	131
Interest-only	81,472	(10,503)	5	35,234	(4,511)	3	116,706	(15,014)	8
<b>Total</b>	<b>\$ 656,243</b>	<b>\$ (87,584)</b>	<b>260</b>	<b>\$ 97,874</b>	<b>\$ (74,935)</b>	<b>66</b>	<b>\$ 754,117</b>	<b>\$ (162,519)</b>	<b>326</b>

At March 31, 2023, the Company did not intend to sell any of its Agency and Non-Agency MBS that were in an unrealized loss position, and it was not more likely than not that the Company would be required to sell these MBS investments before recovery of their amortized cost basis, which may be at their maturity. With respect to RMBS held by consolidated VIEs, the ability of any entity to cause the sale by the VIE prior to the maturity of these RMBS is either expressly prohibited, not probable, or is limited to specified events of default, none of which have occurred as of March 31, 2023.

The Company had \$5 thousand and \$3 million gross unrealized losses on its Agency MBS (excluding Agency MBS which are reported at fair value with changes in fair value recorded in earnings) as of March 31, 2023 and December 31, 2022, respectively. Given the inherent credit quality of Agency MBS, the Company does not consider any of the current impairments on its Agency MBS to be credit related. In evaluating whether it is more likely than not that it will be required to sell any impaired security before its anticipated recovery, which may be at their maturity, the Company considers the significance of each investment, the amount of impairment, the projected future performance of such impaired securities, as well as the Company's current and anticipated leverage capacity and liquidity position. Based on these analyses, the Company determined that at March 31, 2023 unrealized losses on its Agency MBS were temporary.

Gross unrealized losses on the Company's Non-Agency RMBS (excluding Non-Agency RMBS which are reported at fair value with changes in fair value recorded in earnings), net of any allowance for credit losses, were \$19 million and \$20 million, at March 31, 2023 and December 31, 2022, respectively. After evaluating the securities and recording any allowance for credit losses, the Company concluded that the remaining unrealized losses reflected above were non-credit related and would be recovered from the securities' estimated future cash flows. The Company considered a number of factors in reaching this conclusion, including that it did not intend to sell the securities, it was not considered more likely than not that it would be forced to sell the securities prior to recovering the amortized cost, and there were no material credit events that would have caused the Company to otherwise conclude that it would not recover the amortized cost. The allowance for credit losses are calculated by comparing the estimated future cash flows of each security discounted at the yield determined as of the initial acquisition date or, if since revised, as of the last date previously revised, to the net amortized cost basis. Significant judgment is used in projecting cash flows for Non-Agency RMBS.

The Company has reviewed its Non-Agency RMBS that are in an unrealized loss position to identify those securities with losses that are credit related based on an assessment of changes in cash flows expected to be collected for such RMBS, which considers recent bond performance and expected future performance of the underlying collateral. A summary of the credit losses allowance on available-for-sale securities for the quarter ended March 31, 2023 and 2022 is presented below.

	For the Quarter Ended	
	March 31, 2023	March 31, 2022
	(dollars in thousands)	
<b>Beginning allowance for credit losses</b>	\$ 7,188	\$ 213
Additions to the allowance for credit losses on securities for which credit losses were not previously recorded	597	339
Allowance on purchased financial assets with credit deterioration	—	—
Reductions for the securities sold during the period	—	—
Increase/(decrease) on securities with an allowance in the prior period	4,093	(41)
Write-offs charged against the allowance	(1,631)	(58)
Recoveries of amounts previously written off	4	—
<b>Ending allowance for credit losses</b>	\$ 10,251	\$ 453

The following table presents significant credit quality indicators used for the credit loss allowance on our Non-Agency RMBS investments as of March 31, 2023 and December 31, 2022.

	March 31, 2023			
	(dollars in thousands)			
	Amortized Cost	Prepay Rate	CDR	Loss Severity
		Weighted Average	Weighted Average	Weighted Average
Non-Agency RMBS				
Senior	75,076	5.6%	2.6%	41.1%
Subordinated	57,304	7.0%	0.3%	42.5%

	December 31, 2022			
	(dollars in thousands)			
	Amortized Cost	Prepay Rate	CDR	Loss Severity
		Weighted Average	Weighted Average	Weighted Average
Non-Agency RMBS				
Senior	88,062	7.5%	2.4%	39.7%
Subordinated	66,914	9.2%	0.4%	40.9%

The increase in the allowance for credit losses for the quarter ended March 31, 2023 is primarily due to increases in expected losses and delinquencies as compared to the same period of 2022. In addition, certain Non-Agency RMBS positions now have higher unrealized losses and resulted in the recognition of an allowance for credit losses which was previously limited by unrealized gains on these investments.

The following tables present a summary of unrealized gains and losses at March 31, 2023 and December 31, 2022.

March 31, 2023						
(dollars in thousands)						
	Gross Unrealized Gain Included in Accumulated Other Comprehensive Income	Gross Unrealized Gain Included in Cumulative Earnings	Total Gross Unrealized Gain	Gross Unrealized Loss Included in Accumulated Other Comprehensive Income	Gross Unrealized Loss Included in Cumulative Earnings	Total Gross Unrealized Loss
<b>Non-Agency RMBS</b>						
Senior	\$ 229,058	\$ —	\$ 229,058	\$ (5,239)	\$ (1,763)	\$ (7,002)
Subordinated	14,383	7,477	21,860	(13,442)	(21,363)	(34,805)
Interest-only	—	20,237	20,237	—	(72,652)	(72,652)
<b>Agency RMBS</b>						
Interest-only	—	848	848	—	(4,684)	(4,684)
<b>Agency CMBS</b>						
Project loans	—	—	—	(5)	(9,169)	(9,174)
Interest-only	—	1,593	1,593	—	(15,011)	(15,011)
<b>Total</b>	<b>\$ 243,441</b>	<b>\$ 30,155</b>	<b>\$ 273,596</b>	<b>\$ (18,686)</b>	<b>\$ (124,642)</b>	<b>\$ (143,328)</b>

December 31, 2022						
(dollars in thousands)						
	Gross Unrealized Gain Included in Accumulated Other Comprehensive Income	Gross Unrealized Gain Included in Cumulative Earnings	Total Gross Unrealized Gain	Gross Unrealized Loss Included in Accumulated Other Comprehensive Income	Gross Unrealized Loss Included in Cumulative Earnings	Total Gross Unrealized Loss
<b>Non-Agency RMBS</b>						
Senior	\$ 237,127	\$ —	\$ 237,127	\$ (5,132)	\$ (1,801)	\$ (6,933)
Subordinated	14,600	7,435	22,035	(14,418)	(22,259)	(36,677)
Interest-only	—	15,968	15,968	—	(80,024)	(80,024)
<b>Agency RMBS</b>						
Interest-only	—	1,371	1,371	—	(4,991)	(4,991)
<b>Agency CMBS</b>						
Project loans	—	—	—	(2,832)	(16,048)	(18,880)
Interest-only	—	1,654	1,654	—	(15,014)	(15,014)
<b>Total</b>	<b>\$ 251,727</b>	<b>\$ 26,428</b>	<b>\$ 278,155</b>	<b>\$ (22,382)</b>	<b>\$ (140,137)</b>	<b>\$ (162,519)</b>

Changes in prepayments, actual cash flows, and cash flows expected to be collected, among other items, are affected by the collateral characteristics of each asset class. The Company chooses assets for the portfolio after carefully evaluating each investment's risk profile.

The following tables provide a summary of the Company's MBS portfolio at March 31, 2023 and December 31, 2022.

March 31, 2023					
	Principal or Notional Value at Period-End (dollars in thousands)	Weighted Average Amortized Cost Basis	Weighted Average Fair Value	Weighted Average Coupon	Weighted Average Yield at Period-End <sup>(1)</sup>
<b>Non-Agency RMBS</b>					
Senior	\$ 1,135,367	\$ 46.07	65.63	5.4 %	16.8 %
Subordinated	603,192	49.69	47.54	3.2 %	6.7 %
Interest-only	3,049,186	5.29	3.57	0.6 %	5.8 %
<b>Agency RMBS</b>					
Interest-only	406,985	4.59	3.65	0.5 %	7.2 %
<b>Agency CMBS</b>					
Project loans	132,718	101.69	94.78	4.2 %	4.0 %
Interest-only	2,441,039	5.59	5.04	0.7 %	3.1 %

(1) Bond Equivalent Yield at period end.

December 31, 2022

	Principal or Notional Value at Period-End (dollars in thousands)	Weighted Average Amortized Cost Basis	Weighted Average Fair Value	Weighted Average Coupon	Weighted Average Yield at Period-End <sup>(1)</sup>
<b>Non-Agency RMBS</b>					
Senior	\$ 1,153,458	\$ 46.09	\$ 66.05	5.3 %	16.4 %
Subordinated	611,206	49.79	46.94	3.1 %	6.8 %
Interest-only	3,114,930	5.14	3.17	0.7 %	5.3 %
<b>Agency RMBS</b>					
Interest-only	409,940	4.58	3.70	0.9 %	5.0 %
<b>Agency CMBS</b>					
Project loans	302,685	101.85	95.62	4.3 %	4.1 %
Interest-only	2,669,396	5.23	4.73	0.7 %	3.4 %

(1) Bond Equivalent Yield at period end.

Actual maturities of MBS are generally shorter than the stated contractual maturities. Actual maturities of the Company's MBS are affected by the underlying mortgages, periodic payments of principal, realized losses and prepayments of principal. The following tables provide a summary of the fair value and amortized cost of the Company's MBS at March 31, 2023 and December 31, 2022 according to their estimated weighted-average life classifications. The weighted-average lives of the MBS in the tables below are based on lifetime expected prepayment rates using the Company's prepayment assumptions for the Agency MBS and Non-Agency RMBS. The prepayment model considers current yield, forward yield, steepness of the interest rate curve, current mortgage rates, mortgage rates of the outstanding loan, loan age, margin, and volatility.

March 31, 2023

(dollars in thousands)

Weighted Average Life

	Less than one year	Greater than one year and less than five years	Greater than five years and less than ten years	Greater than ten years	Total
<b>Fair value</b>					
<b>Non-Agency RMBS</b>					
Senior	\$ 1,873	\$ 146,542	\$ 294,053	\$ 302,695	\$ 745,163
Subordinated	3,255	16,480	89,551	177,473	286,759
Interest-only	176	30,794	74,759	3,125	108,854
<b>Agency RMBS</b>					
Interest-only	—	—	14,846	—	14,846
<b>Agency CMBS</b>					
Project loans	8,035	—	—	117,750	125,785
Interest-only	1,062	122,050	—	—	123,112
<b>Total fair value</b>	<b>\$ 14,401</b>	<b>\$ 315,866</b>	<b>\$ 473,209</b>	<b>\$ 601,043</b>	<b>\$ 1,404,519</b>
<b>Amortized cost</b>					
<b>Non-Agency RMBS</b>					
Senior	\$ 1,611	\$ 124,002	\$ 196,061	\$ 209,299	\$ 530,973
Subordinated	778	12,598	89,763	198,950	302,089
Interest-only	6,564	62,817	87,475	4,413	161,269
<b>Agency RMBS</b>					
Interest-only	—	—	18,682	—	18,682
<b>Agency CMBS</b>					
Project loans	8,040	—	—	126,919	134,959
Interest-only	1,243	135,287	—	—	136,530
<b>Total amortized cost</b>	<b>\$ 18,236</b>	<b>\$ 334,704</b>	<b>\$ 391,981</b>	<b>\$ 539,581</b>	<b>\$ 1,284,502</b>

**December 31, 2022**  
(dollars in thousands)

	<b>Weighted Average Life</b>				
	Less than one year	Greater than one year and less than five years	Greater than five years and less than ten years	Greater than ten years	Total
<b>Fair value</b>					
Non-Agency RMBS					
Senior	\$ 6,727	\$ 152,811	\$ 308,351	\$ 293,919	\$ 761,808
Subordinated	3,957	6,829	113,903	162,220	286,909
Interest-only	205	30,780	65,038	2,741	98,764
Agency RMBS					
Interest-only	—	—	15,148	—	15,148
Agency CMBS					
Project loans	8,112	—	—	281,306	289,418
Interest-only	139	126,239	—	—	126,378
<b>Total fair value</b>	<b>\$ 19,140</b>	<b>\$ 316,659</b>	<b>\$ 502,440</b>	<b>\$ 740,186</b>	<b>\$ 1,578,425</b>
<b>Amortized cost</b>					
Non-Agency RMBS					
Senior	\$ 6,336	\$ 122,916	\$ 206,615	\$ 200,165	\$ 536,032
Subordinated	1,184	5,008	118,700	179,429	304,321
Interest-only	6,249	64,172	89,266	3,133	162,820
Agency RMBS					
Interest-only	—	—	18,768	—	18,768
Agency CMBS					
Project loans	8,112	—	—	300,186	308,298
Interest-only	200	139,538	—	—	139,738
<b>Total amortized cost</b>	<b>\$ 22,081</b>	<b>\$ 331,634</b>	<b>\$ 433,349</b>	<b>\$ 682,913</b>	<b>\$ 1,469,977</b>

The Non-Agency RMBS investments are secured by pools of mortgage loans which are subject to credit risk. The following table summarizes the delinquency, bankruptcy, foreclosure and Real estate owned, or REO, total of the pools of mortgage loans securing the Company's investments in Non-Agency RMBS at March 31, 2023 and December 31, 2022. When delinquency rates increase, it is expected that the Company will incur additional credit losses.

<b>March 31, 2023</b>	<b>30 Days Delinquent</b>	<b>60 Days Delinquent</b>	<b>90+ Days Delinquent</b>	<b>Bankruptcy</b>	<b>Foreclosure</b>	<b>REO</b>	<b>Total</b>
<b>% of Unpaid Principal Balance</b>	3.2 %	1.2 %	3.2 %	1.3 %	3.0 %	0.6 %	12.5 %

<b>December 31, 2022</b>	<b>30 Days Delinquent</b>	<b>60 Days Delinquent</b>	<b>90+ Days Delinquent</b>	<b>Bankruptcy</b>	<b>Foreclosure</b>	<b>REO</b>	<b>Total</b>
<b>% of Unpaid Principal Balance</b>	2.9 %	1.3 %	3.3 %	1.3 %	3.0 %	0.6 %	12.4 %

The Non-Agency RMBS in the Portfolio have the following collateral characteristics at March 31, 2023 and December 31, 2022.

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Weighted average maturity (years)	21.4	21.4
Weighted average amortized loan to value <sup>(1)</sup>	57.9 %	58.2 %
Weighted average FICO <sup>(2)</sup>	709	713
Weighted average loan balance (in thousands)	\$ 257	\$ 258
Weighted average percentage owner-occupied	84.3 %	84.4 %
Weighted average percentage single family residence	61.5 %	61.4 %
Weighted average current credit enhancement	1.1 %	1.1 %
Weighted average geographic concentration of top four states	CA	CA
	NY	NY
	FL	FL
	NJ	NJ
	32.7 %	32.7 %
	11.3 %	11.3 %
	7.6 %	7.6 %
	4.6 %	4.5 %

(1) Value represents appraised value of the collateral at the time of loan origination.

(2) FICO as determined at the time of loan origination.

The table below presents the origination year of the underlying loans related to the Company's portfolio of Non-Agency RMBS at March 31, 2023 and December 31, 2022.

Origination Year	March 31, 2023	December 31, 2022
2003 and prior	0.8 %	0.7 %
2004	1.1 %	1.1 %
2005	8.9 %	9.0 %
2006	45.3 %	45.0 %
2007	30.9 %	30.8 %
2008 and later	13.0 %	13.4 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

Gross realized gains and losses are recorded in "Net realized gains (losses) on sales of investments" on the Company's Consolidated Statements of Operations. The proceeds and gross realized gains and gross realized losses from sales of investments for the quarter ended March 31, 2023 and 2022 are as follows:

	For the Quarter Ended	
	March 31, 2023	March 31, 2022
	(dollars in thousands)	
Proceeds from sales:		
Agency CMBS	\$ 167,675	\$ —
Gross realized gains:		
Agency CMBS	—	—
Gross realized losses:		
Agency CMBS	(5,264)	—
<b>Net realized gain (loss)</b>	<b>\$ (5,264)</b>	<b>\$ —</b>

#### 4. Loans Held for Investment

The Loans held for investment are comprised primarily of loans collateralized by seasoned reperforming residential mortgages. Additionally, it includes jumbo prime loans, investor loans and business purpose loans.

The investor loans are loans to individuals securing non-primary residences as well as to individuals or businesses who rent out the residential properties secured by such loans. The Company purchases qualified mortgages, or QM, and non-qualified mortgages, or Non-QM, investor loans and securitizes them under its loan securitization program. The business purpose loans are loans to businesses that are secured by real property which will be renovated by the borrower. The business purpose loans tend to be short duration, often less than one year, and generally the coupon rate is higher than residential mortgage loans.

At March 31, 2023 and December 31, 2022, all Loans held for investment are carried at fair value. See Note 5 for a discussion on how the Company determines the fair values of the Loans held for investment. As changes in the fair value of these loans are reflected in earnings, the Company does not estimate or record a loan loss provision. The total amortized cost of the Company's Loans held for investment was \$12.8 billion and \$11.9 billion as of March 31, 2023 and December 31, 2022, respectively. The total unpaid principal balance of the Company's Loans held for investment was \$13.0 billion and \$12.1 billion as of March 31, 2023 and December 31, 2022, respectively.

The following table provides a summary of the changes in the carrying value of Loans held for investment at fair value at March 31, 2023 and December 31, 2022:

	<b>For the Quarter Ended March 31, 2023</b>	<b>For the Year Ended December 31, 2022</b>
	(dollars in thousands)	
Balance, beginning of period	\$ 11,359,236	\$ 12,261,926
Transfer due to consolidation	—	1,047,838
Purchases	1,242,165	1,615,377
Principal paydowns	(321,711)	(2,160,445)
Sales and settlements	(1,376)	(5,369)
Net periodic accretion (amortization)	(10,404)	(52,616)
Change in fair value	114,137	(1,347,475)
Balance, end of period	\$ 12,382,047	\$ 11,359,236

The primary cause of the change in fair value is due to market demand, interest rates and changes in credit risk of mortgage loans. The Company did not retain any beneficial interests on loan sales during the quarter ended March 31, 2023 and year ended December 31, 2022.

#### Residential mortgage loans

The loan portfolio for all residential mortgages were originated during the following periods:

<b>Origination Year</b>	<b>March 31, 2023 <sup>(1)</sup></b>	<b>December 31, 2022</b>
2002 and prior	5.8 %	6.0 %
2003	5.0 %	5.0 %
2004	9.5 %	9.7 %
2005	16.0 %	16.3 %
2006	19.9 %	20.3 %
2007	21.5 %	21.5 %
2008	6.7 %	6.6 %
2009	1.5 %	1.5 %
2010 and later	14.1 %	13.1 %
Total	100.0 %	100.0 %

(1) The above table excludes approximately \$650 million of Loans held for investment for March 31, 2023 which were purchased prior to the reporting date and will settle subsequent to the reporting period.

The following table presents a summary of key characteristics of the residential loan portfolio at March 31, 2023 and December 31, 2022:

	<b>March 31, 2023 <sup>(1)</sup></b>	<b>December 31, 2022</b>
Number of loans	119,042	116,876
Weighted average maturity (years)	20.8	20.9
Weighted average loan to value <sup>(2)</sup>	80.8 %	82.2 %
Weighted average FICO	661	658
Weighted average loan balance (in thousands)	\$ 104	\$ 103
Weighted average percentage owner occupied	88.7 %	87.5 %
Weighted average percentage single family residence	79.4 %	79.3 %
Weighted average geographic concentration of top five states	CA	CA
	14.9 %	14.6 %
	FL	FL
	8.5 %	8.5 %
	NY	NY
	8.4 %	8.5 %
	PA	VA
	4.5 %	4.5 %
	VA	PA
	4.4 %	4.4 %

(1) The above table excludes approximately \$650 million of Loans held for investment for March 31, 2023 which were purchased prior to the reporting date and will settle subsequent to the reporting period.

(2) Value represents appraised value of the collateral at the time of loan origination.

The following table summarizes the outstanding principal balance of the residential loan portfolio which are 30 days delinquent and greater as reported by the servicers at March 31, 2023 and December 31, 2022, respectively.

	30 Days Delinquent	60 Days Delinquent	90+ Days Delinquent	Bankruptcy	Foreclosure	REO	Total	Unpaid Principal Balance
	(dollars in thousands)							
<b>March 31, 2023 <sup>(1)</sup></b>	\$844,540	\$248,858	\$419,051	\$189,710	\$367,821	\$32,602	\$2,102,582	\$12,330,779
<b>% of Unpaid Principal Balance</b>	6.8 %	2.0 %	3.4 %	1.5 %	3.0 %	0.3 %	17.0 %	
<b>December 31, 2022</b>	\$778,196	\$248,579	\$399,369	\$211,226	\$391,958	\$33,843	\$2,063,171	\$12,060,530
<b>% of Unpaid Principal Balance</b>	6.5 %	2.1 %	3.3 %	1.8 %	3.2 %	0.3 %	17.1 %	

(1) The above table excludes approximately \$650 million of Loans held for investment for March 31, 2023 which were purchased prior to the reporting date and will settle subsequent to the reporting period.

The fair value of residential mortgage loans 90 days or more past due was \$718 million and \$717 million as of March 31, 2023 and December 31, 2022, respectively.

## 5. Fair Value Measurements

The Company applies fair value guidance in accordance with GAAP to account for its financial instruments. The Company categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded at fair value on the Consolidated Statements of Financial Condition or disclosed in the related notes are categorized based on the inputs to the valuation techniques as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets and liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to fair value.

Fair value measurements categorized within Level 3 are sensitive to changes in the assumptions or methodology used to determine fair value and such changes could result in a significant increase or decrease in the fair value. Any changes to the valuation methodology are reviewed by the Company to ensure the changes are appropriate. As markets and products evolve and the pricing for certain products becomes more transparent, the Company will continue to refine its valuation methodologies. The methodology utilized by the Company for the periods presented is unchanged. The methods used to produce a fair value calculation may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Company believes its valuation methods are appropriate and consistent with other market participants. Using different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The Company uses inputs that are current as of the measurement date, which may include periods of market dislocation, during which price transparency may be reduced.

The Company determines the fair values of its investments using internally developed processes and validates them using a third-party pricing service. During times of market dislocation, the observability of prices and inputs can be difficult for certain investments. If the third-party pricing service is unable to provide a price for an asset, or if the price provided by them is deemed unreliable by the Company, then the asset will be valued at its fair value as determined by the Company without validation to third-party pricing. Illiquid investments typically experience greater price volatility as an active market does not exist. Observability of prices and inputs can vary significantly from period to period and may cause instruments to change classifications within the three level hierarchy.

A description of the methodologies utilized by the Company to estimate the fair value of its financial instruments by instrument class follows:

#### **Agency MBS and Non-Agency RMBS**

The Company determines the fair value of all of its investment securities based on discounted cash flows utilizing an internal pricing model that incorporates factors such as coupon, prepayment speeds, loan size, collateral composition, borrower characteristics, expected interest rates, life caps, periodic caps, reset dates, collateral seasoning, delinquency, expected losses, expected default severity, credit enhancement, and other pertinent factors. To corroborate that the estimates of fair values generated by these internal models are reflective of current market prices, the Company compares the fair values generated by the model to non-binding independent prices provided by an independent third-party pricing service. For certain highly liquid asset classes, such as Agency fixed-rate pass-through bonds, the Company's valuations are also compared to quoted prices for To-Be-Announced, or TBA, securities.

Each quarter, the Company develops thresholds generally using market factors or other assumptions, as appropriate. If internally developed model prices differ from the independent third-party prices by greater than these thresholds for the period, the Company conducts a further review, both internally and with the third-party pricing service of the prices of such securities. First, the Company obtains the inputs used by the third-party pricing service and compares them to the Company's inputs. The Company then updates its own inputs if the Company determines the third-party pricing inputs more accurately reflect the current market environment. If the Company believes that its internally developed inputs more accurately reflect the current market environment, it will request that the third-party pricing service review market factors that may not have been considered by the third-party pricing service and provide updated prices. The Company reconciles and resolves all pricing differences in excess of the thresholds before a final price is established. At March 31, 2023, six investment holdings with an internally developed fair value of \$29 million had a difference between the model generated prices and third-party prices provided in excess of the thresholds for the period. The internally developed prices were \$7 million higher, in the aggregate, than the third-party prices provided of \$22 million. After review and discussion, the Company affirmed and valued the investments at the higher internally developed prices. No other differences were noted at March 31, 2023 in excess of the thresholds for the period. At December 31, 2022, fourteen investment holdings with an internally developed fair value of \$96 million had a difference between the model generated prices and third-party prices provided in excess of the thresholds for the period. The internally developed prices were \$14 million higher, in the aggregate, than the third-party prices provided of \$82 million. After review and discussion, the Company affirmed and valued the investments at the higher internally developed prices. No other differences were noted at December 31, 2022 in excess of the thresholds for the period.

The Company's estimate of prepayment, default and severity curves all involve judgment and assumptions that are deemed to be significant to the fair value measurement process. This subjective estimation process renders the Non-Agency RMBS fair value estimates as Level 3 in the fair value hierarchy. As the fair values of Agency MBS are more observable, these investments are classified as Level 2 in the fair value hierarchy.

#### **Loans Held for Investment**

Loans held for investment is comprised primarily of seasoned reperforming residential mortgage loans. Loans held for investment also include prime, jumbo, investor owned and business purpose loans.

*Loans consisting of seasoned reperforming residential mortgage loans, jumbo prime loans and investor loans:*

The Company estimates the fair value of its Loans held for investment consisting of seasoned reperforming residential mortgage loans, jumbo prime loans and investor loans on a loan by loan basis using an internally developed model which compares the loan held by the Company with a loan currently offered in the market. The loan price is adjusted in the model by considering the loan factors which would impact the value of a loan. These loan factors include loan coupon, FICO, loan-to-value ratios, delinquency history, owner occupancy, and property type, among other factors. A baseline is developed for each significant loan factor and adjusts the price up or down depending on how that factor for each specific loan compares to the baseline rate. Generally, the most significant impact on loan value is the loan coupon rate as compared to coupon rates currently available in the market and delinquency history.

The Company also monitors market activity to identify trades which may be used to compare internally developed prices; however, as the portfolio of loans held at fair value is a seasoned reperforming pool of residential mortgage loans, comparable loan pools are not common or directly comparable. There are limited transactions in the marketplace to develop a comprehensive direct range of values.

The Company reviews the fair values generated by the model to determine whether prices are reflective of the current market by corroborating its estimates of fair value by comparing the results to non-binding independent prices provided by an independent third-party pricing service for the loan portfolio. Each quarter the Company develops thresholds generally using market factors or other assumptions as appropriate.

If the internally developed fair values of the loan pools differ from the independent third-party prices by greater than the threshold for the period, the Company highlights these differences for further review, both internally and with the third-party pricing service. The Company obtains certain inputs used by the third-party pricing service and evaluates them for reasonableness. Then the Company updates its own model if the Company determines the third-party pricing inputs more accurately reflect the current market environment or observed information from the third-party vendor. If the Company believes that its internally developed inputs more accurately reflect the current market environment, it will request that the third-party pricing service review market factors that may not have been considered by the third-party pricing service. The Company reconciles and resolves all pricing differences in excess of the thresholds before a final price is established.

At March 31, 2023, two loan pools with an internally developed fair value of \$406 million had a difference between the model generated prices and third-party prices provided in excess of the threshold for the period. The internally developed prices were \$28 million higher than the third-party prices provided of \$378 million. After review and discussion, the Company affirmed and valued the investments at the higher internally developed prices. No other differences were noted at March 31, 2023 in excess of the threshold for the period. At December 31, 2022, eight loan pools with an internally developed fair value of \$2.1 billion had a difference between the model generated prices and third-party prices provided in excess of the threshold for the period. The internally developed prices were \$122 million higher than the third-party prices provided of \$2.0 billion. After review and discussion, the Company affirmed and valued the investments at the higher internally developed prices. No other differences were noted at December 31, 2022 in excess of the threshold for the period.

The Company's estimates of fair value of Loans held for investment involve judgment and assumptions that are deemed to be significant to the fair value measurement process, which renders the resulting fair value estimates Level 3 inputs in the fair value hierarchy.

#### *Business purpose loans:*

Business purpose loans are loans to businesses that are secured by real property which will be renovated by the borrower. Upon completion of the renovation the property will be either sold by the borrower or refinanced by the borrower who may subsequently sell or rent the property. Most, but not all, of the properties securing these loans are residential and a portion of the loan is used to cover renovation costs. The business purpose loans are included as a part of the Company's Loans held for investment portfolio and are carried at fair value with changes in fair value reflected in earnings. These loans tend to be short duration, often less than one year, and generally the coupon rate is higher than the Company's typical residential mortgage loans. As these loans are generally short-term in nature and there is an active market for these loans, the Company estimates fair value of the business purpose loans based on the recent purchase price of the loan, adjusted for observable market activity for similar assets offered in the market. Business purpose loans have a fair value of \$218 million and \$205 million as of March 31, 2023 and December 31, 2022, respectively.

As the fair value prices of the business purpose loans are based on the recent trades of similar assets in an active market, the Company has classified them as Level 2 in the fair value hierarchy.

#### ***Securitized Debt, collateralized by Loans Held for Investment***

The process for determining the fair value of securitized debt, collateralized by Loans held for investment is based on discounted cash flows utilizing an internal pricing model that incorporates factors such as coupon, prepayment speeds, loan size, collateral composition, borrower characteristics, expected interest rates, life caps, periodic caps, reset dates, collateral seasoning, delinquencies, expected losses, expected default severity, credit enhancement, and other pertinent factors. This process, including the review process, is consistent with the process used for Agency MBS and Non-Agency RMBS using internal models. For further discussion of the valuation process and benchmarking process, see *Agency MBS and Non-Agency RMBS* discussion herein. The primary cause of the change in fair value is due to market demand and changes in credit risk of mortgage loans.

At March 31, 2023, six securitized debt collateralized by loans held for investment positions with an internally developed fair value of \$3 million had a difference between the model generated prices and third-party prices provided in excess of the threshold for the period. The internally developed prices were \$3 million higher on a net basis than the third-party prices provided of \$40 million. After review and discussion, the Company affirmed and valued the securitized debt positions at the higher internally developed prices. No other differences were noted at March 31, 2023 in excess of the threshold for the period.

At December 31, 2022, six securitized debt collateralized by loans held for investment positions with an internally developed fair value of \$5 million had a difference between the model generated prices and third-party prices provided in excess of the threshold for the period. The internally developed prices were \$3 million higher on a net basis than the third-party prices provided of \$32 million. After review and discussion, the Company affirmed and valued the securitized debt positions at the higher internally developed prices. No other pricing differences were noted at December 31, 2022 in excess of the threshold for the period.

The Company's estimates of fair value of securitized debt, collateralized by Loans held for investment involve judgment and assumptions that are deemed to be significant to the fair value measurement process, which renders the resulting fair value estimates Level 3 inputs in the fair value hierarchy.

#### **Securitized Debt, collateralized by Non-Agency RMBS**

The Company carries securitized debt, collateralized by Non-Agency RMBS at the principal balance outstanding plus unamortized premiums, less unaccreted discounts recorded in connection with the financing of the loans or RMBS with third parties. For disclosure purposes, the Company estimates the fair value of securitized debt, collateralized by Non-Agency RMBS by estimating the future cash flows associated with the underlying assets collateralizing the secured debt outstanding. The Company models the fair value of each underlying asset by considering, among other items, the structure of the underlying security, coupon, servicer, delinquency, actual and expected defaults, actual and expected default severities, reset indices, and prepayment speeds in conjunction with market research for similar collateral performance and the Company's expectations of general economic conditions in the sector and other economic factors. This process, including the review process, is consistent with the process used for Agency MBS and Non-Agency RMBS using internal models. For further discussion of the valuation process and benchmarking process, see *Agency MBS and Non-Agency RMBS* discussion herein.

The Company's estimates of fair value of securitized debt, collateralized by Non-Agency RMBS involve judgment and assumptions that are deemed to be significant to the fair value measurement process, which renders the resulting fair value estimates Level 3 inputs in the fair value hierarchy.

#### **Fair value option**

The table below shows the unpaid principal and fair value of the financial instruments carried at fair value with changes in fair value reflected in earnings under the fair value option election as of March 31, 2023 and December 31, 2022, respectively:

	March 31, 2023		December 31, 2022	
	Unpaid Principal/Notional	Fair Value	Unpaid Principal/Notional	Fair Value
(dollars in thousands)				
<b>Assets:</b>				
Non-Agency RMBS				
Senior	\$ 18,274	\$ 16,546	\$ 18,513	\$ 16,731
Subordinated	423,585	175,761	429,273	175,603
Interest-only	3,049,186	108,854	3,114,930	98,764
Agency RMBS				
Interest-only	406,985	14,846	409,940	15,148
Agency CMBS				
Project loans	124,678	117,750	268,078	256,950
Interest-only	2,441,039	123,112	2,669,396	126,378
Loans held for investment, at fair value	12,980,292	12,382,047	12,060,631	11,359,236
<b>Liabilities:</b>				
Secured Financing Agreements, at fair value	381,474	370,648	382,838	374,172
Securitized debt at fair value, collateralized by Loans held for investment	8,221,672	7,507,228	7,856,140	7,100,742

The table below shows the impact of change in fair value on each of the financial instruments carried at fair value with changes in fair value reflected in earnings under the fair value option election in statement of operations for the quarters ended March 31, 2023 and 2022:

	<b>For the Quarter Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	(dollars in thousands)	
	<b>Gain/(Loss) on Change in Fair Value</b>	
<b>Assets:</b>		
Non-Agency RMBS		
Senior	\$ 37	\$ (601)
Subordinated	938	(20,582)
Interest-only	11,645	(26,959)
Agency RMBS		
Interest-only	(215)	(5,612)
Agency CMBS		
Project loans	6,880	(22,954)
Interest-only	(56)	(6,870)
Loans held for investment, at fair value	114,137	(598,379)
<b>Liabilities:</b>		
Secured Financing Agreements, at fair value	2,160	—
Securitized debt at fair value, collateralized by Loans held for investment	(70,934)	256,738

#### **Derivatives**

##### *Interest Rate Swaps and Swaptions*

The Company uses clearing exchange market prices to determine the fair value of its exchange cleared interest rate swaps. For bi-lateral swaps, the Company determines the fair value based on the net present value of expected future cash flows on the swap. The Company uses option pricing model to determine the fair value of its swaptions. For bi-lateral swaps and swaptions, the Company compares its own estimate of fair value with counterparty prices to evaluate for reasonableness. Both the clearing exchange and counter-party pricing quotes, incorporate common market pricing methods, including a spread measurement to the Treasury yield curve or interest rate swap curve as well as underlying characteristics of the particular contract. Interest rate swaps and swaptions are modeled by the Company by incorporating such factors as the term to maturity, swap curve, overnight index swap rates, and the payment rates on the fixed portion of the interest rate swaps. The Company has classified the characteristics used to determine the fair value of interest rate swaps and swaptions as Level 2 inputs in the fair value hierarchy.

##### *Treasury Futures*

The fair value of Treasury futures is determined by quoted market prices in an active market. The Company has classified the characteristics used to determine the fair value of Treasury futures as Level 1 inputs in the fair value hierarchy.

##### **Secured Financing Agreements**

Secured financing agreements are collateralized financing transactions utilized by the Company to acquire investment securities. For short term secured financing agreements and longer term floating rate secured financing agreements, the Company estimates fair value using the contractual obligation plus accrued interest payable. The Company has classified the characteristics used to determine the fair value of secured financing agreements as Level 2 inputs in the fair value hierarchy.

##### *Secured Financing Agreements, at fair value*

Fair value for certain secured financing agreements which are carried at fair value with changes in fair value reported in earnings are valued at the price that the Company would pay to transfer the liability to a market participant at the reporting date in an orderly transaction. The Company evaluates recent trades of financial liabilities made by the Company, which includes an element of non-performance risk, as well as changes in market interest rates to determine the fair value of the secured financing agreements. The primary factor in determining the fair value is the change in market interest rates from the transaction date of

the secured financing agreements and the reporting date. As these rates are observable, the secured financing agreements are reported as level 2 inputs in the fair value hierarchy.

**Short-term Financial Instruments**

The carrying value of cash and cash equivalents, accrued interest receivable, dividends payable, payable for investments purchased, and accrued interest payable are considered to be a reasonable estimate of fair value due to the short term nature and low credit risk of these short-term financial instruments.

**Equity Method Investments**

The Company has made investments in entities or funds. For these investments where we have a non-controlling interest, but we are deemed to be able to exert significant influence over the affairs of these entities or funds, we utilize equity method of accounting. These investments are not carried at fair value. The carrying value of the Company's equity method investments is determined using cost accumulation method. The Company adjusts the carrying value of its equity method investments for its share of earnings or losses, dividends or return of capital on a quarterly basis. The fair value of equity method investments is based on the fund valuation received from the manager of the fund. The Company has classified the characteristics used to determine the fair value of equity method investments as Level 3 inputs in the fair value hierarchy. The equity method investments are included in Other assets on Statement of Financial Condition.

The Company's financial assets and liabilities carried at fair value on a recurring basis, including the level in the fair value hierarchy, at March 31, 2023 and December 31, 2022 are presented below.

	<b>March 31, 2023</b>				
	(dollars in thousands)				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral, netting	Total
<b>Assets:</b>					
Non-Agency RMBS, at fair value	\$ —	\$ —	\$ 1,140,776	\$ —	\$ 1,140,776
Agency MBS, at fair value	—	263,743	—	—	263,743
Loans held for investment, at fair value	—	217,870	12,164,177	—	12,382,047
Derivatives, at fair value	—	20,528	—	(6,329)	14,199
<b>Liabilities:</b>					
Secured Financing Agreement, at fair value	—	370,648	—	—	370,648
Securitized debt at fair value, collateralized by Loans held for investment	—	—	7,507,228	—	7,507,228
Derivatives, at fair value	6,851	—	—	(6,851)	—

**December 31, 2022**  
(dollars in thousands)

	Level 1	Level 2	Level 3	Counterparty and Cash Collateral, netting	Total
<b>Assets:</b>					
Non-Agency RMBS, at fair value	\$ —	\$ —	1,147,481	\$ —	1,147,481
Agency MBS, at fair value	—	430,944	—	—	430,944
Loans held for investment, at fair value	—	204,636	11,154,600	—	11,359,236
Derivatives, at fair value	—	18,793	—	(14,697)	4,096
<b>Liabilities:</b>					
Secured Financing Agreement, at fair value	—	374,172	—	—	374,172
Securitized debt at fair value, collateralized by Loans held for investment	—	—	7,100,742	—	7,100,742
Derivatives, at fair value	—	14,074	—	(14,074)	—

The table below provides a summary of the changes in the fair value of financial instruments classified as Level 3 at March 31, 2023 and December 31, 2022.

**Fair Value Level 3 Rollforward - Assets**

	For the Quarter Ended		For the Year Ended	
	March 31, 2023		December 31, 2022	
	(dollars in thousands)			
	Non-Agency RMBS	Loans held for investment	Non-Agency RMBS	Loans held for investment
Beginning balance Level 3	\$ 1,147,481	\$ 11,154,600	\$ 1,810,208	\$ 12,032,299
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Transfer due to consolidation	—	—	(218,276)	1,047,838
Purchases of assets/ issuance of debt	211	1,189,965	23,589	1,429,503
Principal payments	(19,122)	(284,254)	(178,300)	(1,953,098)
Sales and Settlements	—	996	(23,056)	(5,368)
Net accretion (amortization)	10,071	(10,258)	31,387	(52,767)
Gains (losses) included in net income				
(Increase) decrease in provision for credit losses		(3,064)	(7,036)	—
Realized gains (losses) on sales and settlements		—	(15,594)	—
Net unrealized gains (losses) included in income	12,616	113,128	(104,631)	(1,343,807)
Gains (losses) included in other comprehensive income	—	—	—	—
Total unrealized gains (losses) for the period	(7,417)	—	(170,810)	—
Ending balance Level 3	\$ 1,140,776	\$ 12,164,177	\$ 1,147,481	\$ 11,154,600

**Fair Value Level 3 Rollforward - Liabilities**

	<b>For the Quarter Ended</b>		<b>For the Year Ended</b>	
	<b>March 31, 2023</b>		<b>December 31, 2022</b>	
	(dollars in thousands)			
	<b>Securitized Debt</b>		<b>Securitized Debt</b>	
Beginning balance Level 3	\$	7,100,742	\$	7,726,043
Transfers into Level 3		—		—
Transfers out of Level 3		—		—
Transfer due to consolidation/deconsolidation		—		774,514
Purchases of assets/ issuance of debt		944,095		1,122,982
Principal payments		(272,255)		(1,844,397)
Sales and Settlements		(337,115)		—
Net (accretion) amortization		3,135		5,021
(Gains) losses included in net income		—		—
Other than temporary credit impairment losses		—		—
Realized (gains) losses on sales and settlements		(2,309)		—
Net unrealized (gains) losses included in income		70,935		(683,421)
(Gains) losses included in other comprehensive income		—		—
Total unrealized (gains) losses for the period		—		—
Ending balance Level 3	\$	7,507,228	\$	7,100,742

There were no transfers in or out from Level 3 during the quarter ended March 31, 2023 and the year ended December 31, 2022, respectively.

The significant unobservable inputs used in the fair value measurement of the Company's Non-Agency RMBS and securitized debt are the weighted average discount rates, prepayment rate, constant default rate, and the loss severity.

*Discount Rate*

The discount rate refers to the interest rate used in the discounted cash flow analysis to determine the present value of future cash flows. The discount rate takes into account not just the time value of money, but also the risk or uncertainty of future cash flows. An increased uncertainty of future cash flows results in a higher discount rate. The discount rate used to calculate the present value of the expected future cash flows is based on the discount rate implicit in the security as of the last measurement date. As discount rates move up, the values of the discounted cash flows are reduced.

The discount rates applied to the expected cash flows to determine fair value are derived from a range of observable prices on securities backed by similar collateral. As the market becomes more or less liquid, the availability of these observable inputs will change.

*Prepayment Rate*

The prepayment rate specifies the percentage of the collateral balance that is expected to prepay at each point in the future. The prepayment rate is based on factors such as interest rates, loan-to-value ratio, debt-to-income ratio, and is scaled up or down to reflect recent collateral-specific prepayment experience as obtained from remittance reports and market data services.

*Constant Default Rate*

Constant default rate represents an annualized rate of default on a group of mortgages. The constant default rate, or CDR, represents the percentage of outstanding principal balances in the pool that are in default, which typically equates to the home being past 60-day and 90-day notices and in the foreclosure process. When default rates increase, expected cash flows on the underlying collateral decreases. When default rates decrease, expected cash flows on the underlying collateral increases.

Default vectors are determined from the current "pipeline" of loans that are more than 30 days delinquent, in foreclosure, bankruptcy, or are REO. These delinquent loans determine the first 30 months of the default curve. Beyond month 30, the default curve transitions to a value that is reflective of a portion of the current delinquency pipeline.

*Loss Severity*

Loss severity rates reflect the amount of loss expected from a foreclosure and liquidation of the underlying collateral in the mortgage loan pool. When a mortgage loan is foreclosed the collateral is sold and the resulting proceeds are used to settle the outstanding obligation. In many circumstances, the proceeds from the sale do not fully repay the outstanding obligation. In these cases, a loss is incurred by the lender. Loss severity is used to predict how costly future losses are likely to be. An increase in loss severity results in a decrease in expected future cash flows. A decrease in loss severity results in an increase in expected future cash flows.

The curve generated to reflect the Company's expected loss severity is based on collateral-specific experience with consideration given to other mitigating collateral characteristics. Collateral characteristics such as loan size, loan-to-value, seasoning or loan age and geographic location of collateral also effect loss severity.

*Sensitivity of Significant Inputs – Non-Agency RMBS and securitized debt, collateralized by Loans held for investment*

Prepayment rates vary according to interest rates, the type of financial instrument, conditions in financial markets, and other factors, none of which can be predicted with any certainty. In general, when interest rates rise, it is relatively less attractive for borrowers to refinance their mortgage loans, and as a result, prepayment speeds tend to decrease. When interest rates fall, prepayment speeds tend to increase. For RMBS investments purchased at a premium, as prepayment rates increase, the amount of income the Company earns decreases as the purchase premium on the bonds amortizes faster than expected. Conversely, decreases in prepayment rates result in increased income and can extend the period over which the Company amortizes the purchase premium. For RMBS investments purchased at a discount, as prepayment rates increase, the amount of income the Company earns increases from the acceleration of the accretion of the purchase discount into interest income. Conversely, decreases in prepayment rates result in decreased income as the accretion of the purchase discount into interest income occurs over a longer period.

For securitized debt carried at fair value issued at a premium, as prepayment rates increase, the amount of interest expense the Company recognizes decreases as the issued premium on the debt amortizes faster than expected. Conversely, decreases in prepayment rates result in increased expense and can extend the period over which the Company amortizes the premium.

For debt issued at a discount, as prepayment rates increase, the amount of interest the Company expenses increases from the acceleration of the accretion of the discount into interest expense. Conversely, decreases in prepayment rates result in decreased expense as the accretion of the discount into interest expense occurs over a longer period.

A summary of the significant inputs used to estimate the fair value of Level 3 Non-Agency RMBS held for investment at fair value as of March 31, 2023 and December 31, 2022 follows. The weighted average discount rates are based on fair value.

<b>March 31, 2023</b>								
<b>Significant Inputs</b>								
	Discount Rate		Prepay Rate		CDR		Loss Severity	
	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average
<b>Non-Agency RMBS</b>								
Senior	6%-12%	6.4%	1%-18%	7.1%	0%-6%	1.5%	26%-80%	32.0%
Subordinated	0%-12%	7.5%	6%-20%	8.7%	0%-7%	0.8%	10%-79%	38.0%
Interest-only	0%-85%	10.1%	3%-30%	8.5%	0%-6%	0.9%	0%-77%	31.0%
<b>December 31, 2022</b>								
<b>Significant Inputs</b>								
	Discount Rate		Prepay Rate		CDR		Loss Severity	
	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average
<b>Non-Agency RMBS</b>								
Senior	6% -25%	6.5%	1% -20%	7.7%	0% -10%	1.5%	26% -80%	31.8%
Subordinated	0% -12%	7.6%	4% -16%	9.6%	0% -7%	0.8%	10% -82%	39.8%
Interest-only	0% -85%	10.2%	6% -30%	9.5%	0% -6%	1.0%	0% -86%	27.5%

A summary of the significant inputs used to estimate the fair value of securitized debt at fair value, collateralized by Loans held for investment, as of March 31, 2023 and December 31, 2022 follows:

**March 31, 2023**  
**Significant Inputs**

	Discount Rate		Prepay Rate		CDR		Loss Severity	
	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average
Securitized debt at fair value, collateralized by Loans held for investment	5%-10%	6.3%	6%-15%	9.9%	0%-7%	1.0%	30%-60%	44.0%

**December 31, 2022**  
**Significant Inputs**

	Discount Rate		Prepay Rate		CDR		Loss Severity	
	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average
Securitized debt at fair value, collateralized by Loans held for investment	5% -10%	6.4%	6% - 15%	10.4%	0% - 7%	1.2%	30% - 60%	45.8%

All of the significant inputs listed have some degree of market observability based on the Company's knowledge of the market, information available to market participants, and use of common market data sources. Collateral default and loss severity projections are in the form of "curves" that are updated quarterly to reflect the Company's collateral cash flow projections. Methods used to develop these projections conform to industry conventions. The Company uses assumptions it considers its best estimate of future cash flows for each security.

*Sensitivity of Significant Inputs – Loans held for investment*

The Loans held for investment are primarily comprised of loans collateralized by seasoned reperforming residential mortgages. Additionally, it includes non-conforming, single family, owner occupied, investor owned, jumbo and prime residential mortgages. The significant unobservable factors used to estimate the fair value of the Loans held for investment collateralized by seasoned reperforming residential mortgage loans, as of March 31, 2023 and December 31, 2022, include coupon, FICO score at origination, loan-to-value, or LTV ratios, owner occupancy status, and property type. A summary of the significant factors used to estimate the fair value of Loans held for investment collateralized primarily by seasoned reperforming residential mortgages at fair value as of March 31, 2023 and December 31, 2022 follows:

	March 31, 2023	December 31, 2022
<b>Factor:</b>		
<b>Coupon</b>		
Base Rate	6.1%	6.3%
Actual	5.9%	5.8%
<b>FICO</b>		
Base Rate	640	640
Actual	660	656
<b>Loan-to-value (LTV)</b>		
Base Rate	86%	87%
Actual	81%	82%
<b>Loan Characteristics:</b>		
<b>Occupancy</b>		
Owner Occupied	90%	89%
Investor	5%	5%
Secondary	5%	6%
<b>Property Type</b>		
Single family	80%	80%
Manufactured housing	3%	3%
Multi-family/mixed use/other	17%	17%

The loan factors are generally not observable for the individual loans and the base rates developed by the Company's internal model are subjective and change as market conditions change. The impact of the loan coupon on the value of the loan is dependent on the loan history of delinquent payments. A loan with no history of delinquent payments would result in a higher overall value than a loan which has a history of delinquent payments. Similarly, a higher FICO score and a lower LTV ratio results in increases in the fair market value of the loan and a lower FICO score and a higher LTV ratio results in a lower value. See Note 4 for delinquency details for the Loans held for investment portfolio.

Property types also affect the overall loan values. Property types include single family, manufactured housing and multi-family/mixed use and other types of properties. Single family homes represent properties which house one to four family units. Manufactured homes include mobile homes and modular homes. Loan value for properties that are investor or secondary homes have a reduced value as compared to the baseline loan value. Additionally, single family homes will result in an increase to the loan value, whereas manufactured and multi-family/mixed use and other properties will result in a decrease to the loan value, as compared to the baseline.

#### *Financial instruments not carried at fair value*

The following table presents the carrying value and fair value, as described above, of the Company's financial instruments not carried at fair value on a recurring basis at March 31, 2023 and December 31, 2022.

	March 31, 2023 (dollars in thousands)		
	Level in Fair Value Hierarchy	Carrying Amount	Fair Value
Equity method investments <sup>(1)</sup>	3	\$ 25,641	\$ 25,641
Secured financing agreements	2	2,835,501	2,845,235
Securitized debt, collateralized by Non-Agency RMBS	3	77,742	54,139

(1) Included in Other Assets on the Consolidated Statements of Financial Condition

**December 31, 2022**  
(dollars in thousands)

	Level in Fair Value Hierarchy	Carrying Amount	Fair Value
Equity method investments <sup>(1)</sup>	3	\$ 25,538	\$ 25,538
Secured financing agreements	2	3,060,592	3,080,982
Securitized debt, collateralized by Non-Agency RMBS	3	78,542	54,590

(1) Included in Other Assets on the Consolidated Statements of Financial Condition

## 6. Secured Financing Agreements

Secured financing agreements include short term repurchase agreements with original maturity dates of less than one-year, long-term financing agreements with original maturity dates of more than one year and loan warehouse credit facilities collateralized by loans acquired by the Company.

The repurchase agreements are collateralized by Agency and Non-Agency mortgage-backed securities with interest rates generally indexed to either the one-month LIBOR rates, the three-month LIBOR rates, or the Secured Overnight Financing Rate ("SOFR") and re-price accordingly. The maturity dates on the repurchase agreements are all less than one year and generally are less than 180 days. The collateral pledged as security on the repurchase agreements may include the Company's investments in bonds issued by consolidated VIEs, which are eliminated in consolidation.

The long-term financing agreements include secured financing arrangements with an original term of one year or greater which is secured by Non-Agency RMBS pledged as collateral. These long-term secured financing agreements have a maturity date of February 2025. The collateral pledged as security on the long-term financing agreements may include the Company's investments in bonds issued by consolidated VIEs, which are eliminated in consolidation.

The warehouse credit facilities collateralized by loans are repurchase agreements intended to finance loans until they can be sold into a longer-term securitization structure. The maturity dates on the warehouse credit facilities range from 30 days to one year with interest rates indexed to SOFR.

The secured financing agreements generally require the Company to post collateral at a specific rate in excess of the unpaid principal balance of the agreement. For certain secured financing agreements, this may require the Company to post additional margin if the fair value of the assets were to drop. To mitigate this risk, the Company has negotiated several long-term financing agreements which are not subject to additional margin requirements upon a drop in the fair value of the collateral pledged or until the drop is greater than a threshold. At March 31, 2023 and December 31, 2022, the Company has \$1.2 billion and \$1.2 billion, respectively, of secured financing agreements which are not subject to additional margin requirements upon a change in the fair value of the collateral pledged. At March 31, 2023 and December 31, 2022, the Company has \$359 million and \$365 million, respectively, of secured financing agreements which are not subject to additional margin requirements until the drop in the fair value of collateral is greater than a threshold. Repurchase agreements may allow the credit counterparty to avoid the automatic stay provisions of the Bankruptcy Code, in the event of a bankruptcy of the Company, and take possession of, and liquidate, the collateral under such repurchase agreements without delay.

At March 31, 2023 and December 31, 2022, we pledged \$33 million, respectively, of margin cash collateral to the Company's secured financing agreement counterparties. At March 31, 2023, the weighted average haircut on the Company's secured financing agreements collateralized by Agency RMBS IOs was 20.0%, Agency CMBS was 9.7% and Non-Agency RMBS and Loans held for investment was 24.1%. At December 31, 2022, the weighted average haircut on the Company's secured financing agreements collateralized by Agency RMBS IOs was 20.0%, Agency CMBS was 7.8% and Non-Agency RMBS and Loans held for investment was 25.7%.

Certain of the long-term financing agreements and warehouse credit facilities are subject to certain covenants. These covenants include that the Company maintain its REIT status as well as maintain a net asset value or GAAP equity greater than a certain level. If the Company fails to comply with these covenants at any time, the financing may become immediately due in full. Additionally, certain financing agreements become immediately due if the total stockholders' equity of the Company drops by 50% from the most recent year end. Currently, the Company is in compliance with all covenants and does not expect to fail to comply with any of these covenants within the next twelve months. The Company has a total of \$1.8 billion unused uncommitted warehouse credit facilities as of March 31, 2023.

At March 31, 2023, the Company had amounts at risk with Nomura Securities International, Inc., or Nomura, of 1% of its equity related to the collateral posted on secured financing agreements. The weighted average maturities of the secured financing agreements with Nomura were 490 days. The amount at risk with Nomura were \$303 million. At December 31, 2022, the Company had amounts at risk with Nomura of 12% of its equity related to the collateral posted on secured financing agreements. The weighted average maturities of the secured financing agreements with Nomura were 582 days. The amount at risk with Nomura were \$308 million.

The secured financing agreements principal outstanding, weighted average borrowing rates, weighted average remaining maturities, average balances and the fair value of the collateral pledged as of March 31, 2023 and December 31, 2022 were:

	March 31, 2023	December 31, 2022
Secured financing agreements outstanding principal secured by:		
Agency RMBS (in thousands)	\$ 4,191	\$ 3,946
Agency CMBS (in thousands)	208,494	355,934
Non-Agency RMBS and Loans held for investment (in thousands) <sup>(1)</sup>	2,993,464	3,083,551
Total:	\$ 3,206,149	\$ 3,443,431
MBS pledged as collateral at fair value on Secured financing agreements:		
Agency RMBS (in thousands)	\$ 5,685	\$ 6,662
Agency CMBS (in thousands)	227,243	382,547
Non-Agency RMBS and Loans held for investment (in thousands)	4,248,617	4,310,513
Total:	\$ 4,481,545	\$ 4,699,722
Average balance of Secured financing agreements secured by:		
Agency RMBS (in thousands)	\$ 4,095	\$ 11,714
Agency CMBS (in thousands)	252,102	376,551
Non-Agency RMBS and Loans held for investment (in thousands)	2,952,956	2,819,871
Total:	\$ 3,209,153	\$ 3,208,136
Average borrowing rate of Secured financing agreements secured by:		
Agency RMBS	5.44 %	4.70 %
Agency CMBS	5.05 %	4.49 %
Non-Agency RMBS and Loans held for investment	7.52 %	6.86 %
Average remaining maturity of Secured financing agreements secured by:		
Agency RMBS	13 Days	17 Days
Agency CMBS	45 Days	25 Days
Non-Agency RMBS and Loans held for investment	471 Days	474 Days
Average original maturity of Secured financing agreements secured by:		
Agency RMBS	31 Days	60 Days
Agency CMBS	56 Days	42 Days
Non-Agency RMBS and Loans held for investment	489 Days	499 Days

(1) The outstanding balance for secured financing agreements in the table above is net of \$ 6 million and \$1 million of deferred financing cost as of March 31, 2023 and December 31, 2022, respectively.

At March 31, 2023 and December 31, 2022, the secured financing agreements collateralized by MBS and Loans held for investment had the following remaining maturities and borrowing rates.

March 31, 2023

December 31, 2022

(dollars in thousands)

	March 31, 2023			December 31, 2022		
	Principal <sup>(1)</sup>	Weighted Average Borrowing Rates	Range of Borrowing Rates	Principal <sup>(1)</sup>	Weighted Average Borrowing Rates	Range of Borrowing Rates
Overnight	—	N/A	N/A	—	N/A	NA
1 to 29 days	\$ 613,425	6.42%	5.10% - 7.60%	\$ 493,918	4.66%	3.63% - 6.16%
30 to 59 days	383,381	6.12%	4.95% - 7.19%	762,768	6.14%	4.60% - 7.34%
60 to 89 days	211,194	5.67%	5.00% - 6.92%	225,497	6.04%	4.70% - 7.12%
90 to 119 days	74,203	5.90%	5.90% - 5.90%	43,180	6.54%	5.50% - 6.70%
120 to 180 days	373,651	6.78%	5.88% - 7.72%	401,638	5.88%	5.57% - 6.92%
180 days to 1 year	318,258	6.38%	6.18% - 6.91%	402,283	6.06%	5.63% - 6.64%
1 to 2 years	850,563	10.75%	8.54% - 13.98%	251,286	13.98%	13.98% - 13.98%
2 to 3 years	—	—%	0.00% - 0.00%	480,022	8.07%	8.07% - 8.07%
Greater than 3 years	381,474	5.16%	5.10% - 6.50%	382,839	5.14%	5.10% - 6.07%
<b>Total</b>	<b>\$ 3,206,149</b>	<b>7.36%</b>		<b>\$ 3,443,431</b>	<b>6.61%</b>	

(1) The outstanding balance for secured financing agreements in the table above is net of \$ 6 million and \$1 million of deferred financing cost as of March 31, 2023 and December 31, 2022, respectively.

#### Secured Financing Agreements at fair value

The Company entered into a secured financing agreement during fourth quarter of 2022 for which the Company has elected fair value option. The Company believes electing fair value for this financial instrument better reflect the transactional economics. The total principal balance outstanding on this secured financing at March 31, 2023 and December 31, 2022 was \$381 million and \$383 million, respectively. The fair value of collateral pledged was \$426 million and \$418 million as of March 31, 2023 and December 31, 2022, respectively. The Company carries this secured financing instrument at fair value of \$371 million and \$374 million as of March 31, 2023 and December 31, 2022, respectively. At March 31, 2023 and December 31, 2022, the weighted average borrowing rate on secured financing agreements at fair value was 5.14%. At March 31, 2023 and December 31, 2022, the haircut for the secured financing agreements at fair value was 7.5%. At March 31, 2023, the maturity on the secured financing agreements at fair value was five years.

#### 7. Securitized Debt

All of the Company's securitized debt is collateralized by residential mortgage loans or Non-Agency RMBS. For financial reporting purposes, the Company's securitized debt is accounted for as secured borrowings. Thus, the residential mortgage loans or RMBS held as collateral are recorded in the assets of the Company as Loans held for investment or Non-Agency RMBS and the securitized debt is recorded as a non-recourse liability in the accompanying Consolidated Statements of Financial Condition.

##### Securitized Debt Collateralized by Non-Agency RMBS

At March 31, 2023 and December 31, 2022, the Company's securitized debt collateralized by Non-Agency RMBS was carried at amortized cost and had a principal balance of \$10 million, respectively. At March 31, 2023 and December 31, 2022, the debt carried a weighted average coupon of 6.7%. As of March 31, 2023, the maturities of the debt range between the years 2036 and 2037. None of the Company's securitized debt collateralized by Non-Agency RMBS is callable.

The Company did not acquire any securitized debt collateralized by Non-Agency RMBS during the quarters ended March 31, 2023 and 2022.

The following table presents the estimated principal repayment schedule of the securitized debt collateralized by Non-Agency RMBS at March 31, 2023 and December 31, 2022, based on expected cash flows of the residential mortgage loans or RMBS, as adjusted for projected losses on the underlying collateral of the debt. All of the securitized debt recorded in the Company's Consolidated Statements of Financial Condition is non-recourse to the Company.

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	(dollars in thousands)	
Within One Year	\$ 462	\$ 640
One to Three Years	503	523
Three to Five Years	12	71
Greater Than Five Years	101	92
<b>Total</b>	<b>\$ 1,078</b>	<b>\$ 1,326</b>

Maturities of the Company's securitized debt collateralized by Non-Agency RMBS are dependent upon cash flows received from the underlying collateral. The estimate of their repayment is based on scheduled principal payments on the underlying collateral. This estimate will differ from actual amounts to the extent prepayments or losses are experienced. See Note 3 for a more detailed discussion of the securities collateralizing the securitized debt.

*Securitized Debt Collateralized by Loans Held for Investment*

At March 31, 2023 and December 31, 2022, the Company's securitized debt collateralized by Loans held for investment had a principal balance of \$2 billion and \$7.9 billion, respectively. At March 31, 2023 and December 31, 2022, the total securitized debt collateralized by Loans held for investment carried a weighted average coupon of 3.1% and 2.8%, respectively. As of March 31, 2023, the maturities of the debt range between the years 2023 and 2070.

During the quarter ended March 31, 2023, the Company acquired securitized debt collateralized by Loans held for investment with an amortized cost balance of \$39 million for \$337 million. This transaction resulted in net gain on extinguishment of debt of \$2 million. The Company did not acquire any securitized debt collateralized by loans held for investment during the quarter ended March 31, 2022.

The following table presents the estimated principal repayment schedule of the securitized debt collateralized by Loans held for investment at March 31, 2023 and December 31, 2022, based on expected cash flows of the residential mortgage loans or RMBS, as adjusted for projected losses on the underlying collateral of the debt. All of the securitized debt recorded in the Company's Consolidated Statements of Financial Condition is non-recourse to the Company.

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	(dollars in thousands)	
Within One Year	\$ 1,617,834	\$ 1,636,544
One to Three Years	2,551,772	2,535,642
Three to Five Years	1,808,471	1,733,022
Greater Than Five Years	2,241,908	1,949,240
<b>Total</b>	<b>\$ 8,219,985</b>	<b>\$ 7,854,448</b>

Maturities of the Company's securitized debt collateralized by Loans held for investment are dependent upon cash flows received from the underlying loans. The estimate of their repayment is based on scheduled principal payments on the underlying loans. This estimate will differ from actual amounts to the extent prepayments or loan losses are experienced. See Note 4 for a more detailed discussion of the loans collateralizing the securitized debt.

Certain of the securitized debt collateralized by Loans held for investment contain call provisions at the option of the Company at a specific date. Other securitized debt issued by the Company contain clean-up call provisions. A clean-up call provision is a right to call the outstanding debt at pre-defined terms when the collateral falls below a certain percentage of the original balance, typically 10%. Generally, these clean-up call rights are shared with other parties to the debt, including the loan servicers and the paying agents. Clean-up calls are generally put in place to reduce the administrative burdens when a loan pool balance becomes de minimis hence uneconomical to manage. The following table presents the par value of the callable debt by year as of March 31, 2023, excluding any debt issued by the Company where the Company only has a clean-up call.

**March 31, 2023**  
(dollars in thousands)

Year	Principal
Currently callable	\$ 1,127,389
2023	1,358,586
2024	1,281,182
2025	2,364,844
2026	232,746
2027	817,331
2028	361,237
<b>Total</b>	<b>\$ 7,543,315</b>

**8. Consolidated Securitization Vehicles and Other Variable Interest Entities**

Since its inception, the Company has utilized VIEs for the purpose of securitizing whole mortgage loans or re-securitizing RMBS and obtaining long-term, non-recourse financing. The Company evaluated its interest in each VIE to determine if it is the primary beneficiary.

During the quarters ended March 31, 2023, and 2022, the Company consolidated approximately \$1.2 billion and \$1.4 billion, respectively, unpaid principal balance of seasoned residential repurchasing residential mortgage loans.

*VIEs for Which the Company is the Primary Beneficiary*

The retained beneficial interests in VIEs for which the Company is the primary beneficiary are typically the subordinated tranches of these securitizations and in some cases the Company may hold interests in additional tranches. The table below reflects the assets and liabilities recorded in the Consolidated Statements of Financial Condition related to the consolidated VIEs as of March 31, 2023 and December 31, 2022.

	March 31, 2023	December 31, 2022
	(dollars in thousands)	
<b>Assets:</b>		
Non-Agency RMBS, at fair value <sup>(1)</sup>	\$ 271,025	\$ 276,030
Loans held for investment, at fair value	10,153,653	9,855,390
Accrued interest receivable	50,767	47,553
Other assets	19,353	20,293
<b>Total Assets:</b>	<b>\$ 10,494,798</b>	<b>\$ 10,199,266</b>
<b>Liabilities:</b>		
Securitized debt, collateralized by Non-Agency RMBS	\$ 77,742	\$ 78,542
Securitized debt at fair value, collateralized by Loans held for investment	7,096,468	6,673,917
Accrued interest payable	20,214	17,427
Other liabilities	2,114	2,239
<b>Total Liabilities:</b>	<b>\$ 7,196,538</b>	<b>\$ 6,772,125</b>

(1) March 31, 2023 and December 31, 2022 balances includes allowance for credit losses of \$ 3 million and \$2 million, respectively.

Income and expense amounts related to consolidated VIEs recorded in the Consolidated Statements of Operations is presented in the tables below.

	For the Quarter ended	
	March 31, 2023	March 31, 2022
Interest income, Assets of consolidated VIEs	\$ 139,902	\$ 131,066
Interest expense, Non-recourse liabilities of VIEs	60,152	42,491
Net interest income	\$ 79,750	\$ 88,575
(Increase) decrease in provision for credit losses	\$ (1,429)	\$ (23)
Servicing fees	\$ 7,126	\$ 6,863

#### *VIEs for Which the Company is Not the Primary Beneficiary*

The Company is not required to consolidate VIEs in which it has concluded it does not have a controlling financial interest, and thus is not the primary beneficiary. In such cases, the Company does not have both the power to direct the entities' most significant activities, such as rights to replace the servicer without cause, and the obligation to absorb losses or right to receive benefits that could potentially be significant to the VIEs. The Company's investments in these unconsolidated VIEs are carried in Non-Agency RMBS on the Consolidated Statements of Financial Condition and include senior and subordinated bonds issued by the VIEs.

The fair value of the Company's investments in each unconsolidated VIEs at March 31, 2023, ranged from less than \$ million to \$23 million, with an aggregate amount of \$870 million. The fair value of the Company's investments in each unconsolidated VIEs at December 31, 2022, ranged from less than \$1 million to \$23 million, with an aggregate amount of \$871 million. The Company's maximum exposure to loss from these unconsolidated VIEs was \$803 million and \$813 million at March 31, 2023 and December 31, 2022, respectively. The maximum exposure to loss was determined as the amortized cost of the unconsolidated VIE, which represents the purchase price of the investment adjusted by any unamortized premiums or discounts as of the reporting date.

#### **9. Derivative Instruments**

In connection with the Company's interest rate risk strategy, the Company may economically hedge a portion of its interest rate risk by entering into derivative financial instrument contracts in the form of interest rate swaps, swaptions, and U.S. Treasury futures. Swaps are used to lock in a fixed rate related to a portion of its current and anticipated payments on its secured financing agreements. The Company typically agrees to pay a fixed rate of interest, or pay rate, in exchange for the right to receive a floating rate of interest, or receive rate, over a specified period of time. Interest rate swaptions provide the option to enter into an interest rate swap agreement for a predetermined notional amount, stated term and pay and receive interest rates in the future. The Company's swaptions are not centrally cleared. U.S. Treasury futures are derivatives which track the prices of generic benchmark U.S. Treasury securities with identical maturity and are traded on an active exchange. It is generally the Company's policy to close out any U.S. Treasury futures positions prior to delivering the underlying security. U.S. Treasury futures lock in a fixed rate related to a portion of its current and anticipated payments on its secured financing agreements.

The Company's derivatives are recorded as either assets or liabilities in the Consolidated Statements of Financial Condition and measured at fair value. These derivative financial instrument contracts are not designated as hedges for GAAP; therefore, all changes in fair value are recognized in earnings. The Company elects to net the fair value of its derivative contracts by counterparty when appropriate. These contracts contain legally enforceable provisions that allow for netting or setting off of all individual derivative receivables and payables with each counterparty and therefore, the fair values of those derivative contracts are reported net by counterparty.

The use of derivatives creates exposure to credit risk relating to potential losses that could be recognized if the counterparties to these instruments fail to perform their obligations under the contracts. In the event of a default by the counterparty, the Company could have difficulty obtaining its RMBS or cash pledged as collateral for these derivative instruments. The Company periodically monitors the credit profiles of its counterparties to determine if it is exposed to counterparty credit risk. See Note 15 for further discussion of counterparty credit risk.

The weighted average pay rate on the Company's interest rate swap at March 31, 2023 was 3.26% and the weighted average receive rate was 4.82%. At March 31, 2023, the weighted average maturity on the Company's interest rate swaps was one year.

The weighted average pay rate on the Company's interest rate swaps at December 31, 2022 was 4.07% and the weighted average receive rate was 4.30%. At December 31, 2022, the weighted average maturity on the Company's interest rate swaps was 4 years.

The Company paid \$45 million to terminate interest rate swaps with a notional value of \$2.5 billion during the quarter ended March 31, 2023. The terminated swaps had original maturities ranging from 2025 to 2028.

The Company terminated its existing \$1.0 billion notional swaption contract for a one-year forward starting swap. Additionally, the Company entered and terminated three new swaptions contracts with \$2.3 billion notional during the quarter ended March 31, 2023. The Company had net realized gains of \$1 million on these swaption terminations. The Company additionally entered into two swaption contracts for a one-year forward starting swaps with a total notional of \$1.0 billion with 3.46% strike rate. The underlying swap terms will allow the Company to pay a fix rate of 3.46% and receive floating overnight SOFR rate.

During the quarter ended March 31, 2023, the Company entered into 6,000 short 5-year U.S. Treasury futures contracts of which it subsequently covered 4,000 contracts during the quarter. As of March 31, 2023, the Company had 2,000 short 5-year U.S. Treasury futures contracts with a \$200 million notional. During the quarter ended March 31, 2023, the Company entered into 1,875 short 2-year U.S. Treasury futures contracts of which it subsequently covered 625 contracts during the quarter. As of March 31, 2023, the Company had 1,250 short 2-year U.S. Treasury futures contracts with a \$250 million notional. The Company had a net realized gain of \$666 thousand on these covered contracts.

The Company also entered into 400 call options on 2-year and 5-year U.S. Treasury futures and subsequently covered them during the quarter ended March 31, 2023 for a realized loss of \$187 thousand.

The Company also maintains collateral in the form of cash margin from its counterparties to its derivative contacts. In accordance with the Company's netting policy, the Company presents the fair value of its derivative contracts net of cash margin received. See Note 15 for additional details on derivative netting.

The table below summarizes the location and fair value of the derivatives reported in the Consolidated Statements of Financial Condition after counterparty netting and posting of cash collateral as of March 31, 2023 and December 31, 2022.

Derivative Instruments	Notional Amount Outstanding	March 31, 2023			
		Derivative Assets		Derivative Liabilities	
		Location on Consolidated Statements of Financial Condition	Net Estimated Fair Value/Carrying Value	Location on Consolidated Statements of Financial Condition	Net Estimated Fair Value/Carrying Value
(dollars in thousands)					
Interest Rate Swaps	\$ 1,000,000	Derivatives, at fair value	\$ 11,528	Derivatives, at fair value	\$ —
Swaptions	1,000,000	Derivatives, at fair value	2,671	Derivatives, at fair value	\$ —
U.S. Treasury futures	450,000	Derivatives, at fair value, net	—	Derivatives, at fair value, net	—
<b>Total</b>	<b>\$ 2,450,000</b>		<b>\$ 14,199</b>		<b>\$ —</b>

  

Derivative Instruments	Notional Amount Outstanding	December 31, 2022			
		Derivative Assets		Derivative Liabilities	
		Location on Consolidated Statements of Financial Condition	Net Estimated Fair Value/Carrying Value	Location on Consolidated Statements of Financial Condition	Net Estimated Fair Value/Carrying Value
(dollars in thousands)					
Interest Rate Swaps	\$ 1,485,000	Derivatives, at fair value, net	\$ 3,716	Derivatives, at fair value, net	\$ —
Swaptions	1,000,000	Derivatives, at fair value, net	380	Derivatives, at fair value, net	—
<b>Total</b>	<b>\$ 2,485,000</b>		<b>\$ 4,096</b>		<b>\$ —</b>

The effect of the Company's derivatives on the Consolidated Statements of Operations for the quarters ended March 31, 2023 and 2022, respectively is presented below.

Derivative Instruments	Location on Consolidated Statements of Operations and Comprehensive Income	Net gains (losses) on derivatives for the quarters ended	
		March 31, 2023	March 31, 2022
		(dollars in thousands)	
Interest Rate Swaps	Net unrealized gains (losses) on interest rate swaps	\$ 7,909	\$ —
Interest Rate Swaps	Net realized gains (losses) on interest rate swaps	(45,226)	—
Interest Rate Swaps	Periodic interest cost of interest rate swaps, net	2,819	—
Treasury futures	Net unrealized gains (losses) on derivatives	(6,851)	—
Treasury futures	Net realized gains (losses) on derivatives	479	—
Swaptions	Net unrealized gains (losses) on derivatives	(9,609)	—
Swaptions	Net realized gains (losses) on derivatives	10,613	—
Total		\$ (39,866)	\$ —

When the Company enters into derivative contracts, they are typically subject to International Swaps and Derivatives Association Master Agreements or other similar agreements which may contain provisions that grant counterparties certain rights with respect to the applicable agreement upon the occurrence of certain events such as (i) a decline in stockholders' equity in excess of specified thresholds or dollar amounts over set periods of time, (ii) the Company's failure to maintain its REIT status, (iii) the Company's failure to comply with limits on the amount of leverage, and (iv) the Company's stock being delisted from the New York Stock Exchange, or NYSE. Upon the occurrence of any one of items (i) through (iv), or another default under the agreement, the counterparty to the applicable agreement has a right to terminate the agreement in accordance with its provisions. If the Company breaches any of these provisions, it will be required to settle its obligations under the agreements at their termination values, which approximates fair value.

## 10. Capital Stock

### Preferred Stock

The Company declared dividends to Series A preferred stockholders of \$3 million, or \$0.50 per preferred share, during the quarters ended March 31, 2023 and 2022, respectively.

The Company declared dividends to Series B preferred stockholders of \$7 million, or \$0.50 per preferred share, during the quarters ended March 31, 2023 and 2022, respectively.

The Company declared dividends to Series C preferred stockholders of \$5 million, or \$0.484375 per preferred share, during the quarters ended March 31, 2023 and 2022, respectively.

The Company declared dividends to Series D preferred stockholders of \$4 million, or \$0.50 per preferred share, during the quarters ended March 31, 2023 and 2022, respectively.

On October 30, 2021, all 5,800,000 issued and outstanding shares of Series A Preferred Stock with an outstanding liquidation preference of \$45 million became callable at a redemption price equal to the liquidation preference plus accrued and unpaid dividends through, but not including the redemption date. The Company's fixed-to-floating rate series B, C and D preferred stock are LIBOR based and will become floating on their respective call dates.

### Common Stock

In February 2021, the Company's Board of Directors increased the authorization of the Company's share repurchase program to \$250 million, or the Repurchase Program. Such authorization does not have an expiration date, and at present, there is no intention to modify or otherwise rescind such authorization. Shares of the Company's common stock may be purchased in the open market, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The timing, manner, price and amount of any repurchases will be determined at the Company's discretion and the program may be suspended, terminated or modified at any time, for any reason. Among other factors, the Company intends to only consider repurchasing shares of its common stock when the purchase price is less than the last publicly reported book value per common share. In addition, the Company does not intend to repurchase any shares from directors, officers or other affiliates. The

program does not obligate the Company to acquire any specific number of shares, and all repurchases will be made in accordance with Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of stock repurchases.

The Company did not repurchase any of its common stock during the quarters ended March 31, 2023 and 2022. The approximate dollar value of shares that may yet be purchased under the Repurchase Program is \$226 million as of March 31, 2023.

In February 2022, the Company entered into separate Distribution Agency Agreements (the "Existing Sales Agreements") with each of Credit Suisse Securities (USA) LLC, JMP Securities LLC, Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC and RBC Capital Markets, LLC (the "Existing Sales Agents"). In February 2023, the Company amended the Existing Sales Agreements and entered into separate Distribution Agency Agreements (together with the Existing Sales Agreements, as amended, the "Sales Agreements") with J.P. Morgan Securities LLC and UBS Securities LLC to include J.P. Morgan Securities LLC and UBS Securities LLC as additional sales agents (together with the Existing Sales Agents, the "Sales Agents"). Pursuant to the terms of the Sales Agreements, the Company may offer and sell shares of our common stock, having an aggregate offering price of up to \$500 million, from time to time in "at the market" offerings through any of the Sales Agents under the Securities Act of 1933. The Company did not issue any shares under the at-the-market sales program during the quarter ended March 31, 2023 and year ended December 31, 2022.

The Company declared dividends to common shareholders of \$54 million, or \$0.23 per share, and \$79 million or \$0.33 per share, during the quarters ended March 31, 2023 and 2022, respectively.

#### **Earnings per Share (EPS)**

EPS for the quarters ended March 31, 2023 and 2022 are computed as follows:

	<b>For the Quarter Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	(dollars in thousands)	
Numerator:		
Net income (loss) available to common shareholders - Basic	\$ 38,928	\$ (281,202)
Effect of dilutive securities:		
Interest expense attributable to convertible notes	—	—
Net income (loss) available to common shareholders - Diluted	\$ 38,928	\$ (281,202)
Denominator:		
Weighted average basic shares	231,994,620	237,012,702
Effect of dilutive securities	3,206,994	—
Weighted average dilutive shares	235,201,614	237,012,702
Net income (loss) per average share attributable to common stockholders - Basic	\$ 0.17	\$ (1.19)
Net income (loss) per average share attributable to common stockholders - Diluted	\$ 0.17	\$ (1.19)

For the quarter ended March 31, 2022 potentially dilutive shares of 2 million were excluded from the computation of fully diluted EPS because their effect would have been anti-dilutive. Anti-dilutive shares for the quarter ended March 31, 2022 were comprised of restricted stock units and performance stock units.

#### **11. Accumulated Other Comprehensive Income**

The following table presents the changes in the components of Accumulated Other Comprehensive Income, or the AOCI, for the quarters ended March 31, 2023 and 2022:

<b>March 31, 2023</b>			
(dollars in thousands)			
	<b>Unrealized gains (losses) on available-for-sale securities, net</b>		<b>Total Accumulated OCI Balance</b>
Balance as of December 31, 2022	\$	229,345	\$ 229,345
OCI before reclassifications		(5,905)	(5,905)
Amounts reclassified from AOCI		1,315	1,315
Net current period OCI		(4,590)	(4,590)
Balance as of March 31, 2023	\$	224,755	\$ 224,755

<b>March 31, 2022</b>			
(dollars in thousands)			
	<b>Unrealized gains (losses) on available-for-sale securities, net</b>		<b>Total Accumulated OCI Balance</b>
Balance as of December 31, 2021	\$	405,054	\$ 405,054
OCI before reclassifications		(40,955)	(40,955)
Amounts reclassified from AOCI		—	—
Net current period OCI		(40,955)	(40,955)
Balance as of March 31, 2022	\$	364,099	\$ 364,099

The amounts reclassified from AOCI balance comprised of \$1 million net unrealized losses on available-for-sale securities sold for the quarter ended March 31, 2023. There were no amounts reclassified from AOCI during the quarter ended March 31, 2022.

## 12. Equity Compensation, Employment Agreements and other Benefit Plans

In accordance with the terms of the Company's 2007 Equity Incentive Plan (as amended and restated on December 10, 2015), or the Incentive Plan, directors, officers and employees of the Company are eligible to receive restricted stock grants. These awards generally have a vesting period lasting three years. There were approximately 1 million shares available for future grants under the Incentive Plan as of March 31, 2023.

The Compensation Committee of the Board of Directors of the Company has approved a Stock Award Deferral Program, or the Deferral Program. Under the Deferral Program, non-employee directors and certain executive officers can elect to defer payment of certain stock awards made pursuant to the Incentive Plan. Deferred awards are treated as deferred stock units and paid at the earlier of separation from service or a date elected by the participant who is separating. Payments are generally made in a lump sum or, if elected by the participant, in five annual installments. Deferred awards receive dividend equivalents during the deferral period in the form of additional deferred stock units. Amounts are paid at the end of the deferral period by delivery of shares from the Incentive Plan (plus cash for any fractional deferred stock units), less any applicable tax withholdings. Deferral elections do not alter any vesting requirements applicable to the underlying stock award. At March 31, 2023 and December 31, 2022, there are approximately 1 million shares for which payments have been deferred until separation or a date elected by the participant, respectively. At March 31, 2023 and December 31, 2022, there are approximately 1 million dividend equivalent rights earned but not yet delivered.

### Grants of Restricted Stock Units, or RSUs

During the quarters ended March 31, 2023 and 2022, the Company granted RSU awards to employees. These RSU awards are designed to reward employees of the Company for services provided to the Company. Generally, the RSU awards vest equally over a three-year period beginning from the grant date and will fully vest after three years. For employees who are retirement eligible, defined as years of service to the Company plus age, is equal to or greater than 65, the service period is considered to be fulfilled and all grants are expensed immediately. The RSU awards are valued at the market price of the Company's common stock on the grant date and generally the employees must be employed by the Company on the vesting dates to receive the RSU awards. The Company granted 649 thousand RSU awards during the quarter ended March 31, 2023 with a grant date fair value of \$4 million for the 2023 performance year. The Company granted 128 thousand RSU awards during the quarter ended March 31, 2022, with a grant date fair value of \$2 million for the 2022 performance year.

### Grants of Performance Share Units, or PSUs

PSU awards are designed to align compensation with the Company's future performance. The PSU awards granted during the quarter ended March 31, 2023 and 2022, include a three-year performance period ending on December 31, 2025 and December 31, 2024, respectively. The final number of shares awarded will be between 0% and 200% of the PSUs granted based on the Company Economic Return and share price performance compared to a peer group. The Company's three-year Company Economic Return is equal to the Company's change in book value per common share plus common stock dividends. Compensation expense will be recognized on a straight-line basis over the three-year vesting period based on an estimate of the Company Economic Return and share price performance in relation to the entities in the peer group and will be adjusted each period based on the Company's best estimate of the actual number of shares awarded. During the quarter ended March 31, 2023, the Company granted 605 thousand PSU awards to senior management with a grant date fair value of \$3 million. During the quarter ended March 31, 2022, the Company granted 128 thousand PSU awards to senior management with a grant date fair value of \$2 million.

The Company recognized stock based compensation expense of \$3 million for the quarters ended March 31, 2023 and 2022, respectively.

The Company also maintains a qualified 401(k) plan. The plan is a retirement savings plan that allows eligible employees to contribute a portion of their wages on a tax-deferred basis under Section 401(k) of the Code. For the quarter ended March 31, 2023, employees may contribute, through payroll deductions, up to \$22,500 if under the age of 50 years and an additional \$7,500 "catch-up" contribution for employees 50 years or older. The Company matches 100% of the first 6% of the eligible compensation deferred by employee contributions. The employer funds the 401(k) matching contributions in the form of cash, and participants may direct the Company match to an investment of their choice. The benefit of the Company's contributions vests immediately. Generally, a participating employee is entitled to distributions from the plans upon termination of employment, retirement, death or disability. The 401(k) expenses related to the Company's qualified plan for the quarters ended March 31, 2023 and 2022 were \$133 thousand and \$148 thousand, respectively.

### **13. Income Taxes**

For the year ended December 31, 2022, the Company qualified to be taxed as a REIT under Code Sections 856 through 860. As a REIT, the Company is not subject to U.S. federal income tax to the extent that it makes qualifying distributions of taxable income to its stockholders. To maintain qualification as a REIT, the Company must distribute at least 90% of its annual REIT taxable income (subject to certain adjustments) to its shareholders and meet certain other requirements such as assets it may hold, income it may generate and its shareholder composition. It is generally the Company's policy to distribute to its shareholders all of the Company's taxable income.

The state and local tax jurisdictions in which the Company is subject to tax-filing obligations generally recognize the Company's status as a REIT and, therefore, the Company generally does not pay income tax in such jurisdictions. The Company may, however, be subject to certain minimum state, and local tax filing fees and its TRSs are subject to U.S. federal, state, and local taxes. The Company did not record any current income tax benefit or expense for the quarter ended March 31, 2023 and recorded a current income tax benefit of \$0 thousand for the quarter ended March 31, 2022.

The Company's effective tax rate differs from its combined U.S. federal, state and local corporate statutory tax rate primarily due to the deduction of dividend distributions required to be paid under Code Section 857(a).

The Company's U.S. federal, state, and local tax returns for the tax years ending on or after December 31, 2019, remain open for examination.

### **14. Credit Risk and Interest Rate Risk**

The Company's primary components of market risk are credit risk and interest rate risk. The Company is subject to interest rate risk in connection with its investments in Agency MBS and Non-Agency RMBS, residential mortgage loans, borrowings under secured financing agreements and securitized debt. When the Company assumes interest rate risk, it attempts to minimize interest rate risk through asset selection, hedging and matching the income earned on mortgage assets with the cost of related financing.

The Company attempts to minimize credit risk through due diligence, asset selection and portfolio monitoring. The Company has established a whole loan target market including qualified mortgages, non-qualified mortgages and reperforming residential mortgage loans. Additionally, the Company seeks to minimize credit risk through compliance with regulatory requirements, geographic diversification, owner occupied property, and moderate loan-to-value ratios. These factors are considered to be important indicators of credit risk.

By using derivative instruments and secured financing agreements, the Company is exposed to counterparty credit risk if counterparties to the contracts do not perform as expected. If a counterparty fails to perform on a derivative hedging instrument, the Company's counterparty credit risk is equal to the amount reported as a derivative asset on its balance sheet to the extent that amount exceeds collateral obtained from the counterparty or, if in a net liability position, the extent to which collateral posted exceeds the liability to the counterparty. The amounts reported as a derivative asset/(liability) are derivative contracts in a gain/(loss) position, and to the extent subject to master netting arrangements, net of derivatives in a loss/(gain) position with the same counterparty and collateral received/(pledged). If the counterparty fails to perform on a secured financing agreement, the Company is exposed to a loss to the extent that the fair value of collateral pledged exceeds the liability to the counterparty. The Company attempts to minimize counterparty credit risk by evaluating and monitoring the counterparty's credit, executing master netting arrangements and obtaining collateral, and executing contracts and agreements with multiple counterparties to reduce exposure to a single counterparty.

The Company's secured financing agreements transactions are governed by underlying agreements that provide for a right of setoff by the lender, including in the event of default or in the event of bankruptcy of the borrowing party to the transactions. The Company's derivative transactions are governed by underlying agreements that provide for a right of setoff under master netting arrangements, including in the event of default or in the event of bankruptcy of either party to the transactions. The Company presents its assets and liabilities subject to such arrangements on a net basis in the Consolidated Statements of Financial Condition. The following table presents information about our liabilities that are subject to such arrangements and can potentially be offset on our consolidated statements of financial condition as of March 31, 2023 and December 31, 2022.

March 31, 2023 (dollars in thousands)						
	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Statements of Financial Position	Net Amounts Offset in the Consolidated Statements of Financial Position	Gross Amounts Not Offset with Financial Assets (Liabilities) in the Consolidated Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral (Received) Pledged <sup>(1)</sup>	
Secured financing agreements	\$ (3,195,322)	\$ —	\$ (3,195,322)	\$ 4,481,545	\$ 32,601	\$ 1,318,824
Interest Rate Swaps - Gross Assets	14,867	(3,339)	11,528	—	—	11,528
Interest Rate Swaps - Gross Liabilities	—	—	—	—	—	—
Treasury Futures - Gross Assets	—	—	—	—	—	—
Treasury Futures - Gross Liabilities	(6,851)	6,851	—	—	4,584	4,584
Swaptions - Gross Assets	5,661	(2,990)	2,671	—	—	2,671
Swaptions - Gross Liabilities	—	—	—	—	—	—
<b>Total</b>	<b>\$ (3,181,645)</b>	<b>\$ 522</b>	<b>\$ (3,181,123)</b>	<b>\$ 4,481,545</b>	<b>\$ 37,185</b>	<b>\$ 1,337,607</b>

(1) Included in other assets

December 31, 2022 (dollars in thousands)						
	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Statements of Financial Position	Net Amounts Offset in the Consolidated Statements of Financial Position	Gross Amounts Not Offset with Financial Assets (Liabilities) in the Consolidated Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral (Received) Pledged <sup>(1)</sup>	
Secured financing agreements	\$ (3,434,765)	\$ —	\$ (3,434,765)	\$ 4,699,722	\$ 33,415	\$ 1,298,373
Interest Rate Swaps - Gross Assets	3,716	—	3,716	—	13,179	16,895
Interest Rate Swaps - Gross Liabilities	(14,074)	14,074	—	—	27,678	27,678
Swaptions - Gross Assets	15,077	(14,697)	380	—	—	380
<b>Total</b>	<b>\$ (3,430,046)</b>	<b>\$ (623)</b>	<b>\$ (3,430,669)</b>	<b>\$ 4,699,722</b>	<b>\$ 74,271</b>	<b>\$ 1,343,326</b>

(1) Included in other assets

## 15. Commitments and Contingencies

From time to time, the Company may become involved in various claims and legal actions arising in the ordinary course of business. In connection with certain securitization transactions engaged in by the Company, it has the obligation under certain circumstances to repurchase assets from the VIE upon breach of certain representations and warranties.

**16. Subsequent Events**

Subsequent to March 31, 2023, the Company exercised its call option to retire securitized debt, collateralized by loans held for investment with an unpaid principal amount of \$10 million.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes to those statements included in Item 1 of this Quarterly Report on Form 10-Q.

In this Quarterly Report on Form 10-Q, references to “we,” “us,” “our” or “the Company” refer to Chimera Investment Corporation and its subsidiaries unless specifically stated otherwise or the context otherwise indicates. The following defines certain of the commonly used terms in this Quarterly Report on Form 10-Q: Agency refers to a federally chartered corporation, such as Fannie Mae or Freddie Mac, or an agency of the U.S. Government, such as Ginnie Mae; MBS refers to mortgage-backed securities secured by pools of residential or commercial mortgage loans; RMBS refers to mortgage-backed securities secured by pools of residential mortgage loans; CMBS refers to mortgage-backed securities secured by pools of commercial mortgage loans; Agency RMBS and Agency CMBS refer to MBS that are secured by pools of residential and commercial mortgage loans, respectively, and are issued or guaranteed by an Agency; Agency MBS refers to MBS that are issued or guaranteed by an Agency and includes Agency RMBS and Agency CMBS collectively; Non-Agency RMBS refers to residential MBS that are not guaranteed by any agency of the U.S. Government or any Agency; IO refers to Interest-only securities.

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

We make forward-looking statements in this report that are subject to risks and uncertainties. These forward-looking statements include information about, among other things, possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “may,” “would,” “will” or similar expressions, we intend to identify forward-looking statements. Statements regarding the following subjects, among others, are forward-looking by their nature:

- our business and investment strategy;
- our ability to accurately forecast the payment of future dividends on our common and preferred stock, and the amount of such dividends;
- our ability to determine accurately the fair market value of our assets;
- availability of investment opportunities in real estate-related and other securities, including our valuation of potential opportunities that may arise as a result of current and future market dislocations;
- our expected investments;
- changes in the value of our investments, including negative changes resulting in margin calls related to the financing of our assets;
- changes in inflation, interest rates and mortgage prepayment rates;
- prepayments of the mortgage and other loans underlying our mortgage-backed securities, or MBS, or other asset-backed securities, or ABS;
- rates of default, delinquencies, forbearance, deferred payments or decreased recovery rates on our investments;
- general volatility of the securities markets in which we invest;
- our ability to maintain existing financing arrangements and our ability to obtain future financing arrangements;
- our ability to affect our strategy to securitize residential mortgage loans;
- interest rate mismatches between our investments and our borrowings used to finance such purchases;
- effects of interest rate caps on our adjustable-rate investments;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- the impact of and changes to various government programs;
- the impact of and changes in governmental regulations, tax law and rates, accounting guidance, and similar matters;
- market trends in our industry, interest rates, the debt securities markets or the general economy;
- estimates relating to our ability to make distributions to our stockholders in the future;
- our understanding of our competition;
- our ability to find and retain qualified personnel;
- our ability to maintain our classification as a real estate investment trust, or REIT, for U.S. federal income tax purposes;
- our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended, or 1940 Act;

- our expectations regarding materiality or significance; and
- the effectiveness of our disclosure controls and procedures.

Forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. You should not place undue reliance on these forward-looking statements. These beliefs, assumptions and expectations 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, results of operations and prospects may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## Executive Summary

We are a publicly traded REIT that is primarily engaged in the business of investing directly or having a beneficial interest in a diversified portfolio of mortgage assets, including residential mortgage loans, Non-Agency RMBS, Agency RMBS, Agency CMBS, business purpose and investor loans, and other real estate-related assets. The MBS and other real estate-related securities we purchase may include investment-grade, non-investment grade, and non-rated classes. We use leverage to increase potential returns from our investments. Our principal business objective is to provide attractive risk-adjusted returns through the generation of distributable income and through asset performance linked to mortgage credit fundamentals. We selectively invest in residential mortgage assets with a focus on credit analysis, projected prepayment rates, interest rate sensitivity and expected return.

We currently focus our investment activities primarily on acquiring residential mortgage loans. In addition, we acquire and own Non-Agency RMBS and Agency mortgage-backed securities, or MBS. At March 31, 2023, based on the fair value of our interest earning assets, approximately 90% of our investment portfolio was residential mortgage loans, 8% of our investment portfolio was Non-Agency RMBS, and 2% of our investment portfolio was Agency MBS. At December 31, 2022, based on the fair value of our interest earning assets, approximately 88% of our investment portfolio was residential mortgage loans, 9% of our investment portfolio was Non-Agency RMBS, and 3% of our investment portfolio was Agency MBS.

We use leverage to seek to increase our potential returns and to finance the acquisition of our assets. We expect to finance our investments using a variety of financing sources, including securitizations, warehouse facilities and repurchase agreements. We may seek to manage our debt and interest rate risk by utilizing interest rate hedges, such as interest rate swaps, caps, options and futures to reduce the effect of interest rate fluctuations related to our financing sources.

Our investment strategy is intended to take advantage of opportunities in the current interest rate and credit environment. We adjust our strategy in response to changing market conditions by shifting our asset allocations across various asset classes as interest rate and credit cycles change over time. We believe that our strategy will provide us an opportunity to pay dividends throughout changing market cycles. We expect to take a long-term view of assets and liabilities.

## Business Update

Capital markets activity in 2022 was largely defined by aggressive monetary policy adopted by the Federal Reserve (the “Fed”) to counteract stubbornly high inflation. At the beginning of 2023, the markets began to see some early indications that tightening moves made by the Fed in 2022 were slowing inflation. The fixed income markets responded by pricing in expectations that the Fed would pivot and reverse course back towards lower interest rates. However, several key pieces of economic data released in early February changed that belief. First, the employment report on February 3 made it clear that the Fed would raise rates at its next meeting. Second, it became clear that Credit Suisse was in significant turmoil and its prospects were unclear. The result was an increase in market rates and volatility. Then on March 7, Chairman Powell strongly indicated that a 50-basis-point rise in rates was possible for the next Fed meeting when he testified before Congress to provide his semiannual monetary policy report. That testimony was followed in quick succession by the failures of Silicon Valley Bank, Signature Bank and the Swiss government’s brokered sale of Credit Suisse to UBS. The result of these events was significant volatility in the rates market. These conditions dominated the business environment for the remainder of the quarter which resulted in a difficult business environment for most financial companies, including mortgage REITs. The fixed income market absorbed all this new information and spreads on most credit products, which had initially tightened in January, re-widened in March and ended the quarter modestly wider than year-end 2022. However, yields on U.S. Treasuries (2 years and above) were markedly lower over the period.

When the news broke that Credit Suisse was looking to sell its securitized product unit, we began to look for options to move the financing we had with Credit Suisse to another party or to bring the assets back on balance sheet as unencumbered. As the year started, we had \$167 million repurchase agreement exposure with Credit Suisse. We paid off the loan partially via equity take-out by issuing new securitization trusts (discussed below) and the sale of \$171 million Agency CMBS Securities. These sales resulted in a recognized loss of \$5 million. Giving effect to the extinguishing of this \$167 million repurchase agreements, we have no outstanding exposure to Credit Suisse.

In January, we exercised our call rights and terminated four existing securitization trusts, namely CIM 2020-R4, CIM 2020-NR1, CIM 2018-R5 and CIM 2018-R6, and issued CIM Trust 2023-R1 and CIM Trust 2023-NR1 (the “re-securitizations”). Though the interest rate was higher on the newly issued 2023 trusts, the re-securitizations enabled us to improve our balance sheet structure and pay off maturing repurchase agreements with Credit Suisse. We successfully converted \$139 million of recourse financing into long-term, non-mark-to-market securitized debt while receiving approximately \$90 million in cash from the re-securitizations. We estimate the re-securitization activity increased our cost of senior debt financing by approximately

250 basis points compared to the terminated trusts. Both securitizations are callable within two-years which gives us the ability to refinance the securitized debt should interest rates improve in the future.

In March, we sponsored CIM 2023-R2, a rated securitization of seasoned reperforming residential mortgage loans, purchased in January with an aggregate principal balance of \$447 million. Securities issued by CIM 2023-R2, with an aggregate balance of approximately \$365 million, were sold in a private placement to institutional investors. These senior securities represented approximately 82% of the securitization's capital structure. We retained interests in the subordinate securities with an aggregate balance of approximately \$82 million and certain interest-only securities. Our average cost of debt of this securitization is 5.95%. We retained an option to call the securitization at any time beginning in March 2028. In total, we sponsored three securitizations collateralized by mortgage loans with an aggregate principal balance of approximately \$1.25 billion during the first quarter of 2023.

Over the first quarter, we committed to purchase \$1.2 billion of residential mortgage loans. Approximately \$600 million settled prior to March 31, with the remaining \$649 million expected to settle in the second quarter. We were diligent in diversifying our loan purchases. Of the total commitments, approximately 57% were seasoned reperforming loans, 39% were non-qualified mortgages loans and the remainder were business purpose loans. With the exception of business purpose loans, all loans were purchased with the intention to finance for the long-term through securitization. The characteristics of the seasoned reperforming loans and business purpose loans were consistent with the characteristics of the such loans that currently exist in our portfolio. We committed to purchase \$487 million (as part of the \$1.25 billion total commitment) non-qualified mortgage loans in two separate transactions. We expect to close the purchase of these loans in the second quarter of 2023 and finance them through securitizations in the same period.

Considering the velocity and magnitude of interest rate movements, during the first quarter, we initiated a hedging program to manage the interest rate risk for the time differential between loan purchase commitment and the closing of loans into securitization. During the first quarter, we used a combination of various interest rate future contracts to hedge our exposure to future financing costs. This hedging technique attempts to mitigate the interest rate risk but does not capture the impact of credit spread risk. At the end of the quarter, we had approximately \$750 million short-sale contracts on U.S. Treasury futures to hedge our pipeline of future loan securitizations. Overall, the futures activity, from hedging, resulted in a net \$478 thousand realized gain and a \$7 million unrealized loss at the end of the quarter.

We also engaged in a series of interest rate hedges as we attempted to help mitigate the impact of higher interest rates on our future financing and soften the impact of higher interest rates on the overall portfolio value. Hedging strategies are dynamic, not static. Our focus on hedging during the quarter was to limit the impact of further severe interest rate movements while maintaining optionality to benefit from lower interest rates in the future. The execution of this strategy was extremely difficult due to heightened volatility from the events previously discussed and the magnitude of the overall downward movements in interest rates. During the first quarter, we initiated and terminated a series of pay-fixed interest rate swaps and pay-fixed swaptions, which created a realized loss of \$35 million for the quarter. As of March 31, 2023, we maintained open positions in \$1 billion 3.26% pay-fixed interest rate swap maturing May 2024 and \$1 billion 1-year option on 1-year pay-fixed interest rate swap (1 X 1 swaption) with a blended fixed rate of 3.46%. We believe these positions will help to achieve our goals for hedging as discussed above.

During the first quarter of 2023, our secured financing agreements exposure decreased by \$237 million. We continue to seek to optimize our liabilities through securitization, enabling us to have long-term non-mark-to-market financing on our residential mortgage loans; during the quarter, we completed three securitization transactions collateralized by mortgage loans with an aggregate principal balance of approximately \$1.25 billion and terminated four securitizations collateralized by mortgage loans with an aggregate principal balance of approximately \$337 million. In addition, during the quarter, we exited a maturing \$141 million non-mark-to-market secured financing facility and separately entered into a new non-mark-to-market secured facility with a different counterparty with a principal borrowing amount of \$125 million that matures in January 2025. The financing cost of our repurchase agreements increased by 75 basis-points during the quarter, consistent with increases in the federal funds rates over the period.

#### **Market Conditions and our Strategy**

The first quarter of 2023 continued to see substantial volatility in multiple areas. The quarter initially began with some amelioration in future expectations of higher interest rates, and greater expectations for a "soft landing" and eventual easing after the rapid rate of increases that the Federal Reserve undertook in second half of 2022. With the stabilization in rates, credit spreads tightened substantially and in some cases, faster than the widening that occurred in the second half of 2022. However, by mid-February, additional economic data pointed to inflation still running higher than expected and the job growth continuing to come in higher than expected. As a result, expectations for faster and larger rate increases led all parts of the interest rate curve to sell off, with short term rates higher than peaks seen last year, and long term rates slightly below the highs from 2022.

However, credit spreads remained steady. Economic conditions took a negative turn in early March with the collapse of Silicon Valley Bank, Signature Bank, and Credit Suisse, leading to rapid and forceful government intervention to stave off additional bank runs and protect depositors. Such events raised substantial concern with smaller and regional bank's balance sheets. More stringent regulations over the banking sector are expected, which in turn will result in a tightening of lending, especially in the commercial real estate ("CRE") space.

Securitized products spreads ended up slightly wider at the end of the first quarter 2023, with the notable exception of CRE spreads, which ended at the widest levels since the global financial crisis in 2008. In the mortgage spaces, most sectors ended up slightly wider than at the beginning of the quarter, and new investor loan and prime jumbo deals were seen for the first time in months. The outlook going forward points to continued uncertainty over the path of rates and its ongoing impacts on the economy.

Overall lower rates at the end of the quarter resulted in increased value of our Agency and residential credit portfolios, which was offset by hedging-related losses during the quarter. This drove a slight decline in our book value per common share to \$7.41 as of March 31, 2023 as compared to \$7.49 as of December 31, 2022.

Our financing costs increased over the first quarter, and we continue to manage our portfolio consistent with our belief that short-term interest rates will be higher for longer. We continue to seek opportunities to finance our retained notes from securitizations with long-term non-mark-to market facilities. To further manage interest rate risk, we are using financial derivatives such as futures, interest rate swaps and swaptions to hedge against securitization executions, net interest margin compression, and to protect our book value.

We believe there is risk of a recession in the second half of 2023 and further believe our portfolio of seasoned reperforming mortgage loans will continue to outperform most credit-related mortgage assets in this scenario due to our low loan-to-value ratios and longer weighted average loan ages of our mortgage loan portfolio. Cash management is critical to our business, and we monitor our ongoing needs for margin (including variable margin on our hedge portfolio and ongoing margin requirements of our secured financing arrangements which are subject to margin requirements), repurchase agreement maturities and operating needs daily. Over time, we expect to continue to acquire and securitize mortgage loans as well as further implement our call optimization strategy on CIM securitizations. With available funds, we plan to evaluate the merits of any new investments and compare them to the merits of repurchasing outstanding common and preferred stock, or reducing higher cost liabilities as they mature.

We declared a \$0.23 dividend per common share in the first quarter of 2023. Our Economic Return (as measured by the change in book value per common share plus common stock dividend) was 2% for the first quarter of 2023.

## **Business Operations**

### ***Net Income (Loss) Summary***

The table below presents our net income (loss) on a GAAP basis for the quarters ended March 31, 2023, December 31, 2022 and March 31, 2022.

**Net Income (Loss)**  
(dollars in thousands, except share and per share data)  
(unaudited)

	For the Quarters Ended				
	March 31, 2023	December 31, 2022	March 31, 2022	QoQ Change	YoY Change
<b>Net interest income:</b>					
Interest income <sup>(1)</sup>	\$ 189,250	\$ 187,286	\$ 202,175	\$ 1,964	\$ (12,925)
Interest expense <sup>(2)</sup>	119,615	106,891	64,473	12,724	55,142
Net interest income	69,635	80,395	137,702	(10,760)	(68,067)
Increase (decrease) in provision for credit losses	3,062	3,834	240	(772)	2,822
<b>Other investment gains (losses):</b>					
Net unrealized gains (losses) on derivatives	(8,551)	(10,171)	—	1,620	(8,551)
Realized gains (losses) on derivatives	(34,134)	(561)	—	(33,573)	(34,134)
Periodic interest cost of swaps, net	2,819	(1,629)	—	4,448	2,819
<b>Net gains (losses) on derivatives</b>	<b>(39,866)</b>	<b>(12,361)</b>	<b>—</b>	<b>(27,505)</b>	<b>(39,866)</b>
Net unrealized gains (losses) on financial instruments at fair value	64,592	112,026	(370,167)	(47,434)	434,759
Net realized gains (losses) on sales of investments	(5,264)	(39,443)	—	34,179	(5,264)
Gains (losses) on extinguishment of debt	2,309	—	—	2,309	2,309
Other investment gains (losses)	117	(2,383)	—	2,500	117
Total other gains (losses)	21,888	57,838	(370,167)	(35,950)	392,055
<b>Other expenses:</b>					
Compensation and benefits	10,491	19,167	11,353	(8,676)	(862)
General and administrative expenses	5,778	6,158	5,711	(380)	67
Servicing and asset manager fees	8,417	8,883	9,291	(466)	(874)
Transaction expenses	6,409	3,274	3,804	3,135	2,605
Total other expenses	31,095	37,482	30,159	(6,387)	936
<b>Income (loss) before income taxes</b>	<b>57,366</b>	<b>96,919</b>	<b>(262,864)</b>	<b>(39,553)</b>	<b>320,230</b>
Income taxes	—	(280)	(70)	280	70
<b>Net income (loss)</b>	<b>\$ 57,366</b>	<b>\$ 97,199</b>	<b>\$ (262,794)</b>	<b>\$ (39,833)</b>	<b>\$ 320,160</b>
<b>Dividends on preferred stock</b>	<b>18,438</b>	<b>18,483</b>	<b>18,408</b>	<b>(45)</b>	<b>30</b>
<b>Net income (loss) available to common shareholders</b>	<b>\$ 38,928</b>	<b>\$ 78,716</b>	<b>\$ (281,202)</b>	<b>\$ (39,788)</b>	<b>\$ 320,130</b>
<b>Net income (loss) per share available to common shareholders:</b>					
Basic	\$ 0.17	\$ 0.34	\$ (1.19)	\$ (0.17)	\$ 1.36
Diluted	\$ 0.17	\$ 0.34	\$ (1.19)	\$ (0.17)	\$ 1.36
<b>Weighted average number of common shares outstanding:</b>					
Basic	231,994,620	231,763,151	237,012,702	231,469	(5,018,082)
Diluted	235,201,614	234,240,836	237,012,702	231,469	(1,811,088)
<b>Dividends declared per share of common stock</b>	<b>\$ 0.23</b>	<b>\$ 0.23</b>	<b>\$ 0.33</b>	<b>—</b>	<b>(0.10)</b>

(1) Includes interest income of consolidated VIEs of \$139,902, \$140,380, and \$131,066 for the quarters ended March 31, 2023, December 31, 2022, and March 31, 2022, respectively. See Note 8 to consolidated financial statements for further discussion.

(2) Includes interest expense of consolidated VIEs of \$60,152, \$55,108, and \$42,491 for the for the quarters ended March 31, 2023, December 31, 2022, and March 31, 2022, respectively. See Note 8 to consolidated financial statements for further discussion.

See accompanying notes to consolidated financial statements.

## **Results of Operations for the Quarters Ended March 31, 2023, December 31, 2022, and March 31, 2022.**

Our primary source of income is interest income earned on our assets, net of interest expense paid on our financing liabilities.

### *Quarter ended March 31, 2023 compared to the Quarter ended December 31, 2022*

For the quarter ended March 31, 2023, our net income available to common shareholders was \$39 million, or \$0.17 per average basic common share, compared to a net income of \$79 million, or \$0.34 per average basic common share, for the quarter ended December 31, 2022. During the quarter ended March 31, 2023, we had net interest income of \$70 million and unrealized gains on financial instruments at fair value of \$65 million, partially offset by net losses on derivatives of \$40 million and other expenses of \$31 million.

The increase in market volatility and interest rates during the first quarter of 2023 resulted in lower unrealized gains on financial instruments at fair value, increase in losses on derivatives and an increase in interest expense, driving a decline in our net income available to common shareholders as compared to the quarter ended December 31, 2022. During the quarter ended March 31, 2023, our unrealized gains on financial instruments at fair value decreased by \$47 million, net losses on derivatives increased by \$28 million and interest expense increased by \$13 million as compared to the quarter ended December 31, 2022.

### *Quarter ended March 31, 2023 compared to the Quarter ended March 31, 2022*

For the quarter ended March 31, 2023, our net income available to common shareholders was \$39 million, or \$0.17 per average basic common share, compared to a net loss of \$281 million, or \$1.19 per average basic common share for the quarter ended March 31, 2022. As compared to the first quarter of 2022, the credit spreads have significantly tightened which increased the market value of our portfolio during the quarter ended March 31, 2023. The increase in net income available to common shareholders for the quarter ended March 31, 2023, as compared to the quarter ended March 31, 2022 was primarily driven by an increase in unrealized gains on financial instruments at fair value of \$435 million, which was partially offset by a decrease in net interest income of \$68 million and an increase in net losses on derivatives of \$40 million and an increase in realized losses on sale of investments of \$5 million.

## **Interest Income**

### *Quarter ended March 31, 2023 compared to the Quarter ended December 31, 2022*

Interest income increased slightly by \$2 million, or 1%, to \$189 million for the quarter ended March 31, 2023 as compared to \$187 million for the quarter ended December 31, 2022. The yields on our average interest earning assets remained relatively unchanged at 5.5% while our average interest earning assets increased by \$89 million to \$13.7 billion during the quarter ended March 31, 2023, as compared to \$13.6 billion for the quarter ended December 31, 2022 driving the slight increase in the interest income.

### *Quarter ended March 31, 2023 compared to the Quarter ended March 31, 2022*

Interest income decreased by \$13 million, or 6%, to \$189 million for the quarter ended March 31, 2023 as compared to \$202 million for the quarter ended March 31, 2022. This decrease in our interest income during the quarter ended March 31, 2023 was primarily driven by a decline in our average interest earning assets, lower prepayment penalties on our Agency CMBS investments and lower yields on our Non-Agency RMBS and Agency CMBS investments as compared to the quarter ended March 31, 2022. We reduced our average interest earning asset balances by \$69 million to \$13.7 billion as compared to \$13.6 billion from the same period of 2022. Our Agency CMBS interest income decreased by \$20 million, primarily due to lower prepayment penalties and Non-Agency RMBS portfolio interest income decreased by \$16 million due to lower asset balances and lower yields during the quarter ended March 31, 2023 as compared to the same period of 2022. These decreases were partially offset by an increase in interest income of \$19 million on our Loans held for investment due to higher asset balances and higher yields during the quarter ended March 31, 2023 as compared to the same period of 2022.

## **Interest Expense**

### *Quarter ended March 31, 2023 compared to the Quarter ended December 31, 2022*

Interest expense increased by \$13 million, or 12%, to \$120 million for the quarter ended March 31, 2023 as compared to \$107 million for the quarter ended December 31, 2022. This increase in our interest expense during the quarter ended March 31, 2023 was primarily driven by the higher borrowing rates on our secured financing agreements and securitized debt due to 50

basis point increase in the Federal Funds Rate. The interest expense on securitized debt increased by \$5 million for the quarter ended March 31, 2023 as borrowing rates on our new securitizations increased compared to the December 31, 2022. During the quarter ended March 31, 2023, our interest expense on secured financing agreements collateralized by Loans held for investments and Non-Agency RMBS increased by \$1 million and \$3 million, respectively, as compared to the quarter ended December 31, 2022

*Quarter ended March 31, 2023 compared to the Quarter ended March 31, 2022*

Interest expense increased by \$56 million, or 86%, to \$120 million for the quarter ended March 31, 2023 as compared to \$64 million for the quarter ended March 31, 2022. This increase in our interest expense during the quarter ended March 31, 2023, as compared to the same period of 2022, was primarily driven by the increases in borrowing rates on our secured financing agreements and securitized debt, due to increases in the Federal Funds Rate. During the quarter ended March 31, 2023, our interest expense on secured financing agreements collateralized by Loans held for investments, Non-Agency RMBS and Agency CMBS increased by \$22 million, \$11 million and \$3 million, respectively, due to the higher Federal Funds Rate. The interest expense on our securitized debt increased by \$17 million during the quarter ended March 31, 2023, as the borrowing rates on our securitizations increased by 80 basis points as compared to quarter ended March 31, 2022.

**Economic Net Interest Income**

Our Economic net interest income is a non-GAAP financial measure that equals GAAP net interest income adjusted for net periodic interest cost of interest rate swaps and excludes interest earned on cash. For the purpose of computing economic net interest income and ratios relating to cost of funds measures throughout this section, interest expense includes net payments on our interest rate swaps, which is presented as a part of Net gains (losses) on derivatives in our Consolidated Statements of Operations. Interest rate swaps are used to manage the increase in interest paid on secured financing agreements in a rising rate environment. Presenting the net contractual interest payments on interest rate swaps with the interest paid on interest-bearing liabilities reflects our total contractual interest payments. We believe this presentation is useful to investors because it depicts the economic value of our investment strategy by showing all components of interest expense and net interest income of our investment portfolio. However, Economic net interest income should not be viewed in isolation and is not a substitute for net interest income computed in accordance with GAAP. Where indicated, interest expense, adjusting for any interest earned on cash, is referred to as Economic interest expense. Where indicated, net interest income reflecting net periodic interest cost of interest rate swaps and any interest earned on cash, is referred to as Economic net interest income.

The following table reconciles the Economic net interest income to GAAP net interest income and Economic interest expense to GAAP interest expense for the periods presented.

	GAAP Interest Income	GAAP Interest Expense	Periodic Interest Cost of Interest Rate Swaps	Interest Expense on Long Term Debt	Economic Interest Expense	GAAP Net Interest Income	Periodic Interest Cost of Interest Rate Swaps	Other <sup>(1)</sup>	Economic Net Interest Income
For the Quarter Ended March 31, 2023	\$ 189,250	\$ 119,615	\$ (2,819)	\$ —	\$ 116,796	\$ 69,635	\$ 2,819	\$ (3,035)	\$ 69,419
For the Quarter Ended December 31, 2022	\$ 187,286	\$ 106,891	\$ 1,629	\$ —	\$ 108,520	\$ 80,395	\$ (1,629)	\$ (1,867)	\$ 76,899
For the Quarter Ended September 30, 2022	\$ 188,303	\$ 83,464	\$ 122	\$ —	\$ 83,586	\$ 104,839	\$ (122)	\$ (540)	\$ 104,177
For the Quarter Ended June 30, 2022	\$ 195,357	\$ 78,467	\$ —	\$ —	\$ 78,467	\$ 116,890	\$ —	\$ (81)	\$ 116,809
For the Quarter Ended March 31, 2022	\$ 202,175	\$ 64,473	\$ —	\$ —	\$ 64,473	\$ 137,702	\$ —	\$ (18)	\$ 137,684

(1) Primarily interest income on cash and cash equivalents.

**Net Interest Rate Spread**

The following table shows our average earning assets held, interest earned on assets, yield on average interest earning assets, average debt balance, economic interest expense, economic average cost of funds, economic net interest income and net interest rate spread for the periods presented.

For the Quarter Ended

	March 31, 2023 (dollars in thousands)			December 31, 2022 (dollars in thousands)		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
<b>Assets:</b>						
<i>Interest-earning assets <sup>(1)</sup>:</i>						
Agency RMBS	\$ 18,692	\$ 322	6.9 %	\$ 31,542	\$ 346	4.4 %
Agency CMBS	307,846	2,957	3.8 %	441,421	4,291	3.9 %
Non-Agency RMBS	990,721	30,098	12.2 %	1,013,693	29,304	11.6 %
Loans held for investment	12,334,025	152,838	5.0 %	12,075,239	151,478	5.0 %
<b>Total</b>	<b>\$ 13,651,284</b>	<b>\$ 186,215</b>	<b>5.5 %</b>	<b>\$ 13,561,895</b>	<b>\$ 185,419</b>	<b>5.5 %</b>
<b>Liabilities and stockholders' equity:</b>						
<i>Interest-bearing liabilities <sup>(2)</sup>:</i>						
Secured financing agreements collateralized by:						
Agency RMBS	\$ 4,095	\$ 52	5.1 %	\$ 4,547	\$ 46	4.0 %
Agency CMBS	252,102	2,956	4.7 %	358,914	3,464	3.9 %
Non-Agency RMBS	762,989	16,063	8.4 %	788,795	13,275	6.7 %
Loans held for investment	2,189,967	34,839	6.4 %	1,971,144	33,776	6.9 %
Securitized debt	8,049,843	62,886	3.1 %	8,056,913	57,959	2.9 %
<b>Total</b>	<b>\$ 11,258,996</b>	<b>\$ 116,796</b>	<b>4.1 %</b>	<b>\$ 11,180,313</b>	<b>\$ 108,520</b>	<b>3.9 %</b>
<b>Economic net interest income/net interest rate spread</b>		<b>\$ 69,419</b>	<b>1.4 %</b>		<b>\$ 76,899</b>	<b>1.6 %</b>
<b>Net interest-earning assets/net interest margin</b>	<b>\$ 2,392,288</b>		<b>2.0 %</b>	<b>\$ 2,381,582</b>		<b>2.3 %</b>
<b>Ratio of interest-earning assets to interest bearing liabilities</b>	<b>1.21</b>			<b>1.21</b>		

(1) Interest-earning assets at amortized cost

(2) Interest includes periodic net interest cost on swaps

	For the Quarter Ended					
	March 31, 2023			March 31, 2022		
	(dollars in thousands)			(dollars in thousands)		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
<b>Assets:</b>						
<i>Interest-earning assets</i> <sup>(1)</sup> :						
Agency RMBS	\$ 18,692	\$ 322	6.9 %	\$ 113,723	\$ 253	0.9 %
Agency CMBS	307,846	2,957	3.8 %	559,478	22,870	16.4 %
Non-Agency RMBS	990,721	30,098	12.2 %	1,310,359	45,675	13.9 %
Loans held for investment	12,334,025	152,838	5.0 %	11,599,206	133,359	4.6 %
<b>Total</b>	<b>\$ 13,651,284</b>	<b>\$ 186,215</b>	<b>5.5 %</b>	<b>\$ 13,582,766</b>	<b>\$ 202,157</b>	<b>6.0 %</b>
<b>Liabilities and stockholders' equity:</b>						
<i>Interest-bearing liabilities</i> <sup>(2)</sup> :						
Secured financing agreements collateralized by:						
Agency RMBS	\$ 4,095	\$ 52	5.1 %	\$ 20,342	\$ 31	0.6 %
Agency CMBS	252,102	2,956	4.7 %	435,545	270	0.2 %
Non-Agency RMBS	762,989	16,063	8.4 %	817,261	5,448	2.7 %
Loans held for investment	2,189,967	34,839	6.4 %	1,948,974	12,839	2.6 %
Securitized debt	8,049,843	62,886	3.1 %	7,870,127	45,885	2.3 %
<b>Total</b>	<b>\$ 11,258,996</b>	<b>\$ 116,796</b>	<b>4.1 %</b>	<b>\$ 11,092,249</b>	<b>\$ 64,473</b>	<b>2.3 %</b>
<b>Economic net interest income/net interest rate spread</b>		<b>\$ 69,419</b>	<b>1.4 %</b>		<b>\$ 137,684</b>	<b>3.7 %</b>
<b>Net interest-earning assets/net interest margin</b>	<b>\$ 2,392,288</b>		<b>2.0 %</b>	<b>\$ 2,490,517</b>		<b>4.1 %</b>
<b>Ratio of interest-earning assets to interest bearing liabilities</b>		<b>1.21</b>			<b>1.22</b>	

(1) Interest-earning assets at amortized cost

(2) Interest includes periodic net interest cost on swaps

### *Economic Net Interest Income and the Average Earning Assets*

#### *Quarter ended March 31, 2023 compared to the Quarter ended December 31, 2022*

Our Economic net interest income (which is a non-GAAP measure, see "Economic net interest income" discussion earlier for details) decreased by \$8 million to \$69 million for the quarter ended March 31, 2023 from \$77 million for the quarter ended December 31, 2022. Our net interest rate spread, which equals the yield on our average interest-earning assets less the economic average cost of funds, decreased by 20 basis points for the quarter ended March 31, 2023, as compared to the quarter ended December 31, 2022. The net interest margin, which equals the Economic net interest income as a percentage of the net average balance of our interest-earning assets less our interest-bearing liabilities, decreased by 30 basis points for the quarter ended March 31, 2023, as compared to the quarter ended December 31, 2022. Our Average net interest-earning assets increased by \$11 million to \$2.4 billion for the quarter ended March 31, 2023, compared to \$2.4 billion for the quarter ended December 31, 2022. The decrease in our net interest rate spread for the quarter ended March 31, 2023 as compared to the quarter ended March 31, 2022 is primarily due to higher interest expense due to higher Federal Funds Rate.

#### *Quarter ended March 31, 2023 compared to the Quarter ended March 31, 2022*

Our Economic net interest income (which is a non-GAAP measure, see "Economic net interest income" discussion earlier for details) decreased by \$69 million to \$69 million for the quarter ended March 31, 2023 from \$138 million for the quarter ended March 31, 2022. Our net interest rate spread, which equals the yield on our average interest-earning assets less the economic average cost of funds, decreased by 230 basis points for the quarter ended March 31, 2023, as compared to the same period of 2022. The net interest margin, which equals the Economic net interest income as a percentage of the net average balance of our interest-earning assets less our interest-bearing liabilities, decreased by 210 basis points for the quarter ended March 31, 2023, as compared to the same period of 2022. Our Average net interest-earning assets increased by \$98 million to \$2.4 billion for the quarter ended March 31, 2023, compared to \$2.5 billion for the same period of 2022. The decrease in our net interest rate spread for the quarter ended March 31, 2023 as compared to the year ended March 31, 2022 is primarily due to decline in our

asset yields, higher interest expense due to higher Federal Funds Rate and lower prepayment penalties received on our Agency CMBS portfolio.

#### ***Economic Interest Expense and the Cost of Funds***

The borrowing rate at which we are able to finance our assets using secured financing agreements is typically correlated to Secured overnight funding rate, or SOFR, and the term of the financing. The borrowing rate on majority of our securitized debt is fixed and correlated to the term of the financing. The table below shows our average borrowed funds, Economic interest expense, average cost of funds (inclusive of periodic interest costs on swaps), average one-month SOFR, average three-month SOFR and average one-month SOFR relative to average three-month SOFR.

	Average Debt Balance	Economic Interest Expense	Average Cost of Funds	Average One-Month SOFR	Average Three-Month SOFR	Average One-Month SOFR Relative to Average Three-Month SOFR
(Ratios have been annualized, dollars in thousands)						
For the Quarter Ended March 31, 2023	\$ 11,258,996	\$ 116,796	4.15 %	4.62 %	4.79 %	(0.17)%
For the Quarter Ended December 31, 2022	\$ 11,180,313	\$ 108,520	3.88 %	3.89 %	4.24 %	(0.35)%
For the Quarter Ended September 30, 2022	\$ 11,233,052	\$ 83,586	2.98 %	2.45 %	2.84 %	(0.39)%
For the Quarter Ended June 30, 2022	\$ 11,704,063	\$ 78,467	2.68 %	0.93 %	1.32 %	(0.39)%
For the Quarter Ended March 31, 2022	\$ 11,092,249	\$ 64,473	2.32 %	0.16 %	0.34 %	(0.18)%

Average interest-bearing liabilities increased by \$79 million for the quarter ended March 31, 2023, as compared to the quarter ended December 31, 2022. Economic interest expense increased by \$8 million for the quarter ended March 31, 2023, as compared to the quarter ended December 31, 2022 due to increase in our secured financing agreements and securitized debt borrowing rates driven by higher Federal Funds Rates. Average interest-bearing liabilities increased by \$167 million for the quarter ended March 31, 2023, as compared to the quarter ended March 31, 2022. Economic interest expense increased by \$52 million for the quarter ended March 31, 2023, as compared to the quarter ended March 31, 2022 due to increase in our secured financing agreements and securitized debt borrowing rates driven by higher Federal Funds Rates.

While we may use interest rate hedges to mitigate risks related to changes in interest rate, the hedges may not fully offset interest expense movements.

#### ***Provision for Credit Losses***

For the quarter ended March 31, 2023 we recorded an increase in provision for credit losses of \$3 million, as compared to an increase in provision of credit losses of \$4 million for the quarter ended December 31, 2022. For the quarter ended March 31, 2023 we recorded an increase in provision for credit losses of \$3 million, as compared to an increase in provision of credit losses of \$240 thousand for the quarter ended March 31, 2022.

The increase in provision for credit losses for the quarter ended March 31, 2023 as compared to the quarter ended December 31, 2022 and March 31, 2022 is primarily due to an increase in expected losses and delinquencies. In addition, certain Non-Agency RMBS positions, now have higher unrealized losses and resulted in the recognition of an allowance for credit losses which was previously limited by unrealized gains on these investments.

#### ***Net Gains (Losses) on Derivatives***

We use derivatives to economically hedge the effects of changes in interest rates on our portfolio, specifically our secured financing agreements. Unrealized gains and losses include the change in market value, period over period, on our derivatives portfolio. Changes in market value are generally a result of changes in interest rates. We may or may not ultimately realize these unrealized derivative gains and losses depending on trade activity, changes in interest rates and the values of the underlying securities. The net gains and losses on our derivatives include both unrealized and realized gains and losses. Realized gains and losses include the net cash paid and received on our interest rate swaps during the period as well as sales, terminations and settlements of our swaps, swaptions and Treasury futures.

The table below shows a summary of our net gains (losses) on derivative instruments, for the quarters ended March 31, 2023, March 31, 2022, and December 31, 2023 respectively.

	<b>For the Quarter Ended</b>		
	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
	(dollars in thousands)		
Periodic interest income (expense) on interest rate swaps, net	\$ 2,819	\$ (1,629)	\$ —
Realized gains (losses) on derivative instruments, net:			
Swaps - Terminations	(45,226)	(561)	—
Treasury futures	479	—	—
Swaptions	10,613	—	—
Total realized gains (losses) on derivative instruments, net	(34,134)	(561)	—
Unrealized gains (losses) on derivative instruments, net:			
Interest rate swaps	7,909	(14,076)	—
Treasury futures	(6,851)	—	—
Swaptions	(9,609)	3,905	—
Total unrealized gains (losses) on derivative instruments, net:	(8,551)	(10,171)	—
Total gains (losses) on derivative instruments, net	\$ (39,866)	\$ (12,361)	\$ —

During the quarter ended March 31, 2023, and December 31, 2022, we recognized total net losses on derivatives of \$40 million and \$12 million, respectively. We did not have any derivative positions during the quarter ended March 31, 2022.

Unrealized gains and losses include the change in market value, period over period, on our derivatives portfolio. Changes in market value are generally a result of changes in interest rates. We may or may not ultimately realize these unrealized derivative gains and losses depending on trade activity, changes in interest rates and the values of the underlying securities.

The weighted average pay rate on our interest rate swap at March 31, 2023 was 3.26% and the weighted average receive rate was 4.82%. At March 31, 2023, the weighted average maturity on our interest rate swaps was one year. The weighted average pay rate on our interest rate swaps at December 31, 2022 was 4.07% and the weighted average receive rate was 4.30%. At December 31, 2022, the weighted average maturity on our interest rate swaps was 4 years.

We paid \$45 million to terminate interest rate swaps with a notional value of \$2.5 billion during the quarter ended March 31, 2023. The terminated swaps had original maturities ranging from 2025 to 2028. We paid \$561 thousand to terminate interest rate swaps with a notional value of \$1.0 billion during the year ended December 31, 2022. The terminated swaps had original maturity of 2024.

We terminated our existing \$1.0 billion notional swaption contract for a one-year forward starting swap. Additionally, we entered into and terminated three new swaptions contracts with \$2.3 billion notional during the quarter ended March 31, 2023. We had net realized gains of \$11 million on these swaption terminations. We additionally entered into two swaption contracts for a one-year forward starting swaps with a total notional of \$1.0 billion with 3.46% strike rate. The underlying swap terms will allow us to pay a fix rate of 3.46% and receive floating overnight SOFR rate.

During the quarter ended March 31, 2023, we entered into 6,000 short 5-year U.S. Treasury futures contracts, of which we subsequently covered 4,000 contracts during the quarter. As of March 31, 2023, we had 2,000 short 5-year U.S. Treasury futures contracts with a \$200 million notional. During the quarter ended March 31, 2023, we entered into 1,875 short 2-year U.S. Treasury futures contracts of which we subsequently covered 625 contracts during the quarter. As of March 31, 2023, we had 1,250 short 2-year U.S. Treasury futures contracts with a \$250 million notional. We had a net realized gain of \$666 thousand on these covered contracts. We also entered into 400 call options on 2-year and 5-year U.S. Treasury futures and subsequently covered them during the quarter ended March 31, 2023 for a realized loss of \$187 thousand.

Changes in our derivative positions were primarily a result of changes in our secured financing composition and changes in interest rates.

#### ***Net Unrealized Gains (Losses) on Financial Instruments at Fair Value***

During the quarter ended March 31, 2023, there was higher volatility in the markets but the lower interest rates towards the end of the quarter resulted in increased value of our Agency and residential credit portfolios as compared to the quarter ended December 31, 2022. The credit spreads significantly tightened during the quarter ended March 31, 2023 as compared to the quarter ended March 31, 2022 resulting in significant market pricing gains on our Agency and residential credit portfolios.

We recorded Net unrealized gains on financial instruments at fair value of \$65 million for the quarter ended March 31, 2023, as compared to Net unrealized gains on financial instruments at fair value of \$112 million for the quarter ended December 31, 2022.

We recorded Net unrealized gains on financial instruments at fair value of \$65 million for the quarter ended March 31, 2023, as compared to Net unrealized losses on financial instruments at fair value of \$370 million for the quarter ended March 31, 2022.

#### ***Gains and Losses on Sales of Assets***

We do not forecast sales of investments as we generally expect to invest for long term gains. However, from time to time, we may sell assets to create liquidity necessary to pursue new opportunities, to achieve targeted leverage ratios as well as for gains when prices indicate a sale is most beneficial to us, or is the most prudent course of action to maintain a targeted risk adjusted yield for our investors.

During the quarter ended March 31, 2023 we sold some of our Agency CMBS investments as a part of our portfolio optimization efforts and realized a loss of \$5 million. We recorded a realized loss of \$39 million for the quarter ended December 31, 2022 as we sold some of our Agency CMBS and Non-Agency RMBS investments to strengthen our liquidity during that period. There were no investment sales during the quarter ended March 31, 2022.

#### ***Extinguishment of Securitized Debt***

When we acquire our outstanding securitized debt, we extinguish the outstanding debt and recognize a gain or loss based on the difference between the carrying value of the debt and the cost to acquire the debt which is reflected in the Consolidated Statements of Operations as a gain or loss on extinguishment of debt.

We did not acquire any securitized debt collateralized by Non-Agency RMBS during the quarter ended March 31, 2023, December 31, 2022, and March, 31 2023.

During the quarter ended March 31, 2023, we acquired securitized debt collateralized by Loans held for investment with an amortized cost balance of \$339 million for \$337 million. This transaction resulted in net gain on extinguishment of debt of \$2 million.

We did not acquire any securitized debt collateralized by loans held for investment during the quarter ended December 31, 2022 and March 31, 2022.

#### ***Compensation, General and Administrative Expenses and Transaction Expenses***

The table below shows our total compensation and benefit expense, general and administrative, or G&A expenses, and transaction expenses as compared to average total assets and average equity for the periods presented.

	Total Compensation, G&A and Transaction Expenses	Total Compensation, G&A and Transaction Expenses/Average Assets	Total Compensation, G&A and Transaction Expenses/Average Equity
(Ratios have been annualized, dollars in thousands)			
For the Quarter Ended March 31, 2023	\$ 22,678	0.66 %	3.41 %
For the Quarter Ended December 31, 2022	\$ 28,599	0.85 %	4.30 %
For the Quarter Ended September 30, 2022	\$ 17,177	0.50 %	2.44 %
For the Quarter Ended June 30, 2022	\$ 21,530	0.59 %	2.73 %
For the Quarter Ended March 31, 2022	\$ 20,868	0.54 %	2.36 %

The Compensation and benefit costs were approximately \$10 million, \$19 million, \$11 million for the quarters ended March 31, 2023, December 31, 2022, and March 31, 2022, respectively. The increase in Compensation and benefit costs for the quarter ended December 31, 2022 was driven by higher severance expense related to our December 2022 separation agreement with our former CEO.

The G&A expenses were approximately \$6 million for the quarters ended March 31, 2023, December 31, 2022, and March 31, 2022, respectively and remained relatively unchanged. The G&A expenses are primarily comprised of legal, market data and research, auditing, consulting, information technology, and independent investment consulting expenses.

The transactions expenses were approximately \$6 million, \$3 million and \$4 million for the quarters ended March 31, 2023, December 31, 2022, and March 31, 2022, respectively. The increase in transaction expenses for the quarter ended March 31, 2023 compared to the quarter ended December 31, 2022 and March 31, 2022 was driven by higher call and securitization activity.

#### ***Servicing and Asset Manager Fees***

Servicing fees and asset manager expenses remained relatively unchanged at \$8 million, \$9 million and \$9 million for the quarters ended March 31, 2023, December 31, 2022, and March 31, 2022, respectively. These servicing fees are primarily related to the servicing costs of the whole loans held in consolidated securitization vehicles and are paid from interest income earned by the VIEs. The servicing fees generally range from 2 to 50 basis points of unpaid principal balances of our consolidated VIEs.

#### ***Earnings available for distribution***

Earnings available for distribution is a non-GAAP measure and is defined as GAAP net income excluding unrealized gains or losses on financial instruments carried at fair value with changes in fair value recorded in earnings, realized gains or losses on the sales of investments, gains or losses on the extinguishment of debt, interest expense on long term debt, changes in the provision for credit losses, other gains or losses on equity investments, and transaction expenses incurred. In addition, stock compensation expense charges incurred on awards to retirement eligible employees is reflected as an expense over a vesting period (36 months) rather than reported as an immediate expense.

Earnings available for distribution is the Economic net interest income, as defined previously, reduced by compensation and benefits expenses (adjusted for awards to retirement eligible employees), general and administrative expenses, servicing and asset manager fees, income tax benefits or expenses incurred during the period, as well as the preferred dividend charges.

We view Earnings available for distribution as one measure of our investment portfolio's ability to generate income for distribution to common stockholders. Earnings available for distribution is one of the metrics, but not the exclusive metric, that our Board of Directors uses to determine the amount, if any, of dividends on our common stock. Other metrics that our Board of Directors may consider when determining the amount, if any, of dividends on our common stock include (among others) REIT taxable income, dividend yield, book value, cash generated from the portfolio, reinvestment opportunities and other cash needs. In addition, Earnings available for distribution is different than REIT taxable income and the determination of whether we have met the requirement to distribute at least 90% of our annual REIT taxable income (subject to certain adjustments) to our stockholders in order to maintain qualification as a REIT is not based on Earnings available for distribution. Therefore, Earnings available for distribution should not be considered as an indication of our REIT taxable income, a guaranty of our ability to pay dividends, or as a proxy for the amount of dividends we may pay. We believe Earnings available for distribution as described above helps us and investors evaluate our financial performance period over period without the impact of certain transactions. Therefore, Earnings available for distribution should not be viewed in isolation and is not a substitute for net income or net income per basic share computed in accordance with GAAP. In addition, our methodology for calculating Earnings available for distribution may differ from the methodologies employed by other REITs to calculate the same or similar supplemental performance measures, and accordingly, our Earnings available for distribution may not be comparable to the Earnings available for distribution reported by other REITs.

The following table provides GAAP measures of net income and net income per diluted share available to common stockholders for the periods presented and details with respect to reconciling the line items to Earnings available for distribution and related per average diluted common share amounts. Earnings available for distribution is presented on an adjusted dilutive shares basis. Certain prior period amounts have been reclassified to conform to the current period's presentation.

	For the Quarters Ended				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
	(dollars in thousands, except per share data)				
<b>GAAP Net income (loss) available to common stockholders</b>	<b>\$ 38,928</b>	<b>\$ 78,716</b>	<b>\$ (204,583)</b>	<b>\$ (179,765)</b>	<b>\$ (281,202)</b>
Adjustments:					
Net unrealized (gains) losses on financial instruments at fair value	(64,592)	(112,026)	239,513	239,246	370,167
Net realized (gains) losses on sales of investments	5,264	39,443	37,031	—	—
(Gains) losses on extinguishment of debt	(2,309)	—	—	2,897	—
Increase (decrease) in provision for credit losses	3,062	3,834	(1,534)	4,497	240
Net unrealized (gains) losses on derivatives	8,551	10,171	(10,307)	1,618	—
Realized gains (losses) on derivatives	34,134	561	—	—	—
Transaction expenses	6,409	3,274	2,341	6,727	3,804
Stock Compensation expense for retirement eligible awards	2,141	(309)	(310)	(309)	723
Other investment (gains) losses	(117)	2,383	462	(980)	—
<b>Earnings available for distribution</b>	<b>\$ 31,471</b>	<b>\$ 26,047</b>	<b>\$ 62,613</b>	<b>\$ 73,931</b>	<b>\$ 93,732</b>
<b>GAAP net income (loss) per diluted common share</b>	<b>\$ 0.17</b>	<b>\$ 0.34</b>	<b>\$ (0.88)</b>	<b>\$ (0.76)</b>	<b>\$ (1.19)</b>
<b>Earnings available for distribution per adjusted diluted common share</b>	<b>\$ 0.13</b>	<b>\$ 0.11</b>	<b>\$ 0.27</b>	<b>\$ 0.31</b>	<b>\$ 0.39</b>

The table below summarizes the reconciliation from weighted-average diluted shares under GAAP to the weighted-average adjusted diluted shares used for Earnings available for distribution for the periods reported below.

	For the Quarters Ended				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
<b>Weighted average diluted shares - GAAP</b>	<b>235,201,614</b>	<b>234,240,836</b>	<b>231,750,422</b>	<b>235,310,440</b>	<b>237,012,702</b>
Potentially dilutive shares <sup>(1)</sup>	—	—	2,425,579	2,277,366	2,421,546
<b>Adjusted weighted average diluted shares - Earnings available for distribution</b>	<b>235,201,614</b>	<b>234,240,836</b>	<b>234,176,001</b>	<b>237,587,806</b>	<b>239,434,248</b>

(1) Potentially dilutive shares related to restricted stock units and performance stock units excluded from the computation of weighted average GAAP diluted shares because their effect would have been anti-dilutive given the GAAP net loss available to common shareholders for the quarters ended September 30, 2022, June 30, 2022, and March 31, 2022.

#### *Quarter ended March 31, 2023 compared to the Quarter ended December 31, 2022*

Our Earnings available for distribution for the quarter ended March 31, 2023 was \$31 million, or \$0.13 per average diluted common share, and increased by \$5 million, or \$0.02 per average diluted common share, as compared to \$26 million, or \$0.11 per average diluted common share, for the quarter ended December 31, 2022. The increase in Earnings available during the quarter ended March 31, 2023 was primarily driven by lower severance expense and higher swap interest income which was partially offset by an increase in interest expense as compared to the quarter ended December 31, 2022.

#### *Quarter ended March 31, 2023 compared to the Quarter ended March 31, 2022*

Our Earnings available for distribution for the quarter ended March 31, 2023 was \$31 million, or \$0.13 per average diluted common share, and decreased by \$62 million, or \$0.26 per average diluted common share, as compared to \$94 million, or \$0.39 per average diluted common share, for the quarter ended March 31, 2022. The decrease in Earnings available for distribution for the quarter ended March 31, 2023 was driven primarily by an increase in interest expense on our secured financing and securitized debt driven by the higher Federal Funds rate and lower prepayment penalties or early paydowns received as compared to the quarter ended March 31, 2022.

#### *Net Income (Loss) and Return on Total Stockholders' Equity*

The table below shows our Net Income and Economic net interest income as a percentage of average stockholders' equity and Earnings available for distribution as a percentage of average common stockholders' equity. Return on average equity is defined as our GAAP net income (loss) as a percentage of average equity. Average equity is defined as the average of our beginning and ending stockholders' equity balance for the period reported. Economic net interest income and Earnings available for distribution are non-GAAP measures as defined in previous sections.

	Return on Average Equity	Economic Net Interest Income/Average Equity *	Earnings available for distribution/Average Common Equity
	(Ratios have been annualized)		
For the Quarter Ended March 31, 2023	8.63 %	10.45 %	7.28 %
For the Quarter Ended December 31, 2022	14.61 %	11.56 %	6.02 %
For the Quarter Ended September 30, 2022	(26.47)%	14.81 %	13.30 %
For the Quarter Ended June 30, 2022	(20.45)%	14.81 %	13.29 %
For the Quarter Ended March 31, 2022	(29.72)%	15.57 %	14.38 %

\* Excludes long term debt expense.

*Quarter ended March 31, 2023 compared to the Quarter ended December 31, 2022*

Return on average equity decreased by 598 basis points for the quarter ended March 31, 2023, as compared to the quarter ended December 31, 2022. This decrease is driven primarily by lower unrealized asset pricing gains on our financial instruments, higher net losses on derivatives and increase in interest expense driven by higher Federal Funds Rates. Economic net interest income as a percentage of average equity decreased by 111 basis points for the quarter ended March 31, 2023 as compared to the quarter ended December 31, 2022. Earnings available for distribution as a percentage of average common equity increased by 126 basis points for the quarter ended March 31, 2023 as compared to the quarter ended December 31, 2022. This increase in Earnings available for distribution as a percentage of average common equity for the quarter ended March 31, 2023 as compared to the quarter ended December 31, 2022, was primarily driven by lower severance expense and increase in swap interest income which partially offset higher interest expense due to Federal Funds Rate increase.

*Quarter ended March 31, 2023 compared to the Quarter ended March 31, 2022*

Return on average equity increased by 38% for the quarter ended March 31, 2023, as compared to the quarter ended March 31, 2022. This increase was driven primarily by an increase in unrealized asset pricing gains on our financial instruments. Economic net interest income as a percentage of average equity decreased by 512 basis points as of March 31, 2023 as compared to December 31, 2022. Earnings available for distribution as a percentage of average common equity decrease by 710 basis points for the quarter ended March 31, 2023 as compared to the quarter ended March 31, 2022. This decrease in Earnings available for distribution as a percentage of average common equity for the quarter ended March 31, 2023 as compared to the same period of 2022, was primarily driven by an increase in interest expense driven by the impact of the higher Federal Funds Rate on our secured financing agreements and securitized debt and lower prepayment penalties received.

**Financial Condition**

*Portfolio Review*

During the quarter ended March 31, 2023, we focused our efforts on taking advantage of the opportunity to acquire higher yielding assets while maintaining low leverage and ample liquidity. During the quarter ended March 31, 2023, on an aggregate basis, we purchased \$591 million of investments, sold \$168 million of investments, and received \$341 million in principal payments related to our Agency MBS, Non-Agency RMBS and Loans held for investment portfolio.

The following table summarizes certain characteristics of our portfolio at March 31, 2023 and December 31, 2022.

		March 31, 2023	December 31, 2022
Interest earning assets at period-end <sup>(1)</sup>	\$	13,786,566	\$ 12,937,661
Interest bearing liabilities at period-end	\$	10,780,292	\$ 10,614,049
GAAP Leverage at period-end		4.1:1	4.0:1
GAAP Leverage at period-end (recourse)		1.2:1	1.3:1

(1) Excludes cash and cash equivalents.

Portfolio Composition	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
	Amortized Cost		Fair Value	
Non-Agency RMBS	7.0 %	7.5 %	8.3 %	8.9 %
Senior	3.8 %	4.0 %	5.4 %	5.9 %
Subordinated	2.1 %	2.3 %	2.1 %	2.2 %
Interest-only	1.1 %	1.2 %	0.8 %	0.8 %
Agency RMBS	0.1 %	0.1 %	0.1 %	0.1 %
Interest-only	0.1 %	0.1 %	0.1 %	0.1 %
Agency CMBS	2.0 %	3.3 %	1.8 %	3.2 %
Project loans	1.0 %	2.3 %	0.9 %	2.2 %
Interest-only	1.0 %	1.0 %	0.9 %	1.0 %
Loans held for investment	90.9 %	89.1 %	89.8 %	87.8 %
Fixed-rate percentage of portfolio	96.7 %	96.5 %	95.9 %	95.6 %
Adjustable-rate percentage of portfolio	3.3 %	3.5 %	4.1 %	4.4 %

GAAP leverage at period-end is calculated as a ratio of our secured financing agreements and securitized debt liabilities over GAAP book value. GAAP recourse leverage is calculated as a ratio of our secured financing agreements over stockholders equity.

The following table presents details of each asset class in our portfolio at March 31, 2023 and December 31, 2022. The principal or notional value represents the interest income earning balance of each class. The weighted average figures are weighted by each investment's respective principal/notional value in the asset class.

	March 31, 2023											
	Principal or Notional Value at Period-End (dollars in thousands)	Weighted Average Amortized Cost Basis	Weighted Average Fair Value	Weighted Average Coupon	Weighted Average Yield at Period-End	Weighted Average 3 Month Prepay Rate at Period-End	Weighted Average 12 Month Prepay Rate at Period-End	Weighted Average 3 Month CDR at Period-End	Weighted Average 12 Month CDR at Period-End	Weighted Average Loss Severity <sup>(2)</sup>	Weighted Average Credit Enhancement	
<b>Non-Agency Mortgage-Backed Securities</b>												
Senior	\$ 1,135,367	\$ 46.07	\$ 65.63	5.4 %	16.8 %	3.9 %	8.3 %	1.3 %	1.6 %	31.2 %	9.8 %	
Subordinated	\$ 603,192	\$ 49.69	\$ 47.54	3.2 %	6.7 %	5.1 %	10.2 %	0.3 %	0.4 %	30.8 %	6.6 %	
Interest-only	\$ 3,049,186	\$ 5.29	\$ 3.57	0.6 %	5.8 %	5.1 %	8.2 %	0.8 %	0.9 %	43.9 %	2.3 %	
<b>Agency RMBS</b>												
Interest-only	\$ 406,985	\$ 4.59	\$ 3.65	0.5 %	7.2 %	8.3 %	14.5 %	N/A	N/A	N/A	N/A	
<b>Agency CMBS</b>												
Project loans	\$ 132,718	\$ 101.69	\$ 94.78	4.2 %	4.0 %	— %	— %	N/A	N/A	N/A	N/A	
Interest-only	\$ 2,441,039	\$ 5.59	\$ 5.04	0.7 %	3.1 %	3.0 %	3.2 %	N/A	N/A	N/A	N/A	
Loans held for investment	\$ 12,980,292	\$ 98.53	\$ 95.56	5.6 %	5.3 %	5.9 %	9.8 %	0.7 %	0.7 %	28.3 %	N/A	

(1) Bond Equivalent Yield at period-end. Weighted Average Yield is calculated using each investment's respective amortized cost.  
(2) Calculated based on reported losses to date, utilizing widest data set available (i.e., life-time losses, 12-month loss, etc.)

**December 31, 2022**

	Principal or Notional Value at Period-End (dollars in thousands)	Weighted Average Amortized Cost Basis	Weighted Average Fair Value	Weighted Average Coupon	Weighted Average Yield at Period-End <sup>(1)</sup>	Weighted Average 3 Month Prepay Rate at Period-End	Weighted Average 12 Month Prepay Rate at Period-End	Weighted Average 3 Month CDR at Period-End	Weighted Average 12 Month CDR at Period-End	Weighted Average Loss Severity <sup>(2)</sup>	Weighted Average Credit Enhancement
<b>Non-Agency Mortgage-Backed Securities</b>											
Senior	\$ 1,153,458	\$ 46.09	\$ 66.05	5.3 %	16.4 %	5.2 %	10.8 %	1.4 %	1.8 %	34.5 %	2.1 %
Subordinated	\$ 611,206	\$ 49.34	\$ 46.94	3.1 %	6.8 %	8.0 %	14.1 %	0.4 %	0.4 %	34.9 %	6.6 %
Interest-only	\$ 3,114,930	\$ 5.23	\$ 3.17	0.7 %	5.3 %	5.4 %	11.8 %	1.0 %	0.8 %	38.2 %	1.6 %
<b>Agency RMBS</b>											
Interest-only	\$ 409,940	\$ 4.58	\$ 3.70	0.9 %	5.0 %	12.9 %	17.4 %	N/A	N/A	N/A	N/A
<b>Agency CMBS</b>											
Project loans	\$ 302,685	\$ 101.85	\$ 95.62	4.3 %	4.1 %	— %	— %	N/A	N/A	N/A	N/A
Interest-only	\$ 2,669,396	\$ 5.23	\$ 4.73	0.7 %	3.4 %	1.8 %	3.7 %	N/A	N/A	N/A	N/A
Loans held for investment	\$ 12,060,631	\$ 98.50	\$ 94.36	5.3 %	5.2 %	8.1 %	12.0 %	0.6 %	0.8 %	33.1 %	N/A

(1) Bond Equivalent Yield at period-end. Weighted Average Yield is calculated using each investment's respective amortized cost.

(2) Calculated based on reported losses to date, utilizing widest data set available (i.e., life-time losses, 12-month loss, etc.)

Based on the projected cash flows for our Non-Agency RMBS that are not of high credit quality, a portion of the original purchase discount is designated as Accretable Discount, which reflects the purchase discount expected to be accreted into interest income, and a portion is designated as Non-Accretable Difference, which represents the contractual principal on the security that is not expected to be collected. The amount designated as Non-Accretable Difference may be adjusted over time, based on the actual performance of the security, its underlying collateral, actual and projected cash flow from such collateral, economic conditions and other factors. If the performance of a security is more favorable than previously estimated, a portion of the amount designated as Non-Accretable Difference may be transferred to Accretable Discount and accreted into interest income over time. Conversely, if the performance of a security is less favorable than previously estimated, a provision for credit loss may be recognized resulting in an increase in the amounts designated as Non-Accretable Difference.

The following table presents changes to Accretable Discount (net of premiums) as it pertains to our Non-Agency RMBS portfolio, excluding premiums on interest-only investments, during the previous five quarters.

	<b>For the Quarters Ended</b> (dollars in thousands)				
<b>Accretable Discount (Net of Premiums)</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>
Balance, beginning of period	\$ 176,635	\$ 207,812	\$ 241,391	\$ 258,494	\$ 333,546
Accretion of discount	(11,663)	(11,128)	(12,989)	(17,408)	(19,470)
Purchases	—	—	—	—	—
Sales	—	(17,935)	—	—	—
Elimination in consolidation	—	—	—	—	(60,361)
Transfers from/(to) credit reserve, net	(7,719)	(2,114)	(20,590)	305	4,779
Balance, end of period	\$ 157,253	\$ 176,635	\$ 207,812	\$ 241,391	\$ 258,494

## Liquidity and Capital Resources

### General

Liquidity measures our ability to meet cash requirements, including ongoing borrowing commitments, purchase RMBS, residential mortgage loans and other assets for our portfolio, pay dividends and other general business needs. Our principal sources of capital and funds for additional investments primarily include earnings, principal paydowns and sales from our investments, borrowings under securitizations and re-securitizations, secured financing agreements and other financing facilities including warehouse facilities, and proceeds from equity or other securities offerings.

As discussed earlier, overall lower interest rates at the end of the first quarter resulted in increased value of our Agency and residential credit portfolios but the outlook going forward points to continued uncertainty over the path of interest rates and additional effects on the economy. If these uncertainties become more pronounced, we may experience an adverse impact on

our liquidity. We have sought and expect to continue to seek longer-term, more durable financing to reduce our risk exposure to margin calls related to shorter-term repurchase financing.

Our ability to fund our operations, meet financial obligations and finance target asset acquisitions may be impacted by our ability to secure and maintain our master secured financing agreements, warehouse facilities and secured financing agreements facilities with our counterparties. Because secured financing agreements and warehouse facilities are short-term commitments of capital, lenders may respond to market conditions making it more difficult for us to renew or replace on a continuous basis our maturing short-term borrowings and have and may continue to impose more onerous conditions when rolling forward such financings. If we are not able to renew our existing facilities or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under our financing facilities or if we are required to post more collateral or face larger haircuts, we may have to curtail our asset acquisition activities and dispose of assets.

To meet our short term (one year or less) liquidity needs, we expect to continue to borrow funds in the form of secured financing agreements and, subject to market conditions, other types of financing. The terms of the secured financing transaction borrowings under our master secured financing agreement generally conform to the terms in the standard master secured financing agreement as published by the Securities Industry and Financial Markets Association, or SIFMA, or similar market accepted agreements, as to repayment and margin requirements. In addition, each lender typically requires that we include supplemental terms and conditions to the standard master secured financing agreement. Typical supplemental terms and conditions include changes to the margin maintenance requirements, net asset value, required 'haircuts' (which are the difference expressed in percentage terms between the fair value of the collateral and the amount the counterpart will lend to us) purchase price maintenance requirements, and requirements that all disputes related to the secured financing agreement be litigated or arbitrated in a particular jurisdiction. These provisions may differ for each of our lenders.

Based on our current portfolio, leverage ratio and available borrowing arrangements, we believe our assets will be sufficient to enable us to meet anticipated short-term liquidity requirements. However, if our cash resources are insufficient to satisfy our liquidity requirements, we may sell additional investments, reduce our dividends, issue debt or additional common or preferred equity securities to meet our liquidity needs. We currently have \$427 million of unencumbered assets available to us which can be pledged to access additional short-term financing or sold to raise additional cash, if necessary.

To meet our longer-term liquidity needs (greater than one year), we expect our principal sources of capital and funds to continue to be provided by earnings, principal paydowns and sales from our investments, borrowings under securitizations and re-securitizations, secured financing agreements and other financing facilities, as well as proceeds from equity or other securities offerings.

In addition to the principal sources of capital described above, we may enter into warehouse facilities and use longer dated structured secured financing agreements. The use of any particular source of capital and funds will depend on market conditions, availability of these facilities, and the investment opportunities available to us.

#### ***Current Period***

We held cash and cash equivalents of approximately \$232 million and \$265 million at March 31, 2023 and December 31, 2022, respectively. As a result of our operating, investing and financing activities described below, our cash position decreased by \$32 million from December 31, 2022 to March 31, 2023.

Our operating activities provided net cash of approximately \$30 million and \$136 million for the quarter ended March 31, 2023 and 2022, respectively. The cash flows from operations were primarily driven by interest received in excess of interest paid of \$70 million and \$159 million during the quarter ended March 31, 2023 and 2022, respectively.

Our investing activities used cash of \$82 million and \$187 million for the quarters ended March 31, 2023 and 2022, respectively. During the quarter ended March 31, 2023, we received cash for principal repayments on Agency MBS, Non-Agency RMBS and Loans held for investment of \$341 million and from sale of our Agency MBS of \$168 million. This cash received was offset in part by cash used on investment purchases of \$591 million, primarily consisting of Loans held for investment of \$590 million and Agency MBS of \$1 million. During the quarter ended March 31, 2022, we used cash on investment purchases of \$1.1 billion, primarily consisting of Loans held for investment of \$1.0 billion, Agency MBS of \$45 million and Non-Agency RMBS of \$23 million. This cash used was offset in part by cash received for principal repayments on Agency MBS, Non-Agency RMBS and Loans held for investment of \$899 million.

Our financing activities provided cash of \$19 million and used cash of \$169 million for the quarter ended March 31, 2023 and 2022, respectively. During the quarter ended March 31, 2023, we received cash for securitized debt collateralized by loans issuance of \$944 million. This cash received was offset in part by cash used for repayment of principal on our securitized debt

of \$609 million, net payments on our secured financing agreements of \$242 million and payment of common and preferred dividends of \$73 million. During the quarter ended March 31, 2022, we primarily used cash for repayment of principal on our securitized debt of \$497 million and paid common and preferred dividends of \$97 million. This cash used was offset in part by cash received for securitized debt collateralized by loans issuance of \$262 million and net proceeds received on our secured financing agreements of \$163 million.

Our recourse leverage was 1.2:1 and 1.3:1 at March 31, 2023 and at December 31, 2022, respectively, and remained relatively low. Our recourse leverage excludes the securitized debt which can only be repaid from the proceeds on the assets securing this debt in their respective VIEs. Our recourse leverage is presented as a ratio of our secured financing agreements, which are recourse to our assets and our equity.

At March 31, 2023 and December 31, 2022, the remaining maturities and borrowing rates on our RMBS and loan secured financing agreements were as follows.

	March 31, 2023			December 31, 2022		
	(dollars in thousands)					
	Principal <sup>(1)</sup>	Weighted Average Borrowing Rates	Range of Borrowing Rates	Principal <sup>(1)</sup>	Weighted Average Borrowing Rates	Range of Borrowing Rates
Overnight	—	N/A	N/A	—	N/A	NA
1 to 29 days	\$ 613,425	6.42%	5.10% - 7.60%	\$ 493,918	4.66%	3.63% - 6.16%
30 to 59 days	383,381	6.12%	4.95% - 7.19%	762,768	6.14%	4.60% - 7.34%
60 to 89 days	211,194	5.67%	5.00% - 6.92%	225,497	6.04%	4.70% - 7.12%
90 to 119 days	74,203	5.90%	5.90% - 5.90%	43,180	6.54%	5.50% - 6.70%
120 to 180 days	373,651	6.78%	5.88% - 7.72%	401,638	5.88%	5.57% - 6.92%
180 days to 1 year	318,258	6.38%	6.18% - 6.91%	402,283	6.06%	5.63% - 6.64%
1 to 2 years	850,563	10.75%	8.54% - 13.98%	251,286	13.98%	13.98% - 13.98%
2 to 3 years	—	—%	0.00% - 0.00%	480,022	8.07%	8.07% - 8.07%
Greater than 3 years	381,474	5.16%	5.10% - 6.50%	382,839	5.14%	5.10% - 6.07%
<b>Total</b>	<b>\$ 3,206,149</b>	<b>7.36%</b>		<b>\$ 3,443,431</b>	<b>6.61%</b>	

(1) The outstanding balance for secured financing agreements in the table above is net of \$6 million and \$1 million of deferred financing cost as of March 31, 2023 and December 31, 2022, respectively.

Average remaining maturity of Secured financing agreements secured by:

	March 31, 2023	December 31, 2022
Agency RMBS (in thousands)	13 Days	17 Days
Agency CMBS (in thousands)	45 Days	25 Days
Non-Agency RMBS and Loans held for investment (in thousands)	471 Days	474 Days

We collateralize the secured financing agreements we use to finance our operations with our MBS investments and mortgage loans held in trusts controlled by us. Our counterparties negotiate a 'haircut', which is the difference expressed in percentage terms between the fair value of the collateral and the amount the counterparty will lend to us, when we enter into a financing transaction. The size of the haircut reflects the perceived risk and market volatility associated with holding the MBS by the lender. The haircut provides lenders with a cushion for daily market value movements that reduce the need for a margin call to be issued or margin to be returned as normal daily increases or decreases in MBS market values occur. Haircuts have increased on our secured financing agreements collateralized by Agency MBS and decreased on our secured financing agreements collateralized by Non-Agency RMBS and Loans held for investments during 2022. At March 31, 2023, the weighted average haircut on our remaining secured financing agreements collateralized by Agency RMBS IOs was 20.0%, Agency CMBS was 9.7% and Non-Agency RMBS and Loans held for investment was 24.1%. At December 31, 2022, the weighted average haircut on our remaining secured financing agreements collateralized by Agency RMBS IOs was 20.0%, Agency CMBS was 7.8% and Non-Agency RMBS and Loans held for investment was 25.7%.

The fair value of the Non-Agency MBS is more difficult to determine in current financial conditions, as well as more volatile period to period than Agency MBS, the Non-Agency MBS typically requires a larger haircut. In addition, when financing assets using standard form of SIFMA Master Repurchase Agreements, the counterparty to the agreement typically nets its exposure to

us on all outstanding repurchase agreements and issues margin calls if movement of the fair values of the assets in the aggregate exceeds their allowable exposure to us. A decline in asset fair values could create a margin call or may create no margin call depending on the counterparty's specific policy. In addition, counterparties consider a number of factors, including their aggregate exposure to us as a whole and the number of days remaining before the repurchase transaction closes prior to issuing a margin call. To minimize the risk of margin calls, as of March 31, 2023, we have entered into \$1.2 billion of financing arrangements for which the collateral cannot be adjusted as a result of changes in market value, minimizing the risk of a margin call as a result in price volatility. We refer to these agreements as non-mark-to-market (non-MTM) facilities. These non-MTM facilities generally have higher costs of financing, but lower the risk of a margin call which could result in sales of our assets at distressed prices. All non-MTM facilities are collateralized by Non-Agency RMBS collateral, which tends to have increased volatile price changes during periods of market stress. In addition we have entered into certain secured financing agreements which are not subject to additional margin requirement until the drop in fair value of collateral is greater than a threshold. We refer to these agreements as limited mark-to-market (limited MTM) facilities. As of March 31, 2023 we have \$359 million, of limited MTM facilities. We believe these non-MTM and limited MTM facilities significantly reduce our financing risks. See Note 5 to our Consolidated Financial Statements for a discussion on how we determine the fair values of the RMBS collateralizing our secured financing agreements.

At March 31, 2023, the weighted average borrowing rates for our secured financing agreements collateralized by Agency RMBS IOs was 5.4%, Agency CMBS was 5.0% and Non-Agency MBS and Loans held for investment was 7.5%. At December 31, 2022, the weighted average borrowing rates for our secured financing agreements collateralized by Agency RMBS IOs was 4.7%, Agency CMBS was 4.5%, and Non-Agency MBS and Loans held for investment was 6.9%.

We have entered into a secured financing agreement during fourth quarter of 2022 for which we have elected fair value option. We believe electing fair value for this financial instrument better reflect the transactional economics. The total principal balance outstanding on this secured financing at March 31, 2023 and December 31, 2022 was \$381 million and \$383 million, respectively. The fair value of collateral pledged was \$426 million and \$418 million as of March 31, 2023 and December 31, 2022, respectively. We carried this secured financing instrument at fair value of \$371 million and \$374 million as of March 31, 2023 and December 31, 2022, respectively. At March 31, 2023 and December 31, 2022, the weighted average borrowing rate on secured financing agreements at fair value was 5.14%. At March 31, 2023 and December 31, 2022, the haircut for the secured financing agreements at fair value was 7.5%. At March 31, 2023, the maturity on the secured financing agreements at fair value was five years.

The table below presents our average daily secured financing agreements balance and the secured financing agreements balance at each period end for the periods presented. Our balance at period-end tends to fluctuate from the average daily balances due to the adjusting of the size of our portfolio by using leverage.

Period	Secured financing agreements balance at period end	
	Average secured financing agreements balances	
	(dollars in thousands)	
Quarter End March 31, 2023	\$ 3,209,153	\$ 3,195,322
Quarter End December 31, 2022	\$ 3,123,400	\$ 3,434,765
Quarter End September 30, 2022	\$ 3,056,286	\$ 2,820,931
Quarter End June 30, 2022	\$ 3,373,179	\$ 3,148,832
Quarter End March 31, 2022	\$ 3,222,122	\$ 3,424,405

Our secured financing agreements do not require us to maintain any specific leverage ratio. We believe the appropriate leverage for the particular assets we are financing depends on the credit quality and risk of those assets. At March 31, 2023 and December 31, 2022, the carrying value of our total interest-bearing debt was approximately \$10.8 billion and \$10.6 billion, respectively, which represented a leverage ratio of approximately 4.1:1 and 4.0:1, respectively. We include our secured financing agreements and securitized debt in the numerator of our leverage ratio and stockholders' equity as the denominator.

At March 31, 2023, we had secured financing agreements with 14 counterparties. All of our secured financing agreements are secured by Agency MBS, Non-Agency RMBS and Loans held for investment and cash. Under these secured financing agreements, we may not be able to reclaim our collateral but will still be obligated to pay our repurchase obligations. We mitigate this risk by ensuring our counterparties are rated financial institutions. As of March 31, 2023 and December 31, 2022, we had \$4.5 billion and \$4.7 billion, respectively, of securities or cash pledged against our secured financing agreements obligations.

We expect to enter into new secured financing agreements at maturity; however, there is a risk that we will not be able to renew our secured financing agreements when we desire to renew them or obtain favorable interest rates and haircuts as a result of

uncertainty in the market including, but not limited to, uncertainty as a result of inflation and increases in the Federal Funds Rate. We offset the interest rate risk of our repurchase agreements primarily through the use of derivatives, which primarily consist of interest rate swaps, swaptions and Treasury futures. The average remaining maturities on our interest rate swaps at March 31, 2023 was one year. All of our swaps are cleared by a central clearing house. When our interest rate swaps are in a net loss position (expected cash payments are in excess of expected cash receipts on the swaps), we post collateral as required by the terms of our swap agreements.

#### **Exposure to Financial Counterparties**

We actively manage the number of secured financing agreements counterparties to reduce counterparty risk and manage our liquidity needs. The following table summarizes our exposure to our secured financing agreements counterparties at March 31, 2023:

<b>March 31, 2023</b>			
<b>Country</b>	<b>Number of Counterparties</b>	<b>Secured Financing Agreement</b>	<b>Exposure <sup>(1)</sup></b>
	(dollars in thousands)		
United States	10	\$ 2,170,188	\$ 842,072
Japan	2	725,375	306,120
Canada	1	287,750	124,278
Netherlands	1	22,836	182
<b>Total</b>	<b>14</b>	<b>\$ 3,206,149</b>	<b>\$ 1,272,651</b>

(1) Represents the amount of securities and/or cash pledged as collateral to each counterparty less the aggregate of secured financing agreement.

We regularly monitor our exposure to financing counterparties for credit risk and allocate assets to these counterparties based, in part, on the credit quality and internally developed metrics measuring counterparty risk. Our exposure to a particular counterparty is calculated as the excess collateral which is pledged relative to the secured financing agreement balance. If our exposure to our financing counterparties exceeds internally developed thresholds, we develop a plan to reduce the exposure to an acceptable level. At March 31, 2023, we had amounts at risk with Nomura Securities International, Inc., or Nomura of 11% of our equity related to the collateral posted on secured financing agreements. The weighted average maturities of the secured financing agreements with Nomura were 490 days. The amount at risk with Nomura was \$303 million. At December 31, 2022, we had amounts at risk with Nomura of 12% of our equity related to the collateral posted on secured financing agreements. The weighted average maturities of the secured financing agreements with Nomura were 582 days. The amount at risk with Nomura were \$308 million.

At March 31, 2023, we did not use credit default swaps or other forms of credit protection to hedge the exposures summarized in the table above.

#### **Stockholders' Equity**

In February 2021, our Board of Directors increased the authorization of our share repurchase program, or the Repurchase Program, to \$250 million. Such authorization does not have an expiration date, and at present, there is no intention to modify or otherwise rescind such authorization. Shares of our common stock may be purchased in the open market, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. The timing, manner, price and amount of any repurchases will be determined at our discretion and the program may be suspended, terminated or modified at any time for any reason. Among other factors, we intend to only consider repurchasing shares of our common stock when the purchase price is less than the last publicly reported book value per common share. In addition, we do not intend to repurchase any shares from directors, officers or other affiliates. The program does not obligate us to acquire any specific number of shares, and all repurchases will be made in accordance with Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of stock repurchases.

We did not repurchase any of our common stock during the quarters ended March 31, 2023 and 2022. The approximate dollar value of shares that may yet be purchased under the Repurchase Program is \$226 million as of March 31, 2023.

In February 2022, we entered into separate Distribution Agency Agreements (the "Existing Sales Agreements") with each of Credit Suisse Securities (USA) LLC, JMP Securities LLC, Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC and RBC Capital Markets, LLC (the "Existing Sales Agents"). In February 2023, we amended the Existing Sales Agreements and entered into separate Distribution Agency Agreements (together with the Existing Sales Agreements, as amended, the "Sales

Agreements”) with J.P. Morgan Securities LLC and UBS Securities LLC to include J.P. Morgan Securities LLC and UBS Securities LLC as additional sales agents (together with the Existing Sales Agents, the “Sales Agents”). Pursuant to the terms of the Sales Agreements, we may offer and sell shares of our common stock, having an aggregate offering price of up to \$500,000,000, from time to time in “at the market offerings” through any of the Sales Agents under the Securities Act of 1933. During the quarter ended March 31, 2023, or year ended December 31, 2022, we did not issue any shares under the at-the-market sales program.

We declared dividends to common shareholders of \$54 million, or \$0.23 per share, and \$79 million, or \$0.33 per share, during the quarters ended March 31, 2023 and 2022, respectively.

We declared dividends to Series A preferred stockholders of \$3 million, or \$0.50 per preferred share, during the quarters ended March 31, 2023 and 2022, respectively.

We declared dividends to Series B preferred stockholders of \$7 million, or \$0.50 per preferred share, during the quarters ended March 31, 2023 and 2022, respectively.

We declared dividends to Series C preferred stockholders of \$5 million, or \$0.484375 per preferred share, during the quarters ended March 31, 2023 and 2022, respectively.

We declared dividends to Series D preferred stockholders of \$4 million, or \$0.50 per preferred share, during the quarters ended March 31, 2023 and 2022, respectively.

On October 30, 2021, all 5,800,000 issued and outstanding shares of Series A Preferred Stock with an outstanding liquidation preference of \$145 million became callable at a redemption price equal to the liquidation preference plus accrued and unpaid dividends through, but not including, the redemption date. The dividend rate on shares of Series A Preferred Stock is 8.00% per annum. Our fixed-to-floating rate series B, C and D preferred stock are LIBOR based and will become floating on their respective call dates.

#### ***Restricted Stock Unit and Performance Share Unit Grants***

##### Grants of Restricted Stock Units, or RSUs

During the quarters ended March 31, 2023 and 2022, we granted RSU awards to employees. These RSU awards are designed to reward our employees for services provided to us. Generally, the RSU awards vest equally over a three-year period beginning from the grant date and will fully vest after three years. For employees who are retirement eligible, defined as years of service to us plus age, is equal to or greater than 65, the service period is considered to be fulfilled and all grants are expensed immediately. The RSU awards are valued at the market price of our common stock on the grant date and generally the employees must be employed by us on the vesting dates to receive the RSU awards. We granted 649 thousand RSU awards during the quarter ended March 31, 2023 with a grant date fair value of \$4 million for the 2023 performance year. We granted 128 thousand RSU awards during the quarter ended March 31, 2022, with a grant date fair value of \$2 million for the 2022 performance year.

##### Grants of Performance Share Units, or PSUs

PSU awards are designed to align compensation with our future performance. The PSU awards granted during the quarter ended March 31, 2023 and 2022, include a three-year performance period ending on December 31, 2025 and December 31, 2024, respectively. The final number of shares awarded will be between 0% and 200% of the PSUs granted based on our Economic Return and share price performance compared to a peer group. Our three-year Economic Return is equal to our change in book value per common share plus common stock dividends. Compensation expense will be recognized on a straight-line basis over the three-year vesting period based on an estimate of our Economic Return and share price performance in relation to the entities in the peer group and will be adjusted each period based on our best estimate of the actual number of shares awarded. During the quarter ended March 31, 2023, we granted 605 thousand PSU awards to senior management with a grant date fair value of \$3 million. During the quarter ended March 31, 2022, we granted 128 thousand PSU awards to senior management with a grant date fair value of \$2 million.

At March 31, 2023 and December 31, 2022, there were approximately 3.8 million and 3.6 million, respectively, unvested shares of RSUs and PSUs issued to our employees and directors.

#### ***Contractual Obligations and Commitments***

The following tables summarize our contractual obligations at March 31, 2023 and December 31, 2022. The estimated principal repayment schedule of the securitized debt is based on expected cash flows of the residential mortgage loans or RMBS, as adjusted for expected principal write-downs on the underlying collateral of the debt.

March 31, 2023  
(dollars in thousands)

Contractual Obligations	Within One Year	One to Three Years	Three to Five Years	Greater Than or Equal to Five Years	Total
Secured financing agreements	\$ 1,974,112	\$ 850,563	\$ 381,474	\$ —	\$ 3,206,148
Securitized debt, collateralized by Non-Agency RMBS	462	503	12	101	1,078
Securitized debt at fair value, collateralized by Loans held for investment	1,617,834	2,551,772	1,808,471	2,241,908	8,219,985
Interest expense on MBS secured financing agreements <sup>(1)</sup>	26,078	7,464	1,803	—	35,346
Interest expense on securitized debt <sup>(1)</sup>	239,315	361,099	228,209	220,241	1,048,864
<b>Total</b>	<b>\$ 3,857,801</b>	<b>\$ 3,771,401</b>	<b>\$ 2,419,969</b>	<b>\$ 2,462,250</b>	<b>\$ 12,511,421</b>

(1) Interest is based on variable rates in effect as of March 31, 2023.

December 31, 2022  
(dollars in thousands)

Contractual Obligations	Within One Year	One to Three Years	Three to Five Years	Greater Than or Equal to Five Years	Total
Secured financing agreements	\$ 2,329,284	\$ 731,308	\$ 382,838	\$ —	\$ 3,443,430
Securitized debt, collateralized by Non-Agency RMBS	640	523	71	92	1,326
Securitized debt at fair value, collateralized by Loans held for investment	1,636,544	2,535,642	1,733,022	1,949,240	7,854,448
Interest expense on MBS secured financing agreements <sup>(1)</sup>	28,915	6,147	1,750	—	36,812
Interest expense on securitized debt <sup>(1)</sup>	208,059	307,001	187,281	176,580	878,921
<b>Total</b>	<b>\$ 4,203,442</b>	<b>\$ 3,580,621</b>	<b>\$ 2,304,962</b>	<b>\$ 2,125,912</b>	<b>\$ 12,214,937</b>

(1) Interest is based on variable rates in effect as of December 31, 2022.

Not included in the table above are the unfunded construction loan commitments of \$8 million and \$9 million as of March 31, 2023 and December 31, 2022, respectively. We expect the majority of these commitments will be paid within one year and are reported under Payable for investments purchased in our Consolidated Statements of Financial Condition.

We have made a \$75 million capital commitment to a fund managed by Kah Capital Management, LLC. As of March 31, 2023, we have funded \$27 million towards that commitment, leaving an unfunded commitment of \$48 million.

#### Capital Expenditure Requirements

At March 31, 2023 and December 31, 2022, we had no material commitments for capital expenditures.

#### Dividends

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our taxable income (subject to certain adjustments). Before we pay any dividend, we must first meet any operating requirements and scheduled debt service on our financing facilities and other debt payable.

#### Critical Accounting Estimates

Accounting policies are integral to understanding our Management's Discussion and Analysis of Financial Condition and Results of Operations. The preparation of financial statements in accordance with GAAP requires management to make certain judgments and assumptions, on the basis of information available at the time of the financial statements, in determining accounting estimates used in the preparation of these statements. Our significant accounting policies and accounting estimates are described in Note 2 to the Consolidated Financial Statements. Critical accounting policies are described in this section. An accounting policy is considered critical if it requires management to make assumptions or judgments about matters that are highly uncertain at the time the accounting estimate was made or require significant management judgment in interpreting the accounting literature. If actual results differ from our judgments and assumptions, or other accounting judgments were made, this could have a significant and potentially adverse impact on our financial condition, results of operations and cash flows.

The accounting policies and estimates which we consider most critical relate to the recognition of revenue on our investments, including recognition of any losses, and the determination of fair value of our financial instruments. Refer to the heading titled "Critical Accounting Estimates" under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2022 for a discussion of our critical accounting estimates.

The consolidated financial statements include, on a consolidated basis, our accounts, the accounts of our wholly-owned subsidiaries, and variable interest entities, or VIEs, for which we are the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation.

#### *Use of Estimates*

The preparation of 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. Although our estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be different than anticipated in those estimates, which could materially adversely impact our results of operations and our financial condition. Management has made significant estimates in several areas, including current expected credit losses of Non-Agency RMBS, valuation of Loans held for investments, Agency and Non-Agency MBS, forward interest rates for interest rate swaps, and income recognition on Loans held for investments and Non-Agency RMBS. Actual results could differ materially from those estimates.

#### *Recent Accounting Pronouncements*

Refer to Note 2 in the Notes to Consolidated Financial Statements for a discussion of accounting guidance we have recently adopted or expect to be adopted in the future.

#### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

The primary components of our market risk are related to credit risk, interest rate risk, prepayment risk, extension risk, basis risk and market risk. While we do not seek to avoid risk completely, we believe the risk can be quantified from historical experience and we seek to actively manage that risk and to maintain capital levels consistent with the risks we undertake.

Additionally, refer to Item 1A, "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information on risks we face.

#### **Credit Risk**

We are subject to credit risk in connection with our investments in Non-Agency RMBS and residential mortgage loans and face more credit risk on assets we own that are rated below "AAA" or not rated. The credit risk related to these investments pertains to the ability and willingness of the borrowers to pay, which is assessed before credit is granted or renewed and periodically reviewed throughout the loan or security term. We believe that residual loan credit quality, and thus the quality of our assets, is primarily determined by the borrowers' credit profiles and loan characteristics.

In connection with loan acquisitions, we or a third-party perform an independent review of the mortgage file to assess the origination and servicing of the mortgage loan as well as our ability to enforce the contractual rights in the mortgage. Depending on the size of the loans, we may not review all of the loans in a pool, but rather a sample of loans for diligence review based upon specific risk-based criteria such as property location, loan size, effective loan-to-value ratio, borrower's characteristics and other criteria we believe to be important indicators of credit risk. Additionally, we obtain representations and warranties from each seller with respect to the residential mortgage loans, including the origination and servicing of the

mortgage loan as well as the enforceability of the lien on the mortgaged property. A seller who breaches these representations and warranties in making a loan that we purchase may be obligated to repurchase the loan from us. Our resources include a portfolio management system, as well as third-party software systems. We utilize third-party due diligence firms to perform an independent mortgage loan file review to ensure compliance with existing guidelines. In addition to statistical sampling techniques, we create adverse credit and valuation samples, which we individually review.

Additionally, we closely monitor credit losses incurred, as well as how expectations of credit losses are expected to change on our Non-Agency RMBS and Loans held for investment portfolios. We estimate future credit losses based on historical experience, market trends, current delinquencies as well as expected recoveries. The net present value of these expected credit losses can change, sometimes significantly from period to period as new information becomes available. When credit loss experience and expectations improve, we will collect more principal on our investments. If credit loss experience deteriorates, we will collect less principal on our investments. The favorable or unfavorable changes in credit losses are reflected in the yield on our investments in mortgage loans and recognized in earnings over the remaining life of our investments. The following table presents changes to net present value of expected credit losses for our Non-Agency RMBS and Loans held for investment portfolios during the previous five quarters. Gross losses are discounted at the rate used to amortize any discounts or premiums on our investments into income. A decrease (negative balance) in the "Increase/(decrease)" line item in the tables below represents a favorable change in expected credit losses. An increase (positive balance) in the "Increase/(decrease)" line item in the tables below represents an unfavorable change in expected credit losses.

<b>For the Quarters Ended</b>					
(dollars in thousands)					
<b>Non-Agency RMBS</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>
Balance, beginning of period	\$ 89,234	\$ 103,394	\$ 91,187	\$ 94,590	\$ 106,240
Realized losses	(2,293)	(3,063)	(1,517)	(909)	7,995
Accretion	2,949	3,133	2,588	2,614	3,049
Purchased losses	—	—	—	—	—
Sold losses	—	(4,444)	—	—	—
Losses removed due to consolidation	—	—	—	—	(10,191)
Increase/(decrease)	(10,015)	(9,786)	11,136	(5,108)	(12,503)
Balance, end of period	\$ 79,875	\$ 89,234	\$ 103,394	\$ 91,187	\$ 94,590

<b>For the Quarters Ended</b>					
(dollars in thousands)					
<b>Loans held for investment</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>
Balance, beginning of period	\$ 321,017	\$ 285,174	\$ 315,299	\$ 409,650	\$ 369,028
Realized losses	(7,992)	(11,023)	(8,127)	(10,766)	(12,260)
Accretion	3,650	3,715	3,989	4,563	4,251
Purchased losses	404	7,677	—	3,028	14,883
Losses added due to consolidation	—	—	—	—	49,774
Increase/(decrease)	(31,256)	35,474	(25,987)	(91,176)	(16,026)
Balance, end of period	\$ 285,823	\$ 321,017	\$ 285,174	\$ 315,299	\$ 409,650

Additionally, the Non-Agency RMBS which we acquire for our portfolio are reviewed by us to ensure that they satisfy our risk-based criteria. Our review of Non-Agency RMBS includes utilizing a portfolio management system. Our review of Non-Agency RMBS and other ABS is based on quantitative and qualitative analysis of the risk-adjusted returns on Non-Agency RMBS and other ABS. This analysis includes an evaluation of the collateral characteristics supporting the RMBS such as borrower payment history, credit profiles, geographic concentrations, credit enhancement, seasoning, and other pertinent factors.

#### **Interest Rate Risk**

Our net interest income, borrowing activities and profitability could be negatively affected by volatility in interest rates caused by uncertainties stemming from the effect of inflation and updated Federal Rate increase projections in 2022. As the Federal Reserve increases its Federal Funds Rate, the margin between short and long-term rates could further compress. A prolonged

period of extremely volatile and unstable market conditions would likely increase our funding costs and negatively affect market risk mitigation strategies. Higher income volatility from changes in interest rates and spreads to benchmark indices could cause a loss of future net interest income and a decrease in the current fair market values of our assets. Fluctuations in interest rates will impact both the level of income and expense recorded on most of our assets and liabilities and the market value of all interest-earning assets and interest-bearing liabilities, which in turn could have a material adverse effect on our net income, operating results, or financial condition.

Interest rate risk is highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. We are subject to interest rate risk in connection with our investments and our related debt obligations, which are generally secured financing agreements and securitization trusts. Our secured financing agreements and warehouse facilities may be of limited duration that is periodically refinanced at current market rates. We typically mitigate this risk through utilization of derivative contracts, primarily interest rate swap agreements, swaptions, futures and mortgage options. While we may use interest rate hedges to mitigate risks related to changes in interest rate, the hedges may not fully offset interest expense movements.

#### ***Interest Rate Effects on Net Interest Income***

Our operating results depend, in large part, on differences between the income from our investments and our borrowing costs. Most of our warehouse facilities and secured financing agreements provide financing based on a floating rate of interest calculated on a fixed spread over LIBOR or SOFR. The fixed spread varies depending on the type of underlying asset which collateralizes the financing. During periods of rising interest rates, the borrowing costs associated with our investments tend to increase while the income earned on our investments may remain substantially unchanged or decrease. This will result in a narrowing of the net interest spread between the related assets and borrowings and may even result in losses. Further, defaults could increase and result in credit losses to us, which could adversely affect our liquidity and operating results. Such delinquencies or defaults could also have an adverse effect on the spread between interest-earning assets and interest-bearing liabilities. We generally do not hedge against credit losses. Hedging techniques are partly based on assumed levels of prepayments of our fixed-rate and hybrid adjustable-rate residential mortgage loans and RMBS. If prepayments are slower or faster than assumed, the life of the residential mortgage loans and RMBS will be longer or shorter, which would reduce the effectiveness of any hedging strategies we may use and may cause losses on such transactions.

#### ***Interest Rate Effects on Fair Value***

Another component of interest rate risk is the effect changes in interest rates will have on the fair value of the assets we acquire. We face the risk that the fair value of our assets will increase or decrease at different rates than that of our liabilities, including our hedging instruments, if any. We primarily assess our interest rate risk by estimating the duration of our assets compared to the duration of our liabilities and hedges. Duration essentially measures the market price volatility of financial instruments as interest rates change. We generally calculate duration using various financial models and empirical data. Different models and methodologies can produce different duration numbers for the same securities.

It is important to note that the impact of changing interest rates on fair value can change significantly when interest rates change beyond 100 basis points from current levels. Therefore, the volatility in the fair value of our assets could increase significantly when interest rates change beyond 100 basis points. In addition, other factors impact the fair value of our interest rate-sensitive investments and hedging instruments, such as the shape of the yield curve, market expectations as to future interest rate changes and other market conditions. Accordingly, in the event of changes in actual interest rates, the change in the fair value of our assets would likely differ from that shown below and such difference might be material and adverse to our stockholders.

#### ***Effect of U.S. Dollar London Inter Bank Offered Rate or, LIBOR transition (pending legal update)***

The interest rates on our secured financing agreements, as well as adjustable-rate mortgage loans in our securitizations, are generally based on LIBOR, as are some classes of our preferred stock. On March 5, 2021, the United Kingdom Financial Conduct Authority, or FCA, which regulates LIBOR, announced that all LIBOR tenors relevant to us will cease to be published or will no longer be representative after June 30, 2023. The FCA's announcement coincides with the March 5, 2021, announcement of LIBOR's administrator, the ICE Benchmark Administration Limited, or IBA, indicating that, as a result of not having access to input data necessary to calculate LIBOR tenors relevant to us on a representative basis after June 30, 2023, IBA would have to cease publication of such LIBOR tenors immediately after the last publication on June 30, 2023. These announcements mean that any of our LIBOR-based borrowings that extend beyond June 30, 2023 will need to be converted to a replacement rate. Moreover, any adjustable-rate mortgage loans based upon LIBOR will need to convert by that time too.

On January 1, 2022, ICE discontinued the publication of the 1-week and 2-month tenors of USD-LIBOR. In the United States., the Alternative Reference Rates Committee, or ARRC, a committee of private sector entities with ex-officio official sector

members convened by the Federal Reserve Board and the Federal Reserve Bank of New York, has recommended the Secured Overnight Financing Rate, or SOFR, and in some cases, the forward-looking term rate based on SOFR published by CME Group Benchmark Administration Ltd, or CME Term SOFR, plus in each case, a recommended spread adjustment as LIBOR's replacements. The Board of Governors of the Federal Reserve has also named CME Term SOFR as the Board-selected replacement rate for most cash products under the Adjustable Interest Rate (LIBOR) Act of 2021, which governs instruments for which there is no determining person to choose a LIBOR replacement or which have no fallback provisions specifying an alternate replacement rate. There are significant differences between LIBOR and SOFR, such as LIBOR being an unsecured lending rate while SOFR is a secured lending rate, and SOFR is an overnight rate while LIBOR reflects term rates at different maturities.

While some market participants are still evaluating what convention of SOFR will be adopted for various types of financial instruments and securitization vehicles, the mortgage market, including our repurchase agreements, has currently adopted the daily compounded and paid in arrears SOFR convention. That convention, however, may change in the future. As our LIBOR-based borrowings are converted to SOFR, the differences between LIBOR and SOFR, plus the recommended spread adjustment, could result in interest costs that are higher than if LIBOR remained available, which could have a material adverse effect on our operating results. In addition, and other market participants have less experience understanding and modeling SOFR-based assets and liabilities than LIBOR-based assets and liabilities, increasing the difficulty of investing, hedging, and risk management. The process of transition involves operational risks. It is not yet possible to predict the magnitude of LIBOR's end on our borrowing costs and other operations given the remaining uncertainty about which rates will replace LIBOR and the related timing.

Holders of our fixed-to-floating preferred shares should refer to the relevant prospectus to understand the USD-LIBOR cessation provisions applicable to that class. We do not currently intend to amend any of our fixed-to-floating preferred shares to change the existing USD-LIBOR cessation fallbacks.

On March 15, 2022, President Biden signed the Adjustable Interest Rate (LIBOR) Act, which transitions contracts that use LIBOR as a benchmark for adjustable interest rates to another benchmark, once LIBOR is permanently discontinued after June 30, 2023. The Act provides, among other things, that a default alternative benchmark based on SOFR published by the New York Federal Reserve Bank will automatically apply after the LIBOR replacement date for any contract that does not select a benchmark replacement for LIBOR or identify a person authorized to select a benchmark replacement after LIBOR is permanently discontinued. The Act also provides that if the SOFR-based benchmark replacement is selected to replace LIBOR, the person responsible under a contract for determining values is not required to obtain the consent of anyone before determining values based on that benchmark replacement. The Act further creates a safe harbor by ensuring that the SOFR-based benchmark replacement is by law a commercially reasonable replacement for LIBOR, that the use of that benchmark replacement cannot be deemed a breach of a contract or an impairment of the right of any person to receive payment under that contract, and that no person can be liable for selecting or using that benchmark replacement. The Act further authorizes the Board of the Federal Reserve to promulgate regulations under the statute to designate specific SOFR-based rates that incorporate the statutory spread adjustments as replacement rates for covered LIBOR contracts. The Federal Reserve's final rules were issued in December 2022 and provide for the following SOFR-based replacement rates: (i) SOFR compounded in arrears for derivatives, using the same methodology as under the International Swaps and Derivatives Association protocol, (ii) CME Term SOFR for all covered cash products, except FHFA-regulated entity contracts and (iii) a 30-day compounded SOFR average for certain FHFA-regulated entity contracts. We are evaluating the impact of the final rules on assets and liabilities covered by the legislation and will continue to consider all available options, including the potential impact on certain classes of our outstanding fixed-to-floating preferred stock. However, we believe that the Act should provide some measure of certainty with respect to the treatment of such instruments once LIBOR is permanently discontinued.

#### ***Interest Rate Cap Risk***

We may also invest in adjustable-rate residential mortgage loans and RMBS. These are mortgages or RMBS in which the underlying mortgages are typically subject to periodic and lifetime interest rate caps and floors, which limit the amount by which the security's interest yield may change during any given period. However, our borrowing costs pursuant to our financing agreements will not be subject to similar restrictions. Therefore, in a period of increasing interest rates, interest rate costs on our borrowings could increase without limitation by caps, while the interest-rate yields on our adjustable-rate residential mortgage loans and RMBS would effectively be limited. This problem will be magnified to the extent we acquire adjustable-rate RMBS that are not based on mortgages which are fully indexed. In addition, the mortgages or the underlying mortgages in an RMBS may be subject to periodic payment caps that result in some portion of the interest being deferred and added to the principal outstanding. This could result in our receipt of less cash income on our adjustable-rate mortgages or RMBS than we need in order to pay the interest cost on our related borrowings. These factors could lower our net interest income or cause a net loss during periods of rising interest rates, which would harm our financial condition, cash flows and results of operations.

### Interest Rate Mismatch Risk

We fund a substantial portion of the acquisitions of our investments with borrowings that have interest rates based on indices and re-pricing terms similar to, but of somewhat shorter maturities than, the interest rate indices and re-pricing terms of the mortgages and mortgage-backed securities. In most cases the interest rate indices and re-pricing terms of our mortgage assets and our funding sources will not be identical, thereby creating an interest rate mismatch between assets and liabilities. Our cost of funds would likely rise or fall more quickly than would our earnings rate on assets. During periods of changing interest rates, such interest rate mismatches could negatively impact our financial condition, cash flows and results of operations. To mitigate interest rate mismatches, we may utilize the hedging strategies discussed above. Our analysis of risks is based on our experience, estimates, models and assumptions. These analyses rely on models which utilize estimates of fair value and interest rate sensitivity. Actual economic conditions or implementation of investment decisions by our management may produce results that differ significantly from the estimates and assumptions used in our models and the projected results.

To mitigate potential interest rate mismatches, we have entered into agreements for longer term, non-mark-to-market financing facilities at rates that are higher than short term secured financing agreements. These longer term agreements are primarily on our less liquid Non-Agency RMBS assets. Having non-mark-to-market financing facilities may be useful in this market to prevent significant margin calls or collateral liquidation in a volatile market. If the market normalizes and repurchase rates fall, we may be locked into long term and higher interest expenses than are otherwise available in the market to finance our portfolio.

Our profitability and the value of our investment portfolio including derivatives may be adversely affected during any period as a result of changing interest rates. The following table quantifies the potential changes in net interest income and market value on the assets we retain and derivatives, if interest rates go up or down 50 and 100 basis points, assuming parallel movements in the yield curves. All changes in income and value are measured as percentage changes from the projected net interest income and the value of the assets we retain at the base interest rate scenario. The base interest rate scenario assumes interest rates at March 31, 2023 and various estimates regarding prepayment and all activities are made at each level of rate change. Actual results could differ significantly from these estimates.

Change in Interest Rate	March 31, 2023	
	Projected Percentage Change in Net Interest Income	Projected Percentage Change in Market Value <sup>(1)</sup>
-100 Basis Points	7.17 %	6.38 %
-50 Basis Points	4.20 %	3.05 %
Base Interest Rate	—	—
+50 Basis Points	(3.32) %	(2.78) %
+100 Basis Points	(5.26) %	(5.38) %

(1) Projected Percentage Change in Market Value is based on instantaneous moves in interest rates.

### Prepayment Risk

As we receive prepayments of principal on these investments, premiums and discounts on such investments will be amortized or accreted into interest income. In general, an increase in actual or expected prepayment rates will accelerate the amortization of purchase premiums, thereby reducing the interest income earned on the investments. Conversely, discounts on such investments are accelerated and accreted into interest income increasing interest income when prepayments increase. Actual prepayment results may be materially different than the assumptions we use for our portfolio.

### Extension Risk

Management computes the projected weighted-average life of our investments based on assumptions regarding the rate at which the borrowers will prepay the underlying mortgages. In general, when fixed-rate or hybrid adjustable-rate residential mortgage loans or RMBS are acquired via borrowings, we may, but are not required to, enter into an interest rate swap agreement or other hedging instrument that attempts to fix our borrowing costs for a period close to the anticipated average life of the fixed-rate portion of the related assets. This strategy is designed to protect us from rising interest rates as the borrowing costs are managed to maintain a net interest spread for the duration of the fixed-rate portion of the related assets. However, if prepayment rates decrease in a rising interest rate environment, the life of the fixed-rate portion of the related assets could extend beyond the term of the swap agreement or other hedging instrument. This could have a negative impact on our results from operations, as

borrowing costs would no longer be fixed after the end of the hedging instrument while the income earned on the fixed and hybrid adjustable-rate assets would remain fixed. In extreme situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur losses.

#### **Basis Risk**

We may seek to limit our interest rate risk by hedging portions of our portfolio through interest rate swaps or other types of hedging instruments. Basis risk relates to the risk of the spread between our MBS and hedges widening. Such a widening may cause a decline in the fair value of our MBS that is greater than the increase in fair value of our hedges resulting in a net decline in book value.

#### **Market Risk**

##### *Market Value Risk*

Certain of our securities classified as available-for-sale are reflected at their estimated fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income. The estimated fair value of these securities fluctuates primarily due to changes in interest rates, prepayment speeds, market liquidity, credit quality, and other factors. Generally, in a rising interest rate environment, the estimated fair value of these securities would be expected to decrease; conversely, in a decreasing interest rate environment, the estimated fair value of these securities would be expected to increase. As market volatility increases or liquidity decreases, the fair value of our investments may be adversely impacted.

##### *Real Estate Market Risk*

We own assets secured by real property and may own real property directly. Residential property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions and unemployment (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing); changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; natural disasters and other acts of God; and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay our loans, which could also cause us to incur losses.

#### **Risk Management**

Subject to maintaining our REIT status, we seek to manage risk exposure to protect our portfolio of residential mortgage loans, RMBS, and other assets and related debt against the effects of major interest rate changes. We generally seek to manage risk by:

- monitoring and adjusting, if necessary, the reset index and interest rate related to our RMBS and our financings;
- attempting to structure our financing agreements to have a range of different maturities, terms, amortizations and interest rate adjustment periods, rights to post both cash and collateral for margin calls and provisions for non-mark-to-market financing facilities;
- using derivatives, financial futures, swaps, options, caps, floors and forward sales to adjust the interest rate sensitivity of our investments and our borrowings;
- using securitization financing to receive the benefit of attractive financing terms for an extended period of time in contrast to short term financing and maturity dates of the investments not included in the securitization; and
- actively managing, through assets selection, on an aggregate basis, the interest rate indices, interest rate adjustment periods, and gross reset margins of our investments and the interest rate indices and adjustment periods of our financings.

Our efforts to manage our assets and liabilities are focused on the timing and magnitude of the re-pricing of assets and liabilities. We attempt to control risks associated with interest rate movements. Methods for evaluating interest rate risk include an analysis of our interest rate sensitivity "gap," which is the difference between interest-earning assets and interest-bearing liabilities maturing or re-pricing within a given time period. A gap is considered positive when the amount of interest-rate sensitive assets exceeds the amount of interest-rate sensitive liabilities. A gap is considered negative when the amount of interest-rate sensitive liabilities exceeds interest-rate sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net interest income, while a positive gap would tend to result in an increase in net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to affect net interest income adversely. Because different types of assets and liabilities with the same or similar maturities may react differently to changes in overall market rates or conditions, changes in interest rates may affect net interest income positively or negatively even if an institution were perfectly matched in each maturity category.

The following table sets forth the estimated maturity or re-pricing of our interest-earning assets and interest-bearing liabilities at March 31, 2023. The amounts of assets and liabilities shown within a particular period were determined in accordance with the contractual terms of the assets and liabilities, and securities are included in the period in which their interest rates are first scheduled to adjust and not in the period in which they mature and includes the effect of the interest rate swaps, if any. The interest rate sensitivity of our assets and liabilities in the table could vary substantially based on actual prepayments.

March 31, 2023 (dollars in thousands)						
	Within 3 Months	3-12 Months	1 Year to 3 Years	Greater than 3 Years	Total	
Rate sensitive assets	\$ 242,846	\$ 314,064	\$ 9,162	\$ 13,242,586	\$ 13,808,658	
Cash equivalents	232,392	—	—	—	232,392	
<b>Total rate sensitive assets</b>	<b>\$ 475,238</b>	<b>\$ 314,064</b>	<b>\$ 9,162</b>	<b>\$ 13,242,586</b>	<b>\$ 14,041,050</b>	
Rate sensitive liabilities	6,342,164	4,371,213	—	11,529	10,724,906	
Interest rate sensitivity gap	\$ (5,866,926)	\$ (4,057,149)	\$ 9,162	\$ 13,231,057	\$ 3,316,144	
Cumulative rate sensitivity gap	\$ (5,866,926)	\$ (9,924,075)	\$ (9,914,913)	\$ 3,316,144		
Cumulative interest rate sensitivity gap as a percentage of total rate sensitive assets	(42)%	(71)%	(71)%	24 %		

Our analysis of risks is based on our management's experience, estimates, models and assumptions. These analyses rely on models which utilize estimates of fair value and interest rate sensitivity. Actual economic conditions or implementation of investment decisions by our management may produce results that differ significantly from the estimates and assumptions used in our models and the projected results shown in the above tables. These analyses contain certain forward-looking statements and are subject to the safe harbor statement set forth under the heading, "Special Note Regarding Forward-Looking Statements."

#### Cybersecurity Risk

We have a suite of information security controls including enterprise technology hardware and software solutions, security programs such as cybersecurity risk assessment and tabletop exercise specific to our industry, testing of the resiliency of our systems including penetration and disaster recovery tests to continually improve our Business Continuity program against ever-changing threat landscape. We have established an incident response plan and team to take steps it determines are appropriate to contain, mitigate and remediate a cybersecurity incident and to respond to the associated business, legal and reputational risks. Our round-the-clock Security Operation Center actively monitors suspicious activities including tactics, techniques, or procedures related to state-sponsored threat actors and associated groups. Our cybersecurity user awareness program provides regular training sessions on cybersecurity risks and mitigation strategies. We assess our cybersecurity risk awareness, prevention, detection, response and recovery capabilities against industry standard frameworks and maturity models. In addition, we had an independent third-party perform a cybersecurity maturity assessment of our systems, policies and procedures focused on the National Institute of Standards and Technology, or NIST, Cybersecurity Framework and the SEC's Office of Compliance Inspections and Examinations, or OCIE cybersecurity guidance in 2022. The review noted positive findings as well as a few low-risk recommendations which have been implemented to further improve our cyber security maturity level.

There is no assurance that these efforts will fully mitigate cybersecurity risk and mitigation efforts are not an assurance that no cybersecurity incidents will occur.

We have been working remotely since March 2020 and have adopted a hybrid work schedule since the middle of March 2022. While we feel our remote work environment is secure, cybersecurity attacks have increased in an attempt to breach our system and take advantage of employees working from home. The technology in employees' homes may not be as robust as in our offices and could cause the networks, information systems, applications, and other tools available to employees to be more limited or less reliable than in our offices. We have experienced higher than normal phishing and other attempts to access our systems. We have not had a cybersecurity breach and maintain vigilance around our technology platforms, but there is no assurance that all cybersecurity risks will be mitigated.

## Enterprise Risk Management

We employ a “Three Layers of Defense Approach” to Enterprise Risk Management (“ERM”) designed to assess and manage risk to achieve our strategic goals. The “First Layer of Defense” consists of assessing key risks indicators (“KRIs”) facing each respective business unit within the Company. Our risk management unit is an independent group that acts as the “Second Layer of Defense”. The risk management unit partners with various business units to understand, monitor, manage and escalate risks as appropriate. The financial reporting unit operates under the requirements of the Sarbanes Oxley (“SOX”) Act and is subject to an independent, external quarterly review and an annual audit from Ernst & Young. Our board of directors risk committee reviews risk, portfolio, and financial reporting material. The “Third Layer of Defense” consists of many of our internal controls which are subject to an independent evaluation by our third-party internal auditors. As an independent third-party, the mandate of the internal auditor is to objectively assess the adequacy and effectiveness of our internal control environment to improve risk management, control and governance processes. Periodic reporting from the risk management unit is provided to executive management and to our audit committee.

## Business Continuity Plan (“BCP”)

Our BCP is prepared with the intent of providing guidelines to facilitate (i) employee safety and relocation; (ii) preparedness for carrying out activities and receiving communication; (iii) resumption and restoration of systems and business processes and (iv) the protection and integrity of the Company’s assets.

Our BCP is designed to facilitate business process resilience in a broad range of scenarios with a dedicated Disaster Recovery Team (“DRT”) which is comprised of executive management, head of technology, and professionals across our various business units. Our BCP identifies the critical systems and processes necessary for business operations as well as the resources, employees, and planning needed to support these systems and processes. Critical systems and processes are defined as those which have a material impact on core operations, financial performance, or regulatory requirements. This includes applications which facilitate financial transactions, transaction settlements, financial reporting, and business communication and the personnel who perform such actions. Our BCP provides guidelines to aid in the timely resumption of business operations and for communication with employees, service providers and other key stakeholders needed to support these operations. Our BCP is a “living process” that will evolve with the input and guidance of the key stakeholders, subject matter experts and industry best practices and is reviewed and updated at least annually.

## Item 4. Controls and Procedures

### (a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) was performed under the supervision and with the participation of the Company’s senior management, including the Chief Executive Officer, Chief Financial Officer and the Chief Accounting Officer. Based on that evaluation, the Company’s management, including the Chief Executive Officer, Chief Financial Officer and the Chief Accounting Officer, concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report.

### (b) Changes in Internal Control over Financial Reporting

As required by Rule 13a-15(d) under the Securities Exchange Act of 1934, the Company’s management, including its Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, has evaluated the Company’s internal control over financial reporting to determine whether any changes occurred during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such changes, during the first quarter of 2023.

## Part II. Other Information

### Item 1. Legal Proceedings

None.

### Item 1A. Risk Factors

*Under “Part I — Item 1A — Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2022 we set forth risk factors related to our business and operations. You should carefully consider the risk factors set forth in our Form*

10-K for the year ended December 31, 2022. As of the date hereof, there have been no material changes to the risk factors set forth in our Form 10-K for the year ended December 31, 2022.

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

In February 2021, the Company's Board of Directors increased the authorization of the Company's share repurchase program to \$250 million, or the Repurchase Program. Such authorization does not have an expiration date, and at present, there is no intention to modify or otherwise rescind such authorization. Shares of the Company's common stock may be purchased in the open market, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The timing, manner, price and amount of any repurchases will be determined at the Company's discretion and the program may be suspended, terminated or modified at any time, for any reason. Among other factors, the Company intends to only consider repurchasing shares of its common stock when the purchase price is less than the last publicly reported book value per common share. In addition, the Company does not intend to repurchase any shares from directors, officers or other affiliates. The program does not obligate the Company to acquire any specific number of shares, and all repurchases will be made in accordance with Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of stock repurchases.

The Company did not repurchase any of its common stock during the quarter ended March 31, 2023 and 2022. The approximate dollar value of shares that may yet be purchased under the Repurchase Program is \$226 million as of March 31, 2023.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

None.

## Item 6. Exhibits

### EXHIBIT INDEX

Exhibit Number	Description
3.1	<a href="#">Articles of Amendment and Restatement of Chimera Investment Corporation (filed as Exhibit 3.1 to the Company's Registration Statement on Amendment No. 1 to Form S-11 (File No. 333-145525) filed on September 27, 2007 and incorporated herein by reference).</a>
3.2	<a href="#">Articles of Amendment to the Articles of Amendment and Restatement of Chimera Investment Corporation (filed as Exhibit 3.1 to the Company's Report on Form 8-K filed on May 28, 2009 and incorporated herein by reference).</a>
3.3	<a href="#">Articles of Amendment to the Articles of Amendment and Restatement of Chimera Investment Corporation (filed as Exhibit 3.1 to the Company's Report on Form 8-K filed on November 5, 2010 and incorporated herein by reference).</a>
3.4	<a href="#">Articles of Amendment to the Articles of Amendment and Restatement of Chimera Investment Corporation (filed as Exhibit 3.1 to the Company's Report on Form 8-K filed on April 6, 2015 and incorporated herein by reference).</a>
3.5	<a href="#">Articles of Amendment to the Articles of Amendment and Restatement of Chimera Investment Corporation (filed as Exhibit 3.2 to the Company's Report on Form 8-K filed on April 6, 2015 and incorporated herein by reference).</a>
3.6	<a href="#">Articles of Amendment to the Articles of Amendment and Restatement of Chimera Investment Corporation (filed as Exhibit 3.6 to the Company's Report on Form 8-A filed on January 17, 2019 and incorporated herein by reference).</a>
3.7	<a href="#">Certificate of Correction, dated as of September 10, 2021 (filed as Exhibit 3.7 to the Company's Report on Form 8-K filed on September 13, 2021 and incorporated herein by reference).</a>
3.8	<a href="#">Articles Supplementary to the Articles of Amendment and Restatement of Chimera Investment Corporation designating the Company's 8.00% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value \$0.01 per share (filed with the SEC as Exhibit 3.1 to the Company's Report on Form 8-K filed October 12, 2016 and incorporated herein by reference).</a>

3.9	<a href="#">Articles Supplementary to the Articles of Amendment and Restatement of Chimera Investment Corporation designating the Company's 8.00% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value \$0.01 per share (filed with the SEC as Exhibit 3.7 to the Company's Registration Statement on Form 8-A filed on February 24, 2017 and incorporated herein by reference).</a>
3.10	<a href="#">Articles Supplementary to the Articles of Amendment and Restatement of Chimera Investment Corporation designating the Company's 7.75% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (filed as Exhibit 3.8 to the Company's Report on Form 8-A filed September 18, 2018 and incorporated herein by reference).</a>
3.11	<a href="#">Articles Supplementary to the Articles of Amendment and Restatement of Chimera Investment Corporation designating the Company's 8.00% Series D Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (filed as Exhibit 3.10 to the Company's Report on Form 8-A filed January 17, 2019 and incorporated herein by reference).</a>
3.12	<a href="#">Amended and Restated Bylaws of Chimera Investment Corporation (filed with the Commission as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 10, 2017 and incorporated herein by reference).</a>
4.1	<a href="#">Description of securities (filed as Exhibit 4.1 to the Company's Annual Report on Form 10-K filed on February 18, 2021 and incorporated herein by reference).</a>
4.2	<a href="#">Specimen Common Stock Certificate of Chimera Investment Corporation (filed as Exhibit 4.1 to the Company's Registration Statement on Amendment No. 1 to Form S-11 (File No. 333-145525) filed on September 27, 2007 and incorporated herein by reference).</a>
4.3	<a href="#">Form of specimen certificate representing the shares of 8.00% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate (filed as Exhibit 4.1 to the Company's Report on Form 8-K filed October 12, 2016 and incorporated herein by reference).</a>
4.4	<a href="#">Form of specimen certificate representing the shares of 8.00% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate (filed with the SEC as Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed on February 24, 2017 and incorporated herein by reference).</a>
4.5	<a href="#">Form of specimen certificate representing the shares of 7.75% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate (filed with the SEC as Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed on September 18, 2018 and incorporated herein by reference).</a>
4.6	<a href="#">Form of specimen certificate representing the shares of 8.00% Series D Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate (filed with the SEC as Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed on January 17, 2019 and incorporated herein by reference).</a>
10.1**	<a href="#">Employment Agreement, dated March 24, 2023 and effective as of January 1, 2023, between the Company and Phillip J. Kardis, II.</a>
10.2**	<a href="#">Employment Agreement, dated March 24, 2023 and effective as of January 1, 2023, between the Company and Choudhary Yarlagadda.</a>
10.3**	<a href="#">Employment Agreement, dated March 24, 2023 and effective as of January 1, 2023, between the Company and Subramaniam Viswanathan.</a>
10.4**	<a href="#">Employment Agreement, dated March 24, 2023 and effective as of January 1, 2023, between the Company and DanSudhanshu Thakkar.</a>
10.5**	<a href="#">Form of Restricted Stock Unit Award Agreement, dated March 27, 2023.</a>
10.6**	<a href="#">Form of Performance Stock Unit Award Agreement, dated March 27, 2023.</a>
31.1	<a href="#">Certification of Phillip J. Kardis II, Chief Executive Officer of the Registrant, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Subramaniam Viswanathan, Chief Financial Officer of the Registrant, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Phillip J. Kardis II, Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification of Subramaniam Viswanathan, Chief Financial Officer the Registrant, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
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
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K  
\*\* This exhibit is filed here within.

## 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.

### CHIMERA INVESTMENT CORPORATION

By: /s/ Phillip J. Kardis II  
Phillip J. Kardis II  
Chief Executive Officer  
(Principal Executive Officer of the registrant)

Date: May 4, 2023

By: /s/ Subramaniam Viswanathan  
Subramaniam Viswanathan  
Chief Financial Officer (Principal Financial Officer  
of the registrant)

Date: May 4, 2023

**Exhibit 10.1**

**EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT (together with its Exhibits, this “Agreement”) by and between Chimera Investment Corporation (together with its successors and assigns, the “Company”) and Phillip J. Kardis, II (“Executive”, and together with the Company, a “Party”) is dated March 24, 2023 and effective as of January 1, 2023 (the “Effective Date”).

WITNESSETH:

WHEREAS, Executive wishes to continue to be employed by the Company, and the Company wishes to continue to employ Executive, under the terms and conditions described below.

WHEREAS, the Parties are currently parties to an Employment Agreement that became effective as of January 1, 2019 (the “Prior Employment Agreement”) and that is being superseded by this Agreement.

NOW THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained, the Parties agree as follows:

1. Term of Employment.

- a. The Company hereby employs Executive, and Executive hereby accepts employment with the Company, in the positions and with the duties and responsibilities as set forth in Section 2 below, subject to the terms and conditions of this Agreement.
- b. The term of employment under this Agreement will commence on the Effective Date and: (i) will continue until the first anniversary of the Effective Date (the “Initial Term”); (ii) will be extended until the first December 31<sup>st</sup> that coincides with, or follows, the second anniversary of any Change in Control that occurs during the Term of Employment; and (iii) will be extended for an additional one year period (a “Renewal Term”) on the last day of the Initial Term or of any extension of the Term of Employment pursuant to clause (ii) or this clause (iii), and on each subsequent anniversary thereof, unless either Party provides written notice of nonrenewal to the other Party not less than 90 days prior to the latest of the last day: of the Initial Term, of any extension of the Term of Employment pursuant to clause (ii), or of any Renewal Term (the Initial Term, together with each extension of the Term of Employment pursuant to clause (ii) and each Renewal Term, the “Term of Employment”); provided that, if the last day of the Term of Employment otherwise would occur during a Garden Leave (as defined below) period, the Term of Employment will continue through the end of such Garden Leave. The Term of Employment may also be terminated in accordance with Section 5 below.

2. Position; Duties and Responsibilities.

- a. During the Term of Employment, Executive will be employed as the Chief Executive Officer of the Company, reporting directly to the Board of Directors of the Company (the “Board of Directors”). Executive will (i) manage and control the business and affairs of the Company, be responsible for, and have authority over, all decisions regarding those matters, perform any and all other acts or activities customary or incident to the management of the business and affairs of a company of the Company’s size and nature by its chief executive officer, and (ii)
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## Exhibit 10.1

have such other duties and responsibilities as are reasonably assigned to him by the Board of Directors (not inconsistent in any significant respect with the duties and responsibilities typically assigned to the chief executive officer of a publicly-traded REIT).

- b. During the Term of Employment, Executive will, without additional compensation, also serve on the board of directors of, serve as an officer of, and/or perform such executive and consulting services for, or on behalf of, such subsidiaries or affiliates of the Company as the Board of Directors may, from time to time, reasonably request. For purposes of this Agreement, the term “affiliate” will have the meaning ascribed thereto as of the Effective Date in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the “Act”).
  - c. During the Term of Employment, Executive will serve the Company faithfully, diligently and to the best of his ability and will devote substantially all of his time and efforts to his employment and the performance of his duties under this Agreement. Nothing herein will preclude Executive from engaging in charitable and community affairs and managing his personal, financial and legal affairs, so long as such activities do not materially interfere with his carrying out his duties and responsibilities under this Agreement. Notwithstanding the foregoing, any service on civic, educational, philanthropic or charitable boards or committees shall be subject to prior approval by the Board of Directors. During the Term of Employment, Executive shall perform his duties and responsibilities principally in New York City.
3. Compensation.
- a. Base Salary. During his employment with the Company, Executive will be entitled to receive an annualized base salary (the “Base Salary”) of not less than \$850,000. The Compensation Committee of the Board of Directors (the “Compensation Committee”) may review Executive’s Base Salary annually to determine whether increases are appropriate. Any such increased amount will thereafter be the “Base Salary” for all purposes. During Executive’s employment with the Company, the Base Salary will not be decreased at any time, or for any purpose (including, without limitation for the purpose of determining payments and benefits under Section 5), without Executive’s prior written consent.
  - b. Incentive Compensation.
    - i. For each calendar year during the Term of Employment, Executive will be entitled to receive an annual cash bonus, payable in cash (“Annual Cash Bonus”), as provided under this Agreement. The Annual Cash Bonus for the 2023 calendar year is described on Exhibit A. The Annual Cash Bonus for each subsequent calendar year during the Term of Employment will be subject to such performance metrics and other terms as may be established annually by the Compensation Committee. During the Term of Employment, Executive’s target Annual Cash Bonus shall be \$1,750,000, which target may not be reduced during the Term of Employment without Executive’s consent. The target Annual Cash Bonus may be increased by the Compensation Committee in its discretion, and any such increased amount will thereafter be the target Annual Cash Bonus for all purposes under the Agreement. The actual Annual Cash Bonus may be more or less than such target amount, based on achievement of the applicable performance metrics. The Compensation
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## Exhibit 10.1

Committee will make all determinations with respect to any Annual Cash Bonus, in good faith and consistent with the text of this Agreement and the terms of Exhibit A.

- ii. During the Term of Employment, Executive shall be entitled to receive long-term incentive compensation consisting of grants in the form of restricted stock units (“RSUs”) and/or performance stock units (“PSUs”) granted under the Company’s current Equity Incentive Plan (or its successor), as determined by the Compensation Committee (the “LTI”) and as provided by this Agreement. During the Term of Employment, Executive’s target annual LTI grant shall be \$2,800,000, which target may not be reduced during the Term of Employment without Executive’s consent. The target annual LTI amount may be increased by the Compensation Committee in its discretion, and any such increased amount will thereafter be the target annual LTI amount for all purposes under the Agreement. The performance metrics and other terms of the LTI grants to be made in the 2023 calendar year are described on Exhibit A. The LTI grants for each subsequent calendar year during the Term of Employment will be subject to such performance metrics and other terms as may be established annually by the Compensation Committee. The Compensation Committee will make all determinations with respect to LTI, in good faith and consistent with the text of this Agreement and the terms of Exhibit A.
  - c. Stock Ownership Requirements. All shares of the Company’s stock distributed to Executive by the Company will be subject to the stock ownership guidelines in effect for executives from time to time, as determined by the Board of Directors. Unless the stock ownership guidelines provide otherwise: vested shares under equity grants may not be transferred during Executive’s employment with the Company unless the value of Executive’s stock holdings in the Company (including shares of restricted stock, restricted stock units and deferred stock units) after the transfer exceeds five times Executive’s Base Salary; and following the termination of Executive’s employment with the Company, vested shares of equity awards may not be transferred unless the value of Executive’s stock holdings in the Company (including shares of restricted stock, restricted stock units and deferred stock units) after the transfer exceeds five times Executive’s Base Salary as of the date that Executive’s employment with the Company terminates in accordance with the terms of this Agreement (the “Termination Date”), provided, however, that this sentence will no longer apply following the six-month anniversary of the Termination Date. For the avoidance of doubt, if the Company’s stock ownership guidelines provide for different holding requirements or terms with respect to Executive, the stock ownership guidelines shall govern. Notwithstanding the foregoing, the restrictions of this subsection (c) will not prevent Executive from selling or directing the withholding of shares of the Company stock in accordance with, and subject to, Section 21 to satisfy income tax and employment tax obligations relating to the vesting, exercise, or settlement of equity grants to which the shares relate.
  4. Employee Benefit Programs and Fringe Benefits. During the Term of Employment, Executive will be entitled to five weeks of vacation per fiscal year and will be eligible to participate in all executive incentive and employee benefit programs of the Company now or hereafter made available to the Company’s senior executives or salaried
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## Exhibit 10.1

employees generally, as such programs may be in effect from time to time. The Company will reimburse Executive for any and all business expenses reasonably incurred by Executive in connection with his employment in accordance with applicable the Company policies.

### 5. Termination of Employment.

- a. Termination Due to Death or Disability. If Executive's employment with the Company is terminated by reason of Executive's death or Disability, the Term of Employment will (if it has not yet already expired) terminate automatically and the Company will have no further obligations to Executive under this Agreement except for (x) any payments and benefits described in Section 5(f) below and (y) subject to the requirements of Section 5(i) below, amounts and benefits due pursuant to clauses (i) through (iv) of this Section 5(a).
    - i. In the event Executive's employment with the Company is terminated during the Term of Employment by reason of Executive's Disability, the Company will reimburse Executive for 100% of the COBRA premiums incurred by Executive for Executive and his eligible dependents under the Company's health care plan during the 18-month period immediately following the Termination Date. Such reimbursement will be provided on the payroll date immediately following the date on which Executive remits the applicable premium payment and will commence within 60 days after the Termination Date; provided that the first payment will include any reimbursements that would have otherwise been payable during the period beginning on the Termination Date and ending on the date of the first reimbursement payment. Reimbursement payments will be treated as taxable compensation to Executive.
    - ii. Whether or not such termination of employment due to death or Disability occurs during the Term of Employment, any outstanding equity-based or other compensation that has been granted to Executive, and that vests solely on the basis of continued employment, will vest in full as of the Termination Date and, with respect to RSUs, will be paid on the dates specified in the documents governing the awards.
    - iii. Whether or not such termination of employment due to death or Disability occurs during the Term of Employment, all of Executive's outstanding PSUs and other performance-vesting awards will continue to vest, subject only to the achievement by the Company of the applicable performance goals, in each case as though such termination of employment had not occurred, and will be paid on the date specified in the documents governing the awards.
    - iv. Whether or not such termination due to death or Disability occurs during the Term of Employment, Executive will receive a Pro-Rata Annual Cash Bonus (as defined in Section 5(b)(v) below), determined and paid as provided such subsection.
  - b. Termination By the Company Without Cause or By Executive with Good Reason (Other Than in Connection with a Change in Control). In the event Executive's employment with the Company is terminated (other than for death or Disability) (x) by the Company without Cause (other than within six months before, or 24 months after, a Change in Control), or (y) by Executive with Good Reason (other than within 24 months after a Change in Control), the Term of Employment will
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## Exhibit 10.1

(if it has not already expired) terminate automatically and the Company will have no further obligations to Executive under this Agreement except for (x) any payments and benefits described in Section 5(f) below and (y) subject to the provisions of Section 5(i) below, the following payments and benefits:

- i. If such termination of employment occurs during the Term of Employment, Executive will be entitled to a cash severance amount equal to:
  1. 1.0 times his Base Salary as of the Termination Date, plus
  2. 1.0 times the greater of (x) his Target Cash Bonus (as defined in Exhibit A) or (y) the average of the Annual Cash Bonus awarded (or due to be awarded) to Executive (including, for avoidance of doubt, annual cash bonuses awarded under the Prior Employment Agreement for years ending prior to the Effective Date) by the Company for the three most recent calendar years that ended on or before the Termination Date (the "Average Cash Bonus").

The severance amount will be paid in 12 equal monthly installments commencing within 60 days following the Termination Date, subject to the requirements of Section 409A of the Code ("Section 409A"); provided, however, that the first installment will include any unpaid installments for the period prior to commencement, and the final installment will be paid on or before the date that is 12 months after the Termination Date.

- i. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, any outstanding equity-based or other compensation that has been granted to Executive, and that vests solely on the basis of continued employment, will vest (and become exercisable) in full as of the Termination Date and, with respect to RSUs, will be paid on the date(s) specified in the documents governing the awards.
  - ii. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, all of Executive's outstanding PSUs and other performance-vesting awards will continue to vest, subject only to the achievement by the Company of the applicable performance goals, as though such termination of employment had not occurred, and will be paid on the date(s) specified in the documents governing the awards.
  - iii. If such termination of employment occurs during the Term of Employment, the Company will reimburse Executive for 100% of the COBRA premiums incurred by Executive for Executive and his eligible dependents under the Company's health care plan during the 12-month period following the Termination Date. Such reimbursement will be provided on the payroll date immediately following the date on which Executive remits the applicable premium payment and will commence within 60 days after the Termination Date, subject to the requirements of Section 409A; provided that the first payment will include any reimbursements that would have otherwise been payable during the period beginning on the Termination Date and ending on the date of the first reimbursement payment. Reimbursement payments will be treated as taxable compensation to Executive.
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**Exhibit 10.1**

- iv. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, Executive will receive a portion of the Annual Cash Bonus that Executive would have earned for the calendar year in which his employment terminated, based on the degree to which the Company has attained any applicable Company-wide performance metrics for such year, with any discretionary or personal performance goals treated as having been attained at target. The portion of such Annual Cash Bonus to be received by Executive (a “Pro-Rata Annual Cash Bonus”) shall be determined by multiplying the Annual Cash Bonus amount determined under the first sentence of this clause (v) by a fraction whose numerator is the number of days during the calendar year of termination that he was employed with the Company and whose denominator is 365. Any Pro-Rata Annual Cash Bonus will be paid in cash when the corresponding Annual Cash Bonus would have been paid to Executive for such year absent such termination but no later than March 15 of the immediately following year.

No termination of Executive’s employment that is governed by this Section 5(b), or by Section 5(c), 5(d) or 5(m) below, will be deemed a breach of this Agreement, nor will it relieve either Party of its/his other obligations under this Agreement.

- a. Termination by the Company for Cause or Voluntary Termination by Executive. In the event that at any time Executive’s employment with the Company is terminated (x) by the Company for Cause or (y) by Executive other than with Good Reason, due to Disability, or in a termination governed by Section 5(m) below, then (z) the Term of Employment will (if it has not already expired) terminate automatically and the Company will have no further obligations to Executive under this Agreement except for any payments and benefits described in Section 5(f).
  - b. Garden Leave. Executive will provide a Notice of Termination to the Company no less than 90 days prior to any termination by him of his employment with the Company effective during the Term of Employment, and the Company will provide a Notice of Termination to Executive no less than 90 days prior to terminating Executive’s employment effective during the Term of Employment (other than a termination for Cause); provided that the Company may elect to terminate the Garden Leave (as defined below) early as described below. During this 90-day notice period (the “Garden Leave”), Executive will (i) continue to make himself available to provide such services as the Company may reasonably request (provided only that such services are reasonably consistent with Executive’s status as a senior executive of the Company) and (ii) continue to receive all payments and benefits to which he would otherwise be entitled, except that (notwithstanding anything in this Agreement or elsewhere to the contrary) in the event of a termination (x) by Executive other than with Good Reason, for Disability, or in a termination to which Section 5(m) applies, or (y) by the Company for Cause, Executive will not be eligible to earn any Annual Cash Bonus with respect to any calendar year that ends after the commencement of the Garden Leave. During the Garden Leave, the Company may require Executive to resign from any position with the Company, including without limitation any position Executive then holds as an officer, director or fiduciary of the Company
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## Exhibit 10.1

or any Company-related entity, and/or remove any or all of Executive's duties or responsibilities, which will not constitute Good Reason or otherwise be deemed a violation of this Agreement. Executive agrees that he will not commence employment with any entity during the Term of Employment (including the Garden Leave). During the Garden Leave, Executive will take all steps reasonably requested by the Company to effect a successful transition of client and customer relationships to the person or persons designated by the Company. Notwithstanding the foregoing, the Company in its sole discretion may waive all or any portion of the Garden Leave by providing written notice to Executive accelerating the last day of the Garden Leave period and the Termination Date (provided that, if the termination of Executive's employment is on account of termination by the Company without Cause or by Executive for Good Reason or due to Disability, pay in lieu of notice shall be paid for any remaining portion of the 90-day notice period). For the avoidance of doubt, no such shortening of the Garden Leave will be treated as a termination of Executive's employment by the Company without Cause or as giving Executive any basis for terminating his employment with Good Reason.

- c. Termination Related to Change in Control. In the event Executive's employment with the Company is terminated (x) by the Company other than for Cause or Disability, and within six months before, or 24 months after, a Change in Control, or (y) by Executive with Good Reason and within 24 months after a Change in Control, then (z) the Term of Employment (if it has not already expired) will terminate automatically and the Company will have no further obligations to Executive under this Agreement except for (x) any payments and benefits described in Section 5(f) below, and (y) subject to the requirements of Section 5(i) below, the following payments and benefits:
- i. If such termination occurs during the Term of Employment, the Company will promptly pay to Executive a cash severance amount equal to:
    1. 2.0 times his Base Salary as of the Termination Date, plus
    2. 2.0 times the greater of (x) his Target Cash Bonus (as defined in Exhibit A) or (y) the Average Cash Bonus (which, for avoidance of doubt, includes annual cash bonuses awarded under the Prior Employment Agreement for years ending prior to the Effective Date).

Except as provided below, the severance amount shall be paid in a cash lump sum payment within 60 days following the Termination Date, subject to the requirements of Section 409A. If Executive's employment is terminated by the Company other than for Cause or Disability within six months before a Change in Control, as described above, the severance amount shall be calculated pursuant to Section 5(b)(i) and paid in the form of payment described in Section 5(b)(i) upon Executive's termination of employment before the Change in Control, and upon the Change in Control, Executive shall receive a lump sum cash payment equal to the excess of the severance amount payable under this Section 5(e)(i) over the severance amount previously paid to Executive pursuant to Section 5(b)(i), consistent with Section 409A (as defined below).

- i. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, all of Executive's outstanding equity-based and other awards that vest or become exercisable based solely on Executive's continued employment will vest (and become exercisable) in full as of the

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## Exhibit 10.1

Termination Date. In addition, if such termination of employment occurs on or within 24 months after the Change in Control, (A) any such awards (e.g., RSUs) that settle following vesting and that remain outstanding following such Change in Control will be settled within 60 days after the Termination Date, subject to the requirements of Section 409A, and (B) any such awards that are in the form of stock options or SARs and that remain outstanding following such Change in Control will remain exercisable until at least the earlier of (a) the 90<sup>th</sup> day following the Termination Date and (b) the date on which such option or SAR would have expired had Executive's employment not terminated.

- ii. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, any of Executive's outstanding PSUs or other performance-vesting equity-based grants whose continued vesting after such Change in Control is based solely on continued employment (without regard to performance after such Change in Control) will vest in full as of the Termination Date (or as of the Change in Control, if later) and will be settled within 60 days after the Termination Date (or the Change in Control, if later), subject to the requirements of Section 409A. Any outstanding performance-vesting awards whose vesting after such Change in Control remains contingent on performance will continue to vest, subject only to attainment by the Company of the applicable performance goals.
  - iii. The Company will reimburse Executive for 100% of the COBRA premiums incurred by Executive for Executive and his eligible dependents under the Company's health care plan during the 18-month period following the Termination Date. Such reimbursement will be provided on the payroll date immediately following the date on which Executive remits the applicable premium payment and will commence within 60 days after the Termination Date, subject to the requirements of Section 409A; provided that, the first payment will include any reimbursements that would have otherwise been payable during the period beginning on the Termination Date and ending on the date of the first reimbursement payment. Reimbursement payments will be treated as taxable compensation to Executive.
  - iv. Executive will receive a Pro-Rata Annual Cash Bonus, determined and paid as described in Section 5(b)(v) above.
- d. Other Payments and Benefits. Upon any termination of Executive's employment with the Company, in addition to the amounts and benefits (if any) under other sub-sections of this Section 5, Executive will be entitled to the following:
- i. prompt payment of any earned but unpaid portion of his Base Salary through the Termination Date and a prompt cash payment (determined based on Executive's per-business-day rate of Base Salary) in respect of vacation that is accrued but unused as of the Termination Date;
  - ii. any vested deferred compensation (including any interest accrued on or appreciation in value of such deferred amounts) in accordance with the documents governing such compensation;
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**Exhibit 10.1**

- iii. prompt reimbursement for business expenses reasonably incurred but not yet reimbursed by the Company in accordance with the Company's expense reimbursement policy as in effect from time to time;
  - iv. unless Executive's employment with the Company has been terminated by the Company for Cause, Executive will receive any earned but unpaid Annual Cash Bonus for any calendar year that ended prior to the Termination Date; and
  - v. any other payment or benefit to which Executive is, or becomes, entitled under the then-applicable terms of any then-applicable written plan, program, agreement, corporate governance document, or other arrangement of the Company or any of its affiliates (collectively, "Company Arrangements"), including (without limitation) Section 8 of this Agreement.
- e. Payments Subject to Section 409A and Other Applicable Law.
- i. The Company and Executive intend that this Agreement will be interpreted and administered so that any amount or benefit payable hereunder will be paid or provided in a manner that is either exempt from or compliant with Section 409A, and thus does not incur any income inclusion, additional tax, or interest under Section 409A.
  - ii. Notwithstanding anything in this Agreement or elsewhere to the contrary, Executive will not be entitled to any payment or benefit pursuant to this Section 5 prior to the earliest date he is permitted to receive such payment or benefit without incurring income inclusion, additional tax, or interest under Section 409A. To the extent any payment or benefit is required to be delayed six months pursuant to the special rules of Section 409A related to "specified employees," each affected payment and benefit will be delayed until the first day of the seventh month following the Termination Date or, if earlier, within ten days following the date of Executive's death.
  - iii. Any installment payments or benefits under this Agreement or any other arrangement will be treated as a series of separate payments and benefits for purposes of Section 409A. Executive shall have no duties following the Termination Date that are inconsistent with his having had a "separation from service" under Section 409A on or before the Termination Date. Notwithstanding any other provision contained herein, if a Change in Control is not a change in ownership or control as defined for purposes of Section 409A and payment of the severance amount in a lump sum would trigger "additional tax" under Section 409A, then the severance amount under Section 5(e)(i) shall be paid in the form described in Section 5(b)(i).
  - iv. If Executive is entitled to any reimbursement of expenses or in-kind benefits that are includable in Executive's federal gross taxable income, the amount of such expenses reimbursable or in-kind benefits provided in any one calendar year will not affect the expenses eligible for reimbursement or the in-kind benefits to be provided in any other calendar year. Executive's right to reimbursement of expenses or in-kind benefits under this Agreement will (x) not be subject to liquidation or exchange for another benefit and (y) be made on or before the last day of Executive's taxable year following the year in which the expense was incurred.
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## Exhibit 10.1

- v. None of the Company, its affiliates or their respective directors, officers, employees or advisors will be held liable for any taxes, interest or other amounts owed by Executive as a result of the application of Section 409A or otherwise, provided (in the case of the Company only) that the Company has complied with the provisions of this Agreement, and of any other applicable Company Arrangement, concerning the timing of payments and benefits.
  - f. No Mitigation; No Offset. In the event of any termination of Executive's employment with the Company, he will be under no obligation to seek other employment or otherwise in any way to mitigate the amount of any payment or benefit provided for in this Section 5, and there will be no offset against amounts due him under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain.
  - g. Release; Compliance with Covenants. The Company's obligation to make any payment or provide any benefit (other than the payments and benefits described in Section 5(f)) under Section 5(a), Section 5(b), Section 5(e), or Section 5(m) will be contingent upon, and is the consideration for, (A) Executive executing and delivering to the Company, within 45 days after the Termination Date, a general release (the "Release"), substantially in the form annexed hereto as Exhibit B, (B) such release becoming irrevocable in accordance with its terms and (C) Executive not having committed, prior to the date that such payment or benefit is due to be provided, a material breach of his obligations under Section 7, which breach has remained uncured for 10 days after the Company has given him written notice describing the breach in reasonable detail and requesting cure (provided that the Company shall not be required to provide an opportunity to cure if the Board of Directors determines in good faith that the breach is not curable within the 10-day cure period that would otherwise apply). In the event of a material breach of Executive's obligations under Section 7 without timely cure as described above, the Company may immediately cease all payments under Section 5(a), Section 5(b), Section 5(e), or Section 5(m), as applicable (other than the payments and benefits described in Section 5(f)), and the Company may immediately forfeit all outstanding equity awards held by Executive to the extent that such equity awards vested or would have vested pursuant to Section 5(a), Section 5(b), Section 5(e), or Section 5(m), as applicable (other than as described in Section 5(f)). In the event that either the 45-day period, or the 10-day period, referred to in the immediately preceding sentence span two calendar years, any payments or benefits that, but for clauses (A), (B) or (C), as applicable, of such sentence, would have been due to be provided during the first such calendar year will be delayed and paid to Executive on the first regular payroll date of the Company in such second calendar year (but in no event later than January 31 of such second calendar year but with respect to delays pursuant to clause (C) of the immediately preceding sentence only if then cured), if required by Section 409A, with any subsequent payments and benefits to be provided as if no such delay had occurred.
  - h. Parachute Payments.
    - i. Notwithstanding anything in this Agreement or elsewhere to the contrary, in the event that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the
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## Exhibit 10.1

benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (each, a “Payment”), would constitute an “excess parachute payment” within the meaning of Section 280G of the Code, the Company will reduce (but not below zero) the aggregate present value of the Payments under this Agreement to the Reduced Amount (as defined below), if reducing the Payments under this Agreement will provide Executive a Net After-Tax Benefit that exceeds his Net After-Tax Benefit if such reduction is not made. To the extent such Payments are required to be so reduced, they will be reduced in the following order and, to the extent applicable, in accordance with Section 409A of the Code, such that any such reduction does not result in Executive incurring any income inclusion, additional tax, or interest under Section 409A: (i) Payments that are payable in cash, with amounts that are payable last reduced first; (ii) Payments due in respect of any equity or equity derivatives included in such calculation at their full value under Section 280G (rather than their accelerated value), with amounts that are payable last reduced first; and (iii) Payments due in respect of any equity or equity derivatives included in such calculation at their accelerated value under Section 280G, with the highest per share values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24). If the same payment or benefit date applies to more than one payment or benefit within any of the foregoing categories, the reduction will apply to each such payment or benefit on a pro rata basis.

- ii. The “Reduced Amount” will be an amount expressed in present value that maximizes the expected net after-tax present value of the Payments without causing any Payment under this Agreement to be subject to the Excise Tax. The term “Excise Tax” means the excise tax imposed under Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax. The term “Net After-Tax Benefit” means the present value (as determined in accordance with Section 280G(d)(4) of the Code) of the Payments net of all taxes imposed on Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under the state and local laws that applied to Executive’s taxable income for the immediately preceding taxable year, or such other rate(s) as Executive certifies are likely to apply to him in the relevant tax year(s).
  - iii. All determinations to be made under this Section 5(j) will be made in the first instance by a nationally recognized public accounting or consulting firm, selected by the Company prior to the events that trigger the potential application of Section 280G, which firm (the “Auditor”) will provide its determinations and any supporting calculations to both the Company and Executive within ten days after the events that trigger the potential application of Section 280G. All fees and expenses of the Auditor in performing the determinations referred to in this Section 5(j) will be borne solely by the Company.
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**Exhibit 10.1**

- iv. It is possible that after the Auditor makes its determinations under clause (iii) above, Executive will receive Payments that are, in the aggregate, either more or less than the Reduced Amount (hereafter referred to as an “Excess Payment” or “Underpayment”, respectively). If it is determined by the Auditor upon request by Executive or the Company, by a final determination of a court, or by an Internal Revenue Service proceeding that has been finally and conclusively resolved, that an Excess Payment has been made, then Executive will refund the Excess Payment to the Company promptly on demand, together with an additional payment in an amount equal to the product obtained by multiplying the Excess Payment times the rate that is 120% of the applicable annual federal rate (as determined in and under Section 1274(d) of the Code), times a fraction whose numerator is the number of days elapsed from the date of Executive’s receipt of such Excess Payment through the date of such refund and whose denominator is 365. If it is determined by the Auditor upon request by Executive or the Company, by arbitration under Section 19 below, or by a court of competent jurisdiction, that an Underpayment has occurred, the Company will pay an amount equal to the Underpayment to Executive within 10 days of such determination together with an additional payment in an amount equal to the product obtained by multiplying the Underpayment times the rate that is 120% of the applicable annual federal rate (as determined in and under Section 1274(d) of the Code) times a fraction whose numerator is the number of days elapsed from the date of the Underpayment through the date of such payment and whose denominator is 365.
  - i. Resignation from Positions. Upon any termination of Executive’s employment with the Company, Executive will be deemed to have resigned with immediate effect from any position he then holds as an officer, director or fiduciary of the Company or any Company-related entity. Executive will promptly execute and deliver to the Company any letters, documents and other instruments that the Company delivers to him and reasonably requests him to sign, and that are necessary or appropriate to effect such resignations.
  - j. No Duplication. For the avoidance of doubt, Executive will in no event be entitled to duplicate payments or benefits under both Section 5(e) and Section 5(b).
  - k. Terminations After Expiration of the Term of Employment Following Delivery of Notice of Nonrenewal of the Term of Employment by the Company.
    - i. Termination by the Company. The provisions of this Section 5(m)(i) shall apply in the event that (A) the Company provides Executive written notice of nonrenewal of the Term of Employment in accordance with Section 1(b) (other than for Cause), and (B) Executive’s employment is terminated (other than for death or Disability) by the Company without Cause after the last day of the Term of Employment. In that event, subject to the provisions of Section 5(i), Executive will be entitled to a cash severance amount equal to 12 months of his Base Salary as of the Termination Date, in addition to the payments and benefits set forth in Sections 5(b)(ii), (iii) and (v) and Section 5(f). Such severance amount will be paid in 12 equal monthly installments commencing within 60 days following the
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## Exhibit 10.1

Termination Date, subject to the requirements of Section 409A; provided, however, that the first payment will include any unpaid installments for the period prior to commencement, and the final installment will be paid on or before the date that is 12 months after the Termination Date. Notwithstanding the foregoing, if Executive's employment is terminated as described in this Section 5(m)(i) within 24 months following a Change in Control, such Base Salary amount will be payable to Executive in a cash lump sum instead of installments. Such lump sum shall be paid within 60 days following the Termination Date, subject to the requirements of Section 409A. If Executive's employment is terminated as described in this Section 5(m)(i) within six months before a Change in Control, when the Change in Control occurs, the excess of the severance amount payable under this Section 5(m)(i) over the severance amount previously paid to Executive pursuant to this Section 5(m)(i) shall be paid in a lump sum upon the Change in Control, consistent with Section 409A. The Company may require that Executive be on Garden Leave as described in Section 5(d) during the 90-day period following the Company's notice of termination. For the avoidance of doubt, in the event that the circumstances described in this Section 5(m)(i) occur, the Company shall have no further obligations to Executive other than as set forth in this Section 5(m)(i).

- ii. Termination by Executive. The provisions of this Section 5(m)(ii) shall apply in the event that (A) the Company provides Executive written notice of nonrenewal of the Term of Employment in accordance with Section 1(b) (other than for Cause), (B) the Company does not offer Executive a successor employment agreement that is substantially equivalent to, or more favorable than, this Agreement (viewed in the aggregate) at least 10 days before the last day of the Term of Employment, and (C) Executive provides written notice of his resignation under this Section 5(m)(ii) no later than the seventh day after the last day of the Term of Employment. If Executive provides such notice, the Company shall have a 30-day period during which to cure Executive's grounds for termination, by offering Executive a successor employment agreement that is substantially equivalent to, or more favorable than, this Agreement (viewed in the aggregate). If the Company fails to cure, Executive's termination shall be effective 90 days after the date of Executive's written notice of such resignation, unless the Company designates an earlier termination date. The Company may require that Executive be on Garden Leave as described in Section 5(d) during the 90-day period following the date of Executive's written notice of resignation. In the event of a termination of employment under this Section 5(m)(ii), the Company will provide (x) any payments and benefits described in Section 5(f) above, and (y) subject to the provisions of Section 5(i) above, the payments and benefits set forth in Sections 5(b)(ii), (iii) and (v). For the avoidance of doubt, in the event that the circumstances described in this Section 5(m)(ii) occur, the Company shall have no further obligations to Executive other than as set forth in this Section 5(m)(ii).
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## Exhibit 10.1

- i. Qualifying Retirements. Notwithstanding anything in this Agreement or elsewhere to the contrary, if Executive terminates his employment with the Company (with or without Good Reason) or the Company terminates his employment without Cause, in each case, at any time after Executive has attained age 55 and the sum of his age plus his years of service with the Company and its predecessors (including, without limitation, Fixed Income Discount Advisory Company (“FIDAC”) during the time that FIDAC was the external manager of the Company) (including, in each case, fractional years) equals or exceeds 65 as of the Termination Date, and he has at least five years of service with the Company and its predecessors as of the Termination Date, then the Company will provide (without duplication and without limiting the benefits provided under the foregoing Sections, if applicable) (x) any payments and benefits described in Section 5(f) above and (y) subject to the provisions of Section 5(i) above, the payments and benefits described in Sections 5(b)(ii), (iii), and (v).
  6. Definitions. For purposes of this Agreement, the following terms will be defined as set forth below:

    - a. “Cause” means Executive’s (i) conviction, or entry of a guilty plea or a plea of nolo contendere with respect to, a felony, a crime of moral turpitude or any crime committed against the Company, other than traffic violations; (ii) engagement in willful misconduct, gross negligence, or fraud, embezzlement, or misappropriation relating to significant amounts occurs in connection with the performance of his duties under this Agreement; (iii) failure to follow any lawful directive of the Board of Directors; (iv) material breach of Section 7 of this Agreement; (v) chronic or persistent substance abuse that materially and adversely affects his performance of his duties under this Agreement; or (vi) material breach of this Agreement (other than Section 7) resulting in material and demonstrable economic injury to the Company. No act or omission to act by Executive will be deemed “willful” if conducted in good faith or with a reasonable belief that such act or omission was in, or not opposed to, the best interests of the Company. No termination of Executive’s employment for Cause shall be effective as a termination for Cause unless the following provisions of this Section 6(a) have first been complied with. The Board of Directors shall give Executive written notice of its intention to terminate his employment for Cause, such notice (the “Cause Notice”) (x) to state in reasonable detail the circumstances that constitute the grounds on which the proposed termination for Cause is based and (y) to be given no later than the later of (i) the 90<sup>th</sup> day after the Board of Directors first becomes aware of such circumstances or (ii) the 10<sup>th</sup> day after the Board of Directors completes (with reasonable diligence) its investigation as to whether Cause exists. If the Board of Directors determines that the grounds on which the proposed termination for Cause is based are subject to cure, Executive shall have 10 days after receiving such Cause Notice in which to fully cure such grounds. If he fails to timely and fully cure such grounds, Executive shall then be entitled to a hearing before the Board of Directors. Such hearing shall be held and completed within 25 days after he received such Cause Notice, provided that he requests such hearing within 10 days after receiving such Cause Notice. If, within 10 days following such hearing (if timely requested), and otherwise within 20 days after he received such Cause Notice, the Board of Directors gives written notice to Executive confirming that, in the judgment of at
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## Exhibit 10.1

least a majority of the members of the Board of Directors, Cause for terminating his employment on the basis set forth in the original Cause Notice still exists, his employment shall thereupon be terminated for Cause. During the period between the delivery of a Cause Notice and expiration of the time within which the Board of Directors is required to confirm that “Cause” as set forth in such notice exists, the Board of Directors may suspend some or all of Executive’s duties, responsibilities and positions with the Company and Company-related entities, and such suspension will not constitute Good Reason or otherwise be deemed a violation of this Agreement.

- b. “Change in Control” means the occurrence of any one of the following events to the extent such event also constitutes a “change in control event” for purposes of Section 409A:
- i. any “person,” as such term is used in Sections 13(d) and 14(d) of the Act (other than the Company, any of its subsidiaries, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its subsidiaries) together with all affiliates and “associates” (as such term is currently defined in Rule 12b-2 under the Act) of such person, becomes the “beneficial owner” (as such term is currently defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 40% or more of the combined voting power of the Company’s then outstanding securities having the right to vote in an election of the Board of Directors (“voting securities”); or
  - ii. persons who, as of the Effective Date, are members of the Board of Directors (the “Incumbent Directors”) cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board of Directors, provided that any person becoming a member of the Board of Directors subsequent to the Effective Date whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors will, for purposes of this Agreement, be considered an Incumbent Director; or
  - iii. there occurs (A) any consolidation or merger of the Company or any subsidiary where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, and in substantially the same proportions that they beneficially owned shares of the Company immediately prior to the consolidation or merger, securities representing in the aggregate 60% or more of the combined voting power of the then outstanding securities of the entity issuing cash or securities in the consolidation or merger (or of its ultimate parent entity, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the business or assets of the Company (other than to an entity 60% or more of whose voting power is represented by securities beneficially owned, in substantially the same proportions that they beneficially owned shares of the Company immediately before such transfer, by the persons or entities that
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## Exhibit 10.1

beneficially owned shares of the Company immediately before such transfer) or (C) any liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change in Control" will not be deemed to have occurred for purposes of the foregoing clause solely as the result of an acquisition of its own voting securities by the Company which, by reducing the number of voting securities outstanding, increases the proportionate voting power represented by the voting securities beneficially owned by any person or entity to 40% or more of the combined voting power of all then outstanding voting securities, provided that any subsequent acquisition of additional voting securities by such person or entity, when such person or entity beneficially owns voting securities representing 40% or more of the combined voting power of all then outstanding voting securities, shall by itself constitute a Change in Control.

- a. "Code" means the Internal Revenue Code of 1986, as amended.
- b. "Disability" means Executive's inability, for a period of six consecutive months, to render substantially the services provided for in this Agreement by reason of mental or physical disability, whether resulting from illness, accident or otherwise, provided that such inability also constitutes "disability" for purposes of Section 409A.
- c. "Good Reason" means the occurrence of any of the following events without Executive's prior written consent:
  - i. any material diminution in Executive's duties or responsibilities;
  - ii. any relocation of Executive's principal place of employment to a place other than New York City (or, following a Change in Control, the Borough of Manhattan);
  - iii. any failure of the Company to pay or provide to Executive, when due, any material payment or benefit owed to him; or
  - iv. any material failure by the Company to honor any of its material obligations to Executive.

For Good Reason to exist on the basis of an event, Executive must have provided written notice of such event to the Company within 90 days after he first learned of its occurrence; the Company must have failed to fully cure such event within 30 days after it received such notice; and Executive must have provided to the Company, within 30 days following the expiration of such cure period, written notice of his decision to terminate his employment, which termination shall be effective 90 days after the date of Executive's initial written notice of the Good Reason event, unless the Company agrees to an earlier termination date. The Company may require that Executive be on Garden Leave as described in Section 5(d) during the 90-day period following the date of Executive's initial written notice of the Good Reason event.

- a. "Notice of Termination" means any written notice, delivered by either Party to the other, that Executive's employment with the Company will terminate.

### 7. Covenants.

- a. Confidentiality Restrictions. Executive agrees at all times during his employment with the Company and thereafter, to hold in strictest confidence, and not to use, or disclose to any person, firm or corporation, any confidential or proprietary information of the Company ("Confidential Information"), except as otherwise provided in this Section 7. Confidential Information includes, without limitation: client or customer lists, identities, contacts, business and financial information; investment strategies; pricing information or policies, fees or commission arrangements of the Company; marketing plans, projections, presentations or
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## Exhibit 10.1

strategies of the Company; financial and budget information of the Company; personnel information, personnel lists, resumes, personnel data, organizational structure, compensation and performance evaluations; information regarding the existence or terms of any agreement or relationship between the Company and any other party; information developed by Executive during his employment with the Company; and any other information of whatever nature that gives to the Company an opportunity to obtain an advantage over its competitors who or which do not have access to such information, in each case to the extent that such information is confidential or proprietary. Confidential Information developed by Executive during his employment with the Company will be subject to the terms and conditions of this Agreement as if the Company had furnished such Confidential Information to Executive in the first instance. Confidential Information does not include any of the foregoing items that have become publicly known and through no wrongful act of Executive or a third party.

b. Exceptions.

- i. Nothing in this Agreement or elsewhere shall prevent Executive from: (i) using and disclosing documents and information in connection with the good faith performance of his duties for the Company or any of its affiliates; (ii) cooperating with, or participating in, any investigation conducted by any governmental agency; (iii) making truthful statements, or disclosing documents and information, (x) to the extent reasonably necessary in connection with any litigation, arbitration or mediation involving Executive's rights or obligations under this Agreement or otherwise in connection with his employment with the Company (or the termination of such employment) or (y) when required by law, by legal process or by any court, arbitrator, mediator or legislative body (including any committee thereof) with actual or apparent jurisdiction to order Executive to make such statements or to disclose such documents and information, provided that Executive both gives the Company advance notice of any such disclosure to the extent legally allowable and cooperates (at the Company's sole expense) in good faith with any effort the Company may make to seek a protective order concerning the confidentiality of any such disclosure; (iv) retaining, and using appropriately (*e.g.*, not in connection with violating any non-competition or non-solicitation restriction), documents and information relating to his personal rights and obligations and his rolodex (and electronic equivalents); (v) disclosing his post-employment restrictions in confidence in connection with any potential new employment or business venture; (vi) disclosing documents and information in confidence to any attorney, financial advisor, tax preparer, or other professional for the purpose of securing professional advice; or (vii) using and disclosing documents and information at the request of the Company or its attorneys or agents.
  - ii. Nothing in this Agreement or elsewhere shall prohibit or restrict Executive from initiating communications directly with, responding to any inquiry from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the Equal Employment
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## Exhibit 10.1

Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, any agency Inspector General or any other federal, state or local regulatory authority, or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. Executive does not need the prior authorization of the Company to engage in conduct protected by this subsection, and Executive does not need to notify the Company that Executive has engaged in such conduct. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose trade secrets to their attorneys, courts, or government officials in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

- c. Former Employer Information. Subject to Section 7(b), Executive agrees that he will not, during and in connection with his employment with the Company, use or disclose any proprietary information or trade secrets of any former or concurrent employer or other person or entity and that he will not bring into the premises of the Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.
  - d. Third Party Information. Subject to Section 7(b), Executive recognizes that the Company has received, and in the future will receive, from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Executive agrees to treat all such information as Confidential Information.
  - e. Mutual Non-Disparagement. Executive acknowledges that any disparaging comments by him against the Company are likely to substantially depreciate the business reputation of the Company. Subject to Section 7(b), Executive therefore agrees that he will not directly or indirectly defame, disparage, or publicly criticize the services, business, integrity, veracity or reputation of the Company or its officers, directors, or employees in any forum or through any medium of communication. The Company agrees that, upon termination of Executive's employment, the Company will direct its senior management team and the members of the Board of Directors not to, directly or indirectly, defame, disparage, or publicly criticize the integrity, veracity, or reputation of Executive.
  - f. Restrictive Covenants.
    - i. Conflicting Employment. Executive agrees that, during his employment with the Company, he will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during such employment, nor will he engage in any other activities that conflict with his obligations or responsibilities to the Company.
    - ii. Returning Company Documents and Property. Executive agrees that, at the time he leaves the employ of the Company, or at any other time at the
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## Exhibit 10.1

Company's reasonable request, he will deliver to the Company (and will not keep in his possession, recreate or deliver to anyone else) any and all software, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, Confidential Information, other documents or property, or reproductions of any aforementioned items developed by him pursuant to his employment with the Company or otherwise belonging to the Company. To the extent Executive has retained any Company property or Confidential Information on any electronic or computer equipment belonging to him or under his control, Executive agrees to so advise the Company and to permanently delete all such property or Confidential Information and all copies, and to allow the Company reasonable access to such equipment for purposes of permanently deleting all such property or Confidential Information. In the event of any termination of Executive's employment with the Company, Executive agrees to provide such written assurances of his compliance with this Section 7(f)(ii) as the Company may reasonably request.

- iii. Notification to New Employer. During Executive's employment with the Company and for 12 months thereafter, Executive will advise the Company of any new employer of his, or any other person or entity for whom he may perform services, either before or within three (3) days after accepting an offer to work for such employer or other person or entity. Executive hereby agrees to notify, and grants consent to notification by the Company to, any new employer, or other person or entity for whom he may perform services, of his obligations under this Section 7 and under Section 5(d) above (relating to "Garden Leave").
  - iv. Solicitation of Employees. During his employment with the Company and for 12 months thereafter, Executive will not, either directly or indirectly, for himself or for any other person or entity:
    - 1. solicit, induce, recruit or encourage any of the Company's employees, consultants, independent contractors or any person who provides services to the Company to terminate or reduce their employment or other relationship with the Company,
    - 2. hire any individual who is (or was within the six (6) months immediately preceding such hiring) an employee, exclusive consultant, or exclusive independent contractor of the Company, or
    - 3. attempt to do any of the foregoing.
  - v. Solicitation of Customers. During his employment with the Company and for 12 months thereafter, Executive will not, either directly or indirectly, (i) solicit, entice, or induce any Customer for the purpose of providing, or provide, products or services that are competitive with the products or services provided by the Company, or (ii) solicit, entice, or induce any Customer to terminate or reduce its business with (or refrain from increasing its business with) the Company. As used in this subsection (f)(v) of this Section 7, "Customer" means any person or entity to which the Company provided products or services (or was invested in products offered by the Company), and with which Executive had contact on behalf of the Company or about whom Executive possesses Confidential
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**Exhibit 10.1**

- Information, within the last 12 months of his employment with the Company.
- vi. Noncompetition. During his employment with the Company and for 12 months thereafter, Executive will not, either directly or indirectly:
1. have any ownership interest in, or participate in the financing, operation, management or control of, any Competitor (as defined below); or
  2. engage in or perform services (whether as an employee, consultant, proprietor, partner, director or otherwise) for any Competitor, if such services either (i) are the same as or similar to (individually or in the aggregate) the services Executive performed for the Company during his employment with the Company, or (ii) are performed with respect to products or services of the Competitor that are competitive with the products or services provided by the Company with which Executive was involved during his employment with the Company or about which Executive received or possessed Confidential Information during his employment with the Company.
- vii. As used in subsection (f)(vi) of Section 7, "Competitor" means any person or entity that competes with the Company and that is (i) a mortgage REIT, (ii) an entity or person engaged in any element of acquiring mortgage backed securities, including any private or public investment firm or broker dealer whose business strategy is based on or who engages in the trading, sales, investment or management of mortgage backed securities, or (iii) an entity or person that manages or advises (including as an external advisor) either a mortgage REIT or an entity or person engaged in any element of acquiring mortgage backed securities, including any private or public investment firm or broker dealer whose business strategy is based on or who engages in the trading, sales, investment or management of mortgage backed securities. The restrictions set forth in subsection (f)(vi) of this Section 7 will apply within or with respect to the United States and any other country in which the Company is then engaged in business. Executive acknowledges that the Company's technology and products have worldwide application, including without limitation over the Internet and that such geographic scope is therefore reasonable. It is agreed that ownership of no more than 2% of the outstanding voting stock of a publicly traded entity will not constitute a violation of subsection (f)(vi) of this Section 7. It will not be a breach of subsection (f)(vi) of this Section 7 for Executive to engage in the private practice of law at a private law firm following a termination of his employment for any reason, whether or not such practice relates to or includes services performed for a client of such law firm that is a Competitor, provided that Executive is only providing legal services to any such Competitor.
- viii. Corporate Opportunities. Executive agrees that, during his employment with the Company and for 12 months thereafter, Executive will not use, for his own personal gain or benefit, opportunities discovered in the course of his employment. In addition, if during his employment with the
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## Exhibit 10.1

Company Executive is approached about or otherwise become aware of a potential investment or other business transaction that may be appropriate for the Company, Executive will not take that opportunity for himself, will (if warranted) bring it to the Board of Directors' attention, and will not share or disclose it to any third party, without either (x) the Board of Directors' permission or (y) a good faith belief that sharing or disclosing it is in, or not opposed to, the Company's best interests.

- g. Cooperation with Respect to Litigation. During the Term of Employment and at all times thereafter, Executive agrees to give written notice to the Company of any third-party claim against the Company promptly after becoming aware of such claim, and cooperate with the Company, in good faith and upon reasonable request by the Company, in connection with any pending, potential or future claim, investigation or action that directly or indirectly relates to any action, event or activity about which Executive may have knowledge in connection with or as a result of his employment by the Company. Such cooperation will include all assistance that the Company, its counsel or representatives may reasonably request, including reviewing documents, meeting with counsel, providing factual information and material, and appearing or testifying as a witness, in each case consistent with Executive's other obligations under this Agreement and with his other personal and professional commitments after the Termination Date; provided, however, that the Company will promptly pay, or reimburse Executive for, any reasonable expense that he incurs in connection with any cooperation under this Section 7(g).
- h. Remedies.
- i. Executive acknowledges and agrees that the restrictions set forth in this Section 7 are critical and necessary to protect the Company's legitimate business interests; are reasonably drawn to this end with respect to duration, scope, and otherwise; are not unduly burdensome; are not injurious to the public interest; and are supported by adequate consideration. Executive agrees that it would be impossible or inadequate to measure and calculate the Company's damages from any breach of the restrictions set forth in this Section 7. Accordingly, Executive agrees that if he breaches or threatens to breach any such restriction, the Company will have available, in addition to any other right or remedy available, the right to seek an injunction from a court of competent jurisdiction restraining such breach or threatened breach and to specific performance of such restriction. Executive further agrees that no bond or other security will be required in obtaining such equitable relief. Executive further acknowledges and agrees that (x) any claim he may have against the Company, whether under this Agreement or otherwise, will not (except as otherwise expressly provided in Section 7(h)(v) below) be a defense to enforcement of the restrictions set forth in this Section 7, (y) the circumstances of the termination of his employment with the Company will have no impact on his obligations under this Section 7, and (z) this Section 7 is enforceable by the Company, and its subsidiaries, its affiliates, and its permitted successors and assigns.
  - ii. Executive, and the Company, agree and intend that Executive's obligations under any subsection of this Section 7 (to the extent not
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## Exhibit 10.1

perpetual) be tolled during any period that Executive is in material breach of any of the obligations in such subsection, so that the Company is provided with the full benefit of the restrictive period set forth in such subsection; provided that the extension by tolling for any subsection shall not exceed 12 months in the aggregate.

- iii. Executive also agrees that, in addition to any other remedies available to the Company, in the event Executive breaches, in any material respect and without timely cure, any of his obligations under this Section 7, the Company shall also be entitled to the remedy described in Section 5(i) above.
  - iv. Executive and the Company further agree that, in the event that any provision of this Section 7 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, that provision will be deemed to be modified to permit its enforcement to the maximum extent permitted by law. The prevailing party in any action or proceeding under Section 7(h)(i) will be entitled to prompt reimbursement of all expenses (including, without limitation, attorney fees) that such party reasonably incurred in connection with such action or proceeding. It is also agreed that each of the Company's affiliates will have the right to enforce all of Executive's obligations to that affiliate under this Agreement, including without limitation pursuant to this Section 7.
  - v. In the event that (A) the Company or any of its affiliates is, on or after the Termination Date, in material breach of any of its material obligations to Executive under this Agreement, (B) Executive provides written notice to the Company describing such breach in reasonable detail and requesting cure, within 30 days after he learns of the occurrence of such breach, (C) the Company does not cure such breach within 30 days after receipt of such notice, then (z) the restrictions (relating to competition and solicitation of customers) that are set forth in Sections 7(f)(v) and 7(f)(vi) will immediately become null and void. For the avoidance of doubt, the Company and its affiliates will not be considered in breach of their obligations under this Agreement for purposes of this Section 7(h)(v) by reason of the Company or an affiliate exercising its rights under this Agreement in the event of a breach of this Agreement by Executive.
8. **Indemnification.** The Company will indemnify Executive, to the fullest extent permitted by Maryland law as amended from time to time, against any and all costs, expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines, penalties, ERISA excise taxes and amounts paid in settlement) actually and reasonably incurred by Executive in connection with any action, suit or proceeding, whether civil, criminal, administration, investigative, formal, informal or other (each, a "**Proceeding**"), provided that Executive's involvement in such Proceeding relates to his positions with, or services for, the Company or any of its affiliates. Expenses incurred by Executive in connection with any such Proceeding will be paid, or reimbursed by the Company, promptly upon receipt by the Company of (i) a written affirmation of Executive's good faith belief that Executive is entitled to indemnification by the Company pursuant to this Section 8 with respect to such expenses and proceeding, (ii) a written undertaking by
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## Exhibit 10.1

Executive, or on Executive's behalf, to and in favor of the Company, wherein Executive agrees to repay the amount if Executive is determined not to have been entitled to indemnification under this Section 8 and (iii) reasonable supporting documentation demonstrating that the expenses have been incurred. While Executive is an officer of the Company, and for six years thereafter, the Company (or any successor thereto) will provide comprehensive coverage under its officers and directors insurance policy (or policies) on substantially the same terms and levels that it then provides coverage to its senior executive officers and/or to members of the Board of Directors, at the Company's sole cost. Nothing in this Agreement shall limit any right that Executive may have in respect of indemnification, advancement, or liability insurance coverage under any other Company Arrangement. Notwithstanding the foregoing, in no event shall the foregoing indemnification apply to any costs, expenses, liabilities or losses resulting from Executive's engaging in conduct that constitutes Cause.

9. Clawback Policy. Executive agrees that all bonuses, equity compensation and other incentive compensation provided by the Company will be subject to any clawback policy applying to senior executives of the Company generally that is implemented by the Board of Directors from time to time.
  10. Inventions.
    - a. Assignment of Inventions. Executive acknowledges that, during his employment by the Company, Executive may be expected to undertake creative work, either alone or jointly with others, which may lead to inventions, ideas, original works of authorship, developments, concepts, improvements, trade secrets or other intellectual property rights, in each case, whether or not patentable or registrable under patent, copyright or similar laws and including, in each case, tangible embodiment of any of the foregoing ("Inventions"). Executive hereby agrees that any Invention that is created by him during his employment by the Company and that is related to the actual or prospective business of the Company or that results from work performed by Executive for the Company (whether or not on the Company's premises or using the Company's equipment and materials or during regular business hours) ("Company Inventions") will be a work-for-hire and will be the sole and exclusive property of the Company and, to the extent such Company Inventions are not a work-for-hire, Executive hereby assigns to the Company Investment Corporation all of his right, title and interest in and to any and all such Company Inventions. In addition, any Inventions created within three years after the termination of Executive's employment by the Company which are based upon or derived from Confidential Information or Company Inventions will be the sole and exclusive property of the Company and Executive hereby assigns to the Company all of his right, title and interest in and to any and all such Company Inventions. Nothing in the preceding sentence will be construed to limit Executive's obligations under Section 10 of this Agreement.
    - b. Further Assistance. Executive agrees to assist the Company, or its designee, upon reasonable request and at the sole expense of the Company or its designee, whether during his employment with the Company or thereafter, in every proper way to secure the Company's, or designee's, rights in the Company Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including disclosing to the Company or designee all pertinent information and data with respect thereto, executing, or causing to be executed, all applications, specifications, oaths, assignments and
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## Exhibit 10.1

other instruments which the Company or designee reasonably deems necessary in order to apply for and obtain such rights and in order to assign and convey to the Company or designee the sole and exclusive rights, title and interest in and to such Company Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. If the Company, or its designee, is unable because of Executive's mental or physical incapacity or for any other reason to secure Executive's signature to apply for or to pursue any application for any United States or foreign patents, copyright registrations or other registrations covering Company Inventions, then Executive hereby irrevocably designates and appoints the Company, or its designee, and its duly authorized officers and agents as his agent and attorney in fact, to act for and in his behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by him, in each case at no expense to Executive. Executive understands and acknowledges that this appointment is coupled with an interest and survives his death or incompetence.

- c. Moral Rights. To the extent not assignable, Executive hereby waives, to the extent permitted by applicable law, any and all claims he may now or hereafter have in any jurisdiction to all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as "moral rights" with respect to all Company Inventions.
  - d. No License. Executive understands and acknowledges that this Agreement does not grant him, and will not be construed to grant him, any license or right of any nature with respect to any Company Inventions or Confidential Information, other than as expressly set forth in this Agreement.
11. Assignability; Binding Nature. This Agreement will inure to the benefit of the Company and Executive and their respective successors, heirs (in the case of Executive) and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that any such rights or obligations may be assigned or transferred by the Company pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company, provided that in each case the assignee or transferee is the successor to all or substantially all of the business and assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. This Agreement will not be assignable by Executive; provided however that, in the event of Executive's death or a judicial determination of his incapacity, references to Executive in this Agreement will be deemed, where appropriate, to be references to his heirs, estate, beneficiaries, executor or other legal representative.
  12. Representation. The Company and Executive each represent and warrant that it or he is fully authorized and empowered to enter into this Agreement and that its or his entering into this Agreement, and the performance of its or his obligations under this Agreement, will not violate any document to which it or he is a party or by which it or he is bound.
  13. Entire Agreement; Inconsistency. This Agreement contains the entire agreement between the Company and Executive concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between them with respect thereto (including, without limitation, the Prior
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## Exhibit 10.1

Employment Agreement). In the event of any inconsistency between this Agreement and any other Company Arrangement, whether applicable on the date of this Agreement or at any time thereafter, this Agreement will, to the extent more favorable to Executive, control unless Executive otherwise agrees in a signed writing that specifically identifies the provisions of this Agreement whose control he is waiving.

14. Amendment or Waiver. This Agreement can only be changed, modified or amended in a writing that is signed by both Executive and the Company and that specifically identifies the provision(s) of this Agreement that are being changed, modified or amended. No waiver by either the Company or Executive at any time of any breach by the other Party of any condition or provision of this Agreement will be deemed a waiver of a similar or dissimilar condition or provision at the same or at any prior or subsequent time. Any waiver must be in writing and signed by Executive or a specifically authorized officer of the Company, as the case may be.
  15. Severability. In the event that any provision or portion of this Agreement is determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement will be unaffected thereby and will remain in full force and effect to the fullest extent permitted by law.
  16. Reasonableness. To the extent that any provision or portion of this Agreement is determined to be unenforceable by a court of law or equity, or by any arbitration panel, that provision or portion of this Agreement will nevertheless be enforceable to the extent that such court or panel determines is reasonable.
  17. Survivorship. The respective rights and obligations of the Parties will survive any termination of the Term of Employment, or of Executive's employment with the Company, to the extent necessary to the intended preservation of such rights and obligations. For the avoidance of doubt, the covenants in Section 7 and the indemnification and insurance provisions of Section 8 of this Agreement will survive any termination of the Term of Employment or of Executive's employment with the Company.
  18. Governing Law. This Agreement, the rights and obligations of the Parties under it, and any claims or disputes relating thereto will be governed by and construed in accordance with the laws of the State of New York (without regard to its choice of law provisions), other than rights and obligations (and related claims and disputes) under Section 8 (Indemnification), which will be governed by Maryland law.
  19. Resolution of Disputes. Any claim arising out of or relating to this Agreement, any other agreement between the Parties, Executive's employment with the Company, or any termination thereof will (except to the extent otherwise provided in Section 7(h)(i) with respect to certain requests for injunctive relief) be resolved by binding confidential arbitration, to be held in the Borough of Manhattan in New York City, before a panel of three arbitrators, in accordance with the employment dispute rules of the American Arbitration Association and this Section 19. Any award rendered by the panel will be accompanied by a written opinion setting forth in reasonable detail the basis for the award, and any such award may be entered in a court having jurisdiction thereof.
  20. Notices. Any notice, consent, demand, request, or other communication given to any person or entity in connection with this Agreement shall be in writing and will be deemed to have been given to such person or entity (i) when delivered personally to such person or entity, (ii) five days after being sent by prepaid certified or registered mail, or two days after being sent by a nationally recognized overnight courier, to the address specified below for such person or entity (or to such other address as such person or
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**Exhibit 10.1**

entity shall have specified by 10 days advance notice given in accordance with this Section 20), or (iii) in the case of the Company only, on the first business day after it is sent by facsimile to the facsimile number set forth below (or to such other facsimile number as has been specified on 10 days' advance notice given in accordance with this Section 20), with a confirmatory copy sent by certified or registered mail or by overnight courier in accordance with this Section 20.

If to the Company: Chimera Investment Corporation  
630 Fifth Ave., Ste 2400  
New York, NY 10111  
Attn: Corporate Secretary  
Fax #: (212) 918-3459  
Email: fei.wang@chimerareit.com

If to Executive: The address of his principal residence as it appears in the Company records, with a copy to him (during his employment with the Company) at his principal office at the Company

If to a beneficiary of Executive: The address most recently specified by Executive or his beneficiary.

1. Withholding. The Company will be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company reasonably determines to be required to be withheld pursuant to applicable law. The Company will use commercially reasonable efforts to establish a relationship with a broker-dealer to facilitate the sale of shares acquired on the vesting or exercise of any equity or equity-based compensation granted to Executive by the Company to enable Executive to satisfy all applicable withholding taxes due in connection with such vesting or exercise; provided that if the Company does not establish any such relationship, Executive may satisfy such withholding obligations by instructing the Company to retain shares otherwise deliverable to Executive upon the vesting or exercise of any such equity or equity-based award with a fair market value not exceeding the minimum amount required to be withheld by applicable law.
2. Headings. The headings of the Sections and sub-sections contained in this Agreement are for convenience only and will not be deemed to control or affect the meaning or construction of any provision of this Agreement.
3. Counterparts. This Agreement may be executed in two or more counterparts. Signatures delivered by facsimile (including, without limitation, by "pdf") will be deemed effective for all purposes.

[Signature page(s) follow]

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**Exhibit 10.1**

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Chimera Investment Corporation

By: /s/ Gerard Creagh

Name: Gerard Creagh

Title: Chairman of the Compensation Committee

Executive

By: /s/ Phillip J. Kardis, II

Name: Phillip J. Kardis, II

Title: Chief Executive Officer

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Exhibit A

2023 Incentive Compensation

I. 2023 Annual Cash Bonus.

The following summarizes the material terms of the Annual Cash Bonus set forth in Section 3(b)(i) of the Agreement to which this Exhibit A is attached (the “Agreement”) in respect of the 2023 calendar year. Unless otherwise specified in this Exhibit A, all defined terms have the meanings set forth in the Agreement. The Annual Cash Bonus metrics and terms for subsequent years will be determined by the Compensation Committee, in good faith.

1. 2023 Performance Period. The Annual Cash Bonus will be payable for the calendar year commencing January 1, 2023 and ending December 31, 2023 (the “2023 Annual Cash Bonus Performance Period”) if the metrics and other requirements described below are met.

Except as otherwise provided in the Agreement, Executive will be eligible to receive the 2023 Annual Cash Bonus only if Executive remains employed by the Company through the last day of the 2023 Annual Cash Bonus Performance Period. In no event will Executive receive any unpaid 2023 Annual Cash Bonus in the event Executive’s employment is terminated by the Company for Cause. For the avoidance of doubt, Executive will not be entitled to an Annual Cash Bonus for any performance period beginning on or after termination of Executive’s employment for any reason.

Except as otherwise provided in the Agreement, any 2023 Annual Cash Bonus will be subject to achievement of the performance goals described in this Exhibit A.

1. Target Cash Bonus. For the 2023 Annual Cash Bonus Performance Period, Executive’s target Annual Cash Bonus (the “Target Cash Bonus”) will be equal to the target Annual Cash Bonus set forth in Section 3(b)(i) of the Agreement. Executive is entitled to receive an Annual Cash Bonus from 0% to 200% of the Target Cash Bonus for the 2023 Annual Cash Bonus Performance Period, based on performance as described below and continued employment as described above.
  2. 2023 Performance Components: Annual Cash Bonus Measurement Period. The 2023 Annual Cash Bonus will be payable based on the following metrics and continued employment through December 31, 2023 (subject to the terms of the Agreement). The Relative ROE and Relative TSR metrics will be measured based on the measurement period beginning at the end of the third fiscal quarter of the calendar year immediately preceding the beginning of the 2023 Annual Cash Bonus Performance Period through the end of the third fiscal quarter of the 2023 Annual Cash Bonus Performance Period (*i.e.*, Q3 to Q3 measurement period, which is October 1, 2022 through September 30, 2023) (the “Annual Cash Bonus Measurement Period”). The Strategic Goals metrics will be measured based on the 2023 calendar year.
    - a. 35% based on the Company’s Relative ROE, subject to adjustment based on Company ROE (as defined below), for the Annual Cash Bonus Measurement Period
    - b. 35% based on the Company’s Relative TSR (as defined below), subject to adjustment based on Company TSR (as defined below), for the Annual Cash Bonus Measurement Period
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## Exhibit 10.1

c. 30% based on achievement of the Strategic Goals (as defined below) during the 2023 calendar year

1. Definitions. For purposes of this Exhibit A:

“Company Average Equity” means, for purposes of calculating Company ROE and Relative ROE, the stockholders’ equity of the Company (based on the Company’s common stock) as determined in accordance with GAAP and shown on the Company’s quarterly and annual financial statements as filed with the Securities and Exchange Commission, but excluding accumulated other comprehensive income or loss (which, among other things, reflects unrealized gains or losses in the Company’s portfolio), stockholders’ equity attributable to preferred stock and other items as determined by the Compensation Committee in its sole discretion. For purposes of calculating Relative ROE, Company Average Equity will be determined based on the average of the Company’s stockholders’ equity calculated as described in the preceding sentence as of the last day of each fiscal quarter during the Annual Cash Bonus Measurement Period. Notwithstanding the foregoing, stockholder’s equity attributable to an issuance of common stock of the Company during the Annual Cash Bonus Measurement Period shall be excluded from the calculation of “Company Average Equity” for a period of six months from such issuance.

“Company TSR” means, for the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable, the percentage change in the value of a share of the Company’s common stock from the closing price on the last trading day before the beginning of the applicable measurement period to the closing price on the last trading day of the applicable measurement period (plus common stock dividends paid during the applicable measurement period, assuming immediate reinvestment of such dividends in additional common shares), as determined by the Compensation Committee in its sole discretion. For example, for the Annual Cash Bonus Measurement Period, Company TSR will be measured based on the closing price of the Company’s common stock on September 30, 2022 and the closing price on September 29, 2023 (plus common stock dividends as described above), and, for the LTI Measurement Period, Company TSR will be measured based on the closing price on September 30, 2022 and the closing price on September 30, 2025 (plus common stock dividends as described above).

“Company Return” means, for purposes of calculating Company ROE, the Company’s net income as determined in accordance with GAAP and shown on the Company’s quarterly and annual financial statements as filed with the Securities and Exchange Commission, but excluding non-cash, non-operating expense items such as depreciation expense, amortization of goodwill and other non-cash, non-operating expense items as determined by the Compensation Committee in its sole discretion for the Annual Cash Bonus Measurement Period. For the avoidance of doubt, any realized and/or unrealized gains or losses from hedging instruments shall not be excluded from the calculation of Company Return.

“Company ROE” means (i) Company Return for the Annual Cash Bonus Measurement Period, divided by (ii) Company Average Equity for the Annual Cash Bonus Measurement Period.

“Peer Group” means the entities (other than the Company) included in the iShares Mortgage Real Estate ETF as of the beginning of the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable. Any entity (other than the Company) that ceases to be included in the iShares Mortgage Real Estate ETF during the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable, shall be treated as performing at the lowest

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**Exhibit 10.1**

level in the Peer Group for such Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable.

“Relative ROE” means Company ROE as such amount stands in relation to the return on average equity (determined in the same way that the Company ROE is determined) for the Annual Cash Bonus Measurement Period of the entities (other than the Company) included in the Peer Group.

“Relative TSR” means the Company TSR as such amount stands in relation to the total shareholder return (determined in the same way that the Company TSR is determined) for the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable, of the entities (other than the Company) included in the Peer Group, as determined by the Compensation Committee in its sole discretion.

“Strategic Goals” means such individual or strategic objectives as may be determined by the Compensation Committee and communicated to Executive, including any new objectives arising during the 2023 Annual Cash Bonus Performance Period based on emerging or developing business needs.

1. Annual Cash Bonus Earned.

Executive will be entitled to receive, as Executive’s 2023 Annual Cash Bonus, an amount ranging from 0% to 200% of Executive’s Target Cash Bonus, based (i) 35% on the level of Relative ROE achievement during the Annual Cash Bonus Measurement Period, subject to adjustment based on Company ROE (the “ROE Component”), (ii) 35% on the level of Relative TSR achievement during the Annual Cash Bonus Measurement Period, subject to adjustment based on Company TSR (the “TSR Component”), and (iii) 30% on the level of achievement of the Strategic Goals during the 2023 calendar year (the “Strategic Goals Component”), as described herein, and subject to continued employment through December 31, 2023 (subject to the terms of the Agreement).

The total amount of the 2023 Annual Cash Bonus payable to Executive will be equal to Executive’s Target Cash Bonus amount multiplied by the sum of (x) 35% multiplied by the percentage of the ROE Component payable based on the table below, subject to adjustment based on Company ROE, (y) 35% multiplied by the percentage of the TSR Component payable based on the table below, subject to adjustment based on Company TSR, and (z) 30% multiplied by the Strategic Goals achievement percentage based on the Compensation Committee’s determination as described in more detail below. The 2023 Annual Cash Bonus shall not exceed 200% of the Target Cash Bonus.

a. ROE Component.

The amount of Executive’s 2023 Annual Cash Bonus payable to Executive in respect of the ROE Component (35% of the Target Cash Bonus) will be based on the Company ROE compared to that of the Peer Group (measured as a percentile) for the Annual Cash Bonus Measurement Period, as follows, subject to adjustment based on Company ROE as described below:

<b>Relative ROE</b>	<b>Percentage of the ROE Component Payable</b>
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

## Exhibit 10.1

“Threshold” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 52 weeks in the Annual Cash Bonus Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative ROE.

The percentage of the ROE Component payable for Relative ROE achieved between the percentiles set forth in the above table (if performance is above the Threshold) will be determined by linear interpolation. If the achieved Relative ROE is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative ROE will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company ROE for the Annual Cash Bonus Measurement Period is at or below zero, achievement of the ROE Component shall be deemed to not exceed 100%.

a. TSR Component.

The amount of Executive’s 2023 Annual Cash Bonus payable to Executive in respect of the TSR Component (35% of the Target Cash Bonus) will be based on the level of Relative TSR achievement for the Annual Cash Bonus Measurement Period, as follows, subject to adjustment based on Company TSR as described below:

Relative TSR	Percentage of the TSR Component Payable
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“Threshold” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 52 weeks in the Annual Cash Bonus Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative TSR.

The percentage of the TSR Component payable for Relative TSR achieved between the percentiles set forth in the above table (if performance is above the Threshold) will be determined by linear interpolation. If the achieved Relative TSR is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative TSR will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company TSR for the Annual Cash Bonus Measurement Period is at or below zero, achievement of the TSR Component shall be deemed to not exceed 100%.

a. Strategic Goals Component.

The amount of Executive’s 2023 Annual Cash Bonus payable to Executive in respect of the Strategic Goals Component (30% of the Target Cash Bonus) will range from 0% to 200% of the portion of the Target Cash Bonus attributable to the Strategic Goals Component, as determined in the discretion of the Compensation Committee based on its determination of Executive’s level of achievement of the Strategic Goals during the 2023 calendar year.

1. Payment of Annual Cash Bonus. Any Annual Cash Bonus will be paid in cash between December 1, 2023 and January 30, 2024, subject (except as otherwise provided in the Agreement) to continued employment through December 31, 2023.

## II. 2023 Long-Term Incentive Compensation.

The following summarizes the material terms of the long-term incentive compensation (“LTI”) in the form of RSUs and PSUs that are to be granted under Section 3(b)(ii) of the Agreement in

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## Exhibit 10.1

2023. The metrics and terms for LTI to be granted in subsequent years will be determined by the Compensation Committee, in good faith.

1. 2023 LTI; LTI Measurement Period. The metrics and terms described below will apply to RSUs and PSUs granted in 2023.

Except as otherwise provided in the Agreement or this Exhibit A, Executive will be eligible to receive payout on LTI only if Executive remains employed by the Company through the applicable vesting date (in the case of RSUs) and through the last day of the PSU Performance Period (in the case of PSUs). In no event will Executive receive any unpaid LTI in the event Executive's employment is terminated by the Company for Cause. For the avoidance of doubt, Executive will not be entitled to LTI for any performance or vesting period beginning on or after termination of Executive's employment for any reason. Except as otherwise provided in the Agreement, any LTI will be subject to the vesting conditions and achievement of the performance goals described below.

For purposes of the PSUs, Relative Economic Return, Company Economic Return, Relative TSR and Company TSR will be based on the "LTI Measurement Period," which is the period beginning on the first day of the fourth fiscal quarter of the calendar year immediately preceding the beginning of the PSU Performance Period through the last day of the third fiscal quarter of the last calendar year in the PSU Performance Period (*i.e.*, Q3 to Q3 measurement period, which is October 1, 2022 through September 30, 2025).

1. Target LTI. For the LTI to be granted in 2023, Executive's target LTI will be equal to the target annual LTI amount set forth in Section 3(b)(ii) of the Agreement (the "Target LTI").
2. Performance Components. The LTI to be granted in 2023 will consist of two components:
  - a. RSUs. Executive will be granted a number of RSUs having an aggregate fair value, based on the volume weighted average closing price of the Company's common stock during the 20 trading day period ending on December 30, 2022, equal to 50% of the Target LTI. Subject (except as otherwise provided in the Agreement) to Executive remaining employed by the Company through the applicable vesting date and meeting all applicable requirements set forth in the Agreement and this Exhibit A, the RSUs will vest in three equal installments on each of the first three anniversaries of December 31, 2022. Unless otherwise provided in the Agreement or this Exhibit A, the vested portion of the RSUs will be paid in common stock of the Company within 60 days after the applicable vesting date, or such other date as may be specified in the documents governing the award.
  - b. PSUs. Executive will be granted a target number of PSUs having an aggregate fair value, based on the volume weighted average closing price of the Company's common stock during the 20 trading day period ending on December 30, 2022, equal to 50% of the Target LTI (the "Target PSUs"). The performance period for the PSUs (which applies for purposes of time-based vesting) shall be the period from January 1, 2023 through December 31, 2025 (the "PSU Performance Period").

Of the Target PSUs:

- a. 50% will be subject to performance metrics tied to Relative Economic Return, subject to adjustment based on Company Economic Return as described below, for the LTI Measurement Period (the "Economic Return PSUs")
  - b. 50% will be subject to performance metrics tied to Relative TSR, subject to adjustment based on Company TSR as described below, for the LTI Measurement Period (the "TSR PSUs")
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**Exhibit 10.1**

Subject (except as otherwise provided in the Agreement or this Exhibit A) to Executive's continuing employment through the last day of the PSU Performance Period, between 0% and 200% of the Target PSUs will vest as of the last day of the PSU Performance Period and be paid in common stock of the Company between December 1, 2025 and January 30, 2026 (or such other date as may be specified in the documents governing the awards), based on achievement of the Economic Return and TSR metrics described below.

**Economic Return**

The Economic Return PSUs will vest as of the last day of the PSU Performance Period based on the Company Economic Return compared to that of the Peer Group (measured as a percentile) for the LTI Measurement Period, as follows, subject to adjustment based on Company Economic Return as described below:

<b>Relative Economic Return</b>	<b>Percentage of Economic Return PSUs</b>
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“Threshold” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 156 weeks in the LTI Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative Economic Return.

For any Relative Economic Return achieved between the percentiles specified in the above table (if performance is above the Threshold), the percentage of the Target PSUs that will vest for the PSU Performance Period will be determined by linear interpolation. If the achieved Relative Economic Return is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative Economic Return will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company Economic Return for the LTI Measurement Period is at or below zero, achievement of the Economic Return metric shall be deemed to not exceed 100%.

**Relative TSR**

The TSR PSUs may vest as of the last day of the PSU Performance Period based on the Company TSR compared to that of the Peer Group (measured as a percentile) for the LTI Measurement Period, subject to adjustment based on Company TSR as described below:

<b>Relative TSR</b>	<b>Percentage of TSR PSUs</b>
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“Threshold” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 156 weeks in the LTI Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative TSR.

For any Relative TSR achieved between the percentiles specified in the above table (if performance is above the Threshold), the percentage of the TSR PSUs that may vest for the PSU Performance Period will be determined by linear interpolation. If the achieved Relative TSR is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative TSR will be used when applying such linear interpolation.

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## Exhibit 10.1

Notwithstanding the foregoing, in the event that the Company TSR for the LTI Measurement Period is at or below zero, achievement of the TSR metric shall be deemed to not exceed 100%.

### Change in Control

Notwithstanding anything in the Agreement or this Exhibit A to the contrary, upon the consummation of a Change in Control, (i) the percentage of the Target PSUs that would have vested in accordance with the paragraphs based on the Relative Economic Return, Company Economic Return, Relative TSR and Company TSR, as applicable, measured from the first day of the LTI Measurement Period through the end of the most recent fiscal quarter prior to such Change in Control for which data is available (or the last day of the LTI Measurement Period, if earlier) will be eligible to vest on the last day of the PSU Performance Period, subject only to Executive's continuing employment with the Company through the last day of the PSU Performance Period (except as otherwise provided in the Agreement), and (ii) any portion of the Target PSUs that would not have vested in accordance with the preceding paragraphs based on actual performance as described in clause (i) above will be forfeited as of such Change in Control with no compensation due therefor. For the avoidance of doubt, any PSUs that would continue to be eligible to vest following a Change in Control in accordance with clause (i) above may be substituted with awards payable in cash amounts tied to the consideration paid in connection with the Change in Control, as determined by the Compensation Committee in its sole discretion.

The RSUs and PSUs will be granted to Executive under the Company's current Equity Incentive Plan (or a successor).

#### 1. Definitions. For purposes of the PSUs:

"Company Economic Return" means (x) the Company's change in book value per share ("BVPS"), plus (y) common stock dividends, for the LTI Measurement Period.

"Relative Economic Return" means (i) the Company Economic Return for the LTI Measurement Period, divided by (ii) BVPS at the beginning of the LTI Measurement Period, as such amount stands in relation to the economic return (measured in the same way that the Company Economic Return is measured) during the LTI Measurement Period of the entities in the Peer Group.

### **III. Dividend Equivalents**

Dividend equivalents will accrue on RSUs and PSUs granted hereunder as and when dividends are paid to the Company's shareholders and, to the extent that the RSUs and PSUs become vested, will be paid to Executive in cash, shares or a combination thereof, as determined by the Compensation Committee in its sole discretion, at the time such RSUs or PSUs are settled.

### **IV. Committee Determinations**

All determinations with respect to the Annual Cash Bonus and the LTI, including, without limitation, the amount, if any, that is payable to Executive or vests for each performance period, will be made by the Compensation Committee, in good faith, and in compliance with the Agreement and this Exhibit A. All such determinations will be final and binding on Executive and the Company.

The Compensation Committee may adjust any of the performance metrics set forth herein to exclude the impact of any acquisitions or dispositions of businesses or business segments by the Company, one-time non-operating charges, unusual or nonrecurring items, accounting changes (including the early adoption of any accounting change mandated by any governing body, organization or authority), changes in tax laws, impact of discontinued operations, restatements of prior period financial results, and any other events or transactions that may result in distortion

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## Exhibit 10.1

of the performance metrics or the value of the awards. In addition, if the Compensation Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render any of the performance metrics set forth herein unsuitable, the Compensation Committee may modify any such performance metrics, in whole or in part, as the Compensation Committee deems appropriate and equitable.

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### Exhibit B

#### General Release

IN CONSIDERATION OF good and valuable consideration, the receipt of which is hereby acknowledged, and in consideration of the terms and conditions contained in the Employment Agreement, dated as of March 24, 2023 and effective as of January 1, 2023 (the "Agreement") by and between Phillip J. Kardis, II (the "Executive") and Chimera Investment Corporation (the "Company"), the Executive on behalf of himself and any person or entity claiming by, through, or under him (including without limitation his heirs, executors, administrators, spouse, personal representatives and assigns), releases and discharges the Company and its past, present and future subsidiaries, divisions, affiliates and parents, and their respective current and former officers, directors, employees, attorneys, agents, benefit plans, and/or owners, and their respective successors and assigns, and any other person or entity claimed to be jointly or severally liable with the Company or any of the aforementioned persons or entities (collectively, the "Released Parties") from any and all manner of actions and causes of action, suits, debts, dues, accounts, bonds, covenants, contracts, agreements, judgments, charges, claims, attorneys' fees and costs, and demands whatsoever ("Claims") which the Executive (or any person or entity claiming by, through, or under him) have, had, or may have, against the Released Parties or any of them arising at any time from the beginning of the world to the date Executive executes this General Release, whether known or unknown, accrued or unaccrued, contingent or noncontingent. The Claims described in this paragraph include without limitation, (i) any and all Claims relating to the Executive's employment with the Company and the cessation thereof, (ii) any and all Claims for discrimination based on age, sex, race, color, disability status, national origin, religion, or any other protected characteristic, including but not limited to, Claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. §§ 2000 et seq., the Age Discrimination in Employment Act of 1967, 29 U.S.C. §§ 621 et seq., the Americans with Disabilities Act of 1990, 42 U.S.C. §§ 12101 et seq., the New York State and New York City Human Rights Laws, and all state and local analogues of such statutes, each as amended, (iii) any and all Claims under all federal, state, and local statutes, rules, regulations, or ordinances, each as amended, including but not limited to, the Family and Medical Leave Act of 1993, 29 U.S.C. §§ 2601 et seq., the Worker Adjustment and Retraining Notification Act of 1988, 29 U.S.C. §§2101 et seq., the Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1001 et seq., the New York Labor Laws, the New York Whistleblower Protection Law (to the fullest extent they may be released under applicable law), the New York Civil Rights Law (N.Y. Civ. Rts. § 1, et seq.), the New York AIDS/HIV confidentiality law (N.Y. Public Health Law §2780), the New York Equal Pay Law, New York State Labor Relations Act, Article 23-A of the New York State Corrections Law, New York Family Leave Law, New York Minimum Wage Act, New York Wage and Hour Law, New York Wage Payment Law, New York State Worker Adjustment and

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## Exhibit 10.1

Retraining Notification Act, and retaliation provisions of New York Workers' Compensation Law, <sup>[1]</sup> and (iv) any and all Claims under the common law of any jurisdiction, including but not limited to, breach of contract, defamation, interference with contractual/prospective contractual relations, invasion of privacy, promissory estoppel, negligence, breach of the covenant of good faith and fair dealing, fraud, infliction of emotional distress, and wrongful discharge; provided, however, that the Executive does not release or discharge the Released Parties from: any of the obligations that arise under, or are preserved by, Section 5 of the Agreement; any Claim for unemployment or workers' compensation benefits; any Claim that arises after the date on which the Executive signs this General Release; or any Claim that is not waivable under applicable law. It is the intention of the Executive that the language relating to the description of Claims in this paragraph will be given the broadest possible interpretation permitted by law. It is understood that nothing in this General Release is to be construed as an admission on behalf of the Released Parties of any wrongdoing with respect to the Executive, any such wrongdoing being expressly denied. The Executive represents and warrants that he fully understands the terms of this General Release, that he has been encouraged to seek, and has sought, the benefit of advice of legal counsel, and that he knowingly and voluntarily, of his own free will, without any duress, being fully informed, and after due deliberation, accepts its terms and signs below as his own free act. Except as otherwise provided in this Release, the Executive understands that as a result of executing this General Release, he will not have the right to assert any Claims that the Company or any other of the Released Parties unlawfully terminated his employment or violated any of his rights in connection with his employment or otherwise.

The Executive agrees and covenants not to file, initiate, or join any lawsuit (either individually, with others, or as part of a class), in any forum, pleading, raising, or asserting any Claim(s) barred or released by this General Release. If he does so, and the action is found to be barred in whole or in part by this General Release, the Executive agrees to pay the attorneys' fees and costs, or the proportions thereof, incurred by the applicable Released Party in defending against those Claims that are found to be barred by this General Release. Nothing in this General Release precludes the Executive from challenging the validity of this General Release under the requirements of the Age Discrimination in Employment Act, and the Executive will not be responsible for reimbursing the attorneys' fees and costs of the Released Parties in connection with such a challenge to the validity of the release. The Executive, however, acknowledges that this General Release applies to all Claims that he has under the Age Discrimination in Employment Act, and that, unless the release is held to be invalid, all of the Executive's Claims under that Act will be extinguished by execution of this General Release. The Executive further agrees that nothing in this General Release will preclude or prevent the Executive from filing a charge with, providing information to, or cooperating with the U.S. Equal Employment Opportunity Commission, the U.S. Securities and Exchange Commission, or other government agency, and the Executive understands that he does not need the prior authorization of any of the Released Parties prior to taking any such action. The Executive will not seek or accept any relief obtained on his behalf by any government agency, private party, class, or otherwise with respect to any Claims released in this General Release, and, in the event the Executive receives such monetary relief, the Company will be entitled to an offset for the payments made pursuant to the Agreement and this General Release. This General Release does not limit the Executive's right to receive an award from any government agency that provides awards for providing information relating to a potential violation of law.

Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth

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**Exhibit 10.1**

at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

The Company hereby advises the Executive to consult with counsel before executing this General Release. The Executive may take twenty-one (21) days to consider whether to execute this General Release and discuss it with counsel of his own choosing. The Executive agrees that changes made to this General Release, whether material or immaterial, do not restart the twenty-one (21) day period. Upon the Executive's execution of this General Release, the Executive will have seven (7) days after such execution in which he may revoke such execution. In the event of revocation, the Executive must present written notice of such revocation to the office of the Company's Corporate Secretary. If seven (7) days pass without receipt of such notice of revocation, this General Release will become binding and effective on the eighth (8th) day after the execution hereof. Signatures delivered by facsimile (including, without limitation, by "pdf") will be effective for all purposes.

INTENDING TO BE LEGALLY BOUND, I hereby set my hand below:

\_\_\_\_\_

Dated: \_\_\_\_\_

[1] To be updated at time of separation to include applicable state law references

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (together with its Exhibits, this “Agreement”) by and between Chimera Investment Corporation (together with its successors and assigns, the “Company”) and Choudhary Yarlagadda (“Executive”, and together with the Company, a “Party”) is dated March 24, 2023 and effective as of January 1, 2023 (the “Effective Date”).

### WITNESSETH:

WHEREAS, Executive wishes to continue to be employed by the Company, and the Company wishes to continue to employ Executive, under the terms and conditions described below.

WHEREAS, the Parties are currently parties to an Employment Agreement that became effective as of January 1, 2019 (the “Prior Employment Agreement”) and that is being superseded by this Agreement.

NOW THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained, the Parties agree as follows:

1. Term of Employment.

- a. The Company hereby employs Executive, and Executive hereby accepts employment with the Company, in the positions and with the duties and responsibilities as set forth in Section 2 below, subject to the terms and conditions of this Agreement.
- b. The term of employment under this Agreement will commence on the Effective Date and: (i) will continue until the first anniversary of the Effective Date (the “Initial Term”); (ii) will be extended until the first December 31<sup>st</sup> that coincides with, or follows, the second anniversary of any Change in Control that occurs during the Term of Employment; and (iii) will be extended for an additional one year period (a “Renewal Term”) on the last day of the Initial Term or of any extension of the Term of Employment pursuant to clause (ii) or this clause (iii), and on each subsequent anniversary thereof, unless either Party provides written notice of nonrenewal to the other Party not less than 90 days prior to the latest of the last day: of the Initial Term, of any extension of the Term of Employment pursuant to clause (ii), or of any Renewal Term (the Initial Term, together with each extension of the Term of Employment pursuant to clause (ii) and each Renewal Term, the “Term of Employment”); provided that, if the last day of the Term of Employment otherwise would occur during a Garden Leave (as defined below) period, the Term of Employment will continue through the end of such Garden Leave. The Term of Employment may also be terminated in accordance with Section 5 below.

2. Position; Duties and Responsibilities.

- a. During the Term of Employment, Executive will be employed as the President, Chief Operating Officer and Co-Chief Investment Officer of the Company, reporting directly to the Chief Executive Officer of the Company (the “CEO”). Executive will (i) be responsible for, and, along with the CEO and any other Co-Chief Investment Officer, have authority over, the operations, investment functions and business and affairs of the Company and (ii) have such other duties and responsibilities as are reasonably assigned to him by the CEO or the Board of
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## Exhibit 10.2

Directors of the Company (the “Board of Directors”) (not inconsistent in any significant respect with the duties and responsibilities typically assigned to the president, chief operating officer and/or co-chief investment officer of a publicly-traded REIT).

- b. During the Term of Employment, Executive will, without additional compensation, also serve on the board of directors of, serve as an officer of, and/or perform such executive and consulting services for, or on behalf of, such subsidiaries or affiliates of the Company as the Board of Directors may, from time to time, reasonably request. For purposes of this Agreement, the term “affiliate” will have the meaning ascribed thereto as of the Effective Date in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the “Act”).
  - c. During the Term of Employment, Executive will serve the Company faithfully, diligently and to the best of his ability and will devote substantially all of his time and efforts to his employment and the performance of his duties under this Agreement. Nothing herein will preclude Executive from engaging in charitable and community affairs and managing his personal, financial and legal affairs, so long as such activities do not materially interfere with his carrying out his duties and responsibilities under this Agreement. Notwithstanding the foregoing, any service on civic, educational, philanthropic or charitable boards or committees shall be subject to prior approval by the CEO. During the Term of Employment, Executive shall perform his duties and responsibilities principally in New York City.
3. Compensation.
- a. Base Salary. During his employment with the Company, Executive will be entitled to receive an annualized base salary (the “Base Salary”) of not less than \$800,000. The Compensation Committee of the Board of Directors (the “Compensation Committee”) may review Executive’s Base Salary annually to determine whether increases are appropriate. Any such increased amount will thereafter be the “Base Salary” for all purposes. During Executive’s employment with the Company, the Base Salary will not be decreased at any time, or for any purpose (including, without limitation for the purpose of determining payments and benefits under Section 5), without Executive’s prior written consent.
  - b. Incentive Compensation.
    - i. For each calendar year during the Term of Employment, Executive will be entitled to receive an annual cash bonus, payable in cash (“Annual Cash Bonus”), as provided under this Agreement. The Annual Cash Bonus for the 2023 calendar year is described on Exhibit A. The Annual Cash Bonus for each subsequent calendar year during the Term of Employment will be subject to such performance metrics and other terms as may be established annually by the Compensation Committee, in consultation with the CEO. During the Term of Employment, Executive’s target Annual Cash Bonus shall be \$1,600,000, which target may not be reduced during the Term of Employment without Executive’s consent. The target Annual Cash Bonus may be increased by the Compensation Committee in its discretion, and any such increased amount will thereafter be the target Annual Cash Bonus for all purposes under the Agreement. The actual Annual Cash Bonus may be more or less than such target amount, based on achievement of the applicable performance metrics. The
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## Exhibit 10.2

Compensation Committee will make all determinations with respect to any Annual Cash Bonus, in good faith, in consultation with the CEO, and consistent with the text of this Agreement and the terms of Exhibit A.

- ii. During the Term of Employment, Executive shall be entitled to receive long-term incentive compensation consisting of grants in the form of restricted stock units (“RSUs”) and/or performance stock units (“PSUs”) granted under the Company’s current Equity Incentive Plan (or its successor), as determined by the Compensation Committee (the “LTI”) and as provided by this Agreement. During the Term of Employment, Executive’s target annual LTI grant shall be \$2,400,000, which target may not be reduced during the Term of Employment without Executive’s consent. The target annual LTI amount may be increased by the Compensation Committee in its discretion, and any such increased amount will thereafter be the target annual LTI amount for all purposes under the Agreement. The performance metrics and other terms of the LTI grants to be made in the 2023 calendar year are described on Exhibit A. The LTI grants for each subsequent calendar year during the Term of Employment will be subject to such performance metrics and other terms as may be established annually by the Compensation Committee, in consultation with the CEO. The Compensation Committee will make all determinations with respect to LTI, in good faith, in consultation with the CEO, and consistent with the text of this Agreement and the terms of Exhibit A.
  - c. Stock Ownership Requirements. All shares of the Company’s stock distributed to Executive by the Company will be subject to the stock ownership guidelines in effect for executives from time to time, as determined by the Board of Directors. Unless the stock ownership guidelines provide otherwise: vested shares under equity grants may not be transferred during Executive’s employment with the Company unless the value of Executive’s stock holdings in the Company (including shares of restricted stock, restricted stock units and deferred stock units) after the transfer exceeds three times Executive’s Base Salary; and following the termination of Executive’s employment with the Company, vested shares of equity awards may not be transferred unless the value of Executive’s stock holdings in the Company (including shares of restricted stock, restricted stock units and deferred stock units) after the transfer exceeds three times Executive’s Base Salary as of the date that Executive’s employment with the Company terminates in accordance with the terms of this Agreement (the “Termination Date”), provided, however, that this sentence will no longer apply following the six-month anniversary of the Termination Date. For the avoidance of doubt, if the Company’s stock ownership guidelines provide for different holding requirements or terms with respect to Executive, the stock ownership guidelines shall govern. Notwithstanding the foregoing, the restrictions of this subsection (c) will not prevent Executive from selling or directing the withholding of shares of the Company stock in accordance with, and subject to, Section 21 to satisfy income tax and employment tax obligations relating to the vesting, exercise, or settlement of equity grants to which the shares relate.
  4. Employee Benefit Programs and Fringe Benefits. During the Term of Employment, Executive will be entitled to five weeks of vacation per fiscal year and will be eligible to
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## Exhibit 10.2

participate in all executive incentive and employee benefit programs of the Company now or hereafter made available to the Company's senior executives or salaried employees generally, as such programs may be in effect from time to time. The Company will reimburse Executive for any and all business expenses reasonably incurred by Executive in connection with his employment in accordance with applicable the Company policies.

### 5. Termination of Employment.

- a. Termination Due to Death or Disability. If Executive's employment with the Company is terminated by reason of Executive's death or Disability, the Term of Employment will (if it has not yet already expired) terminate automatically and the Company will have no further obligations to Executive under this Agreement except for (x) any payments and benefits described in Section 5(f) below and (y) subject to the requirements of Section 5(i) below, amounts and benefits due pursuant to clauses (i) through (iv) of this Section 5(a).
    - i. In the event Executive's employment with the Company is terminated during the Term of Employment by reason of Executive's Disability, the Company will reimburse Executive for 100% of the COBRA premiums incurred by Executive for Executive and his eligible dependents under the Company's health care plan during the 18-month period immediately following the Termination Date. Such reimbursement will be provided on the payroll date immediately following the date on which Executive remits the applicable premium payment and will commence within 60 days after the Termination Date; provided that the first payment will include any reimbursements that would have otherwise been payable during the period beginning on the Termination Date and ending on the date of the first reimbursement payment. Reimbursement payments will be treated as taxable compensation to Executive.
    - ii. Whether or not such termination of employment due to death or Disability occurs during the Term of Employment, any outstanding equity-based or other compensation that has been granted to Executive, and that vests solely on the basis of continued employment, will vest in full as of the Termination Date and, with respect to RSUs, will be paid on the dates specified in the documents governing the awards.
    - iii. Whether or not such termination of employment due to death or Disability occurs during the Term of Employment, all of Executive's outstanding PSUs and other performance-vesting awards will continue to vest, subject only to the achievement by the Company of the applicable performance goals, in each case as though such termination of employment had not occurred, and will be paid on the date specified in the documents governing the awards.
    - iv. Whether or not such termination due to death or Disability occurs during the Term of Employment, Executive will receive a Pro-Rata Annual Cash Bonus (as defined in Section 5(b)(v) below), determined and paid as provided such subsection.
  - b. Termination By the Company Without Cause or By Executive with Good Reason (Other Than in Connection with a Change in Control). In the event Executive's employment with the Company is terminated (other than for death or Disability) (x) by the Company without Cause (other than within six months before, or 24
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## Exhibit 10.2

months after, a Change in Control), or (y) by Executive with Good Reason (other than within 24 months after a Change in Control), the Term of Employment will (if it has not already expired) terminate automatically and the Company will have no further obligations to Executive under this Agreement except for (x) any payments and benefits described in Section 5(f) below and (y) subject to the provisions of Section 5(i) below, the following payments and benefits:

- i. If such termination of employment occurs during the Term of Employment, Executive will be entitled to a cash severance amount equal to:
  1. 1.0 times his Base Salary as of the Termination Date, plus
  2. 1.0 times the greater of (x) his Target Cash Bonus (as defined in Exhibit A) or (y) the average of the Annual Cash Bonus awarded (or due to be awarded) to Executive (including, for avoidance of doubt, annual cash bonuses awarded under the Prior Employment Agreement for years ending prior to the Effective Date) by the Company for the three most recent calendar years that ended on or before the Termination Date (the "Average Cash Bonus").

The severance amount will be paid in 12 equal monthly installments commencing within 60 days following the Termination Date, subject to the requirements of Section 409A of the Code ("Section 409A"); provided, however, that the first installment will include any unpaid installments for the period prior to commencement, and the final installment will be paid on or before the date that is 12 months after the Termination Date.

- i. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, any outstanding equity-based or other compensation that has been granted to Executive, and that vests solely on the basis of continued employment, will vest (and become exercisable) in full as of the Termination Date and, with respect to RSUs, will be paid on the date(s) specified in the documents governing the awards.
  - ii. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, all of Executive's outstanding PSUs and other performance-vesting awards will continue to vest, subject only to the achievement by the Company of the applicable performance goals, as though such termination of employment had not occurred, and will be paid on the date(s) specified in the documents governing the awards.
  - iii. If such termination of employment occurs during the Term of Employment, the Company will reimburse Executive for 100% of the COBRA premiums incurred by Executive for Executive and his eligible dependents under the Company's health care plan during the 12-month period following the Termination Date. Such reimbursement will be provided on the payroll date immediately following the date on which Executive remits the applicable premium payment and will commence within 60 days after the Termination Date, subject to the requirements of Section 409A; provided that the first payment will include any reimbursements that would have otherwise been payable during the period beginning on the Termination Date and ending on the date of the first
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**Exhibit 10.2**

- reimbursement payment. Reimbursement payments will be treated as taxable compensation to Executive.
- iv. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, Executive will receive a portion of the Annual Cash Bonus that Executive would have earned for the calendar year in which his employment terminated, based on the degree to which the Company has attained any applicable Company-wide performance metrics for such year, with any discretionary or personal performance goals treated as having been attained at target. The portion of such Annual Cash Bonus to be received by Executive (a “Pro-Rata Annual Cash Bonus”) shall be determined by multiplying the Annual Cash Bonus amount determined under the first sentence of this clause (v) by a fraction whose numerator is the number of days during the calendar year of termination that he was employed with the Company and whose denominator is 365. Any Pro-Rata Annual Cash Bonus will be paid in cash when the corresponding Annual Cash Bonus would have been paid to Executive for such year absent such termination but no later than March 15 of the immediately following year.

No termination of Executive’s employment that is governed by this Section 5(b), or by Section 5(c), 5(d) or 5(m) below, will be deemed a breach of this Agreement, nor will it relieve either Party of its/his other obligations under this Agreement.

- a. Termination by the Company for Cause or Voluntary Termination by Executive. In the event that at any time Executive’s employment with the Company is terminated (x) by the Company for Cause or (y) by Executive other than with Good Reason, due to Disability, or in a termination governed by Section 5(m) below, then (z) the Term of Employment will (if it has not already expired) terminate automatically and the Company will have no further obligations to Executive under this Agreement except for any payments and benefits described in Section 5(f).
- b. Garden Leave. Executive will provide a Notice of Termination to the Company no less than 90 days prior to any termination by him of his employment with the Company effective during the Term of Employment, and the Company will provide a Notice of Termination to Executive no less than 90 days prior to terminating Executive’s employment effective during the Term of Employment (other than a termination for Cause); provided that the Company may elect to terminate the Garden Leave (as defined below) early as described below. During this 90-day notice period (the “Garden Leave”), Executive will (i) continue to make himself available to provide such services as the Company may reasonably request (provided only that such services are reasonably consistent with Executive’s status as a senior executive of the Company) and (ii) continue to receive all payments and benefits to which he would otherwise be entitled, except that (notwithstanding anything in this Agreement or elsewhere to the contrary) in the event of a termination (x) by Executive other than with Good Reason, for Disability, or in a termination to which Section 5(m) applies, or (y) by the Company for Cause, Executive will not be eligible to earn any Annual Cash Bonus with respect to any calendar year that ends after the commencement of the Garden Leave. During the Garden Leave, the Company may require Executive to
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## Exhibit 10.2

resign from any position with the Company, including without limitation any position Executive then holds as an officer, director or fiduciary of the Company or any Company-related entity, and/or remove any or all of Executive's duties or responsibilities, which will not constitute Good Reason or otherwise be deemed a violation of this Agreement. Executive agrees that he will not commence employment with any entity during the Term of Employment (including the Garden Leave). During the Garden Leave, Executive will take all steps reasonably requested by the Company to effect a successful transition of client and customer relationships to the person or persons designated by the Company. Notwithstanding the foregoing, the Company in its sole discretion may waive all or any portion of the Garden Leave by providing written notice to Executive accelerating the last day of the Garden Leave period and the Termination Date (provided that, if the termination of Executive's employment is on account of termination by the Company without Cause or by Executive for Good Reason or due to Disability, pay in lieu of notice shall be paid for any remaining portion of the 90-day notice period). For the avoidance of doubt, no such shortening of the Garden Leave will be treated as a termination of Executive's employment by the Company without Cause or as giving Executive any basis for terminating his employment with Good Reason.

- c. Termination Related to Change in Control. In the event Executive's employment with the Company is terminated (x) by the Company other than for Cause or Disability, and within six months before, or 24 months after, a Change in Control, or (y) by Executive with Good Reason and within 24 months after a Change in Control, then (z) the Term of Employment (if it has not already expired) will terminate automatically and the Company will have no further obligations to Executive under this Agreement except for (x) any payments and benefits described in Section 5(f) below, and (y) subject to the requirements of Section 5(i) below, the following payments and benefits:
- i. If such termination occurs during the Term of Employment, the Company will promptly pay to Executive a cash severance amount equal to:
    1. 2.25 times his Base Salary as of the Termination Date, plus
    2. 2.25 times the greater of (x) his Target Cash Bonus (as defined in Exhibit A) or (y) the Average Cash Bonus (which, for avoidance of doubt, includes annual cash bonuses awarded under the Prior Employment Agreement for years ending prior to the Effective Date).

Except as provided below, the severance amount shall be paid in a cash lump sum payment within 60 days following the Termination Date, subject to the requirements of Section 409A. If Executive's employment is terminated by the Company other than for Cause or Disability within six months before a Change in Control, as described above, the severance amount shall be calculated pursuant to Section 5(b)(i) and paid in the form of payment described in Section 5(b)(i) upon Executive's termination of employment before the Change in Control, and upon the Change in Control, Executive shall receive a lump sum cash payment equal to the excess of the severance amount payable under this Section 5(e)(i) over the severance amount previously paid to Executive pursuant to Section 5(b)(i), consistent with Section 409A (as defined below).

- i. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, all of Executive's outstanding equity-based and other
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## Exhibit 10.2

awards that vest or become exercisable based solely on Executive's continued employment will vest (and become exercisable) in full as of the Termination Date. In addition, if such termination of employment occurs on or within 24 months after the Change in Control, (A) any such awards (e.g., RSUs) that settle following vesting and that remain outstanding following such Change in Control will be settled within 60 days after the Termination Date, subject to the requirements of Section 409A, and (B) any such awards that are in the form of stock options or SARs and that remain outstanding following such Change in Control will remain exercisable until at least the earlier of (a) the 90<sup>th</sup> day following the Termination Date and (b) the date on which such option or SAR would have expired had Executive's employment not terminated.

- ii. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, any of Executive's outstanding PSUs or other performance-vesting equity-based grants whose continued vesting after such Change in Control is based solely on continued employment (without regard to performance after such Change in Control) will vest in full as of the Termination Date (or as of the Change in Control, if later) and will be settled within 60 days after the Termination Date (or the Change in Control, if later), subject to the requirements of Section 409A. Any outstanding performance-vesting awards whose vesting after such Change in Control remains contingent on performance will continue to vest, subject only to attainment by the Company of the applicable performance goals.
  - iii. The Company will reimburse Executive for 100% of the COBRA premiums incurred by Executive for Executive and his eligible dependents under the Company's health care plan during the 18-month period following the Termination Date. Such reimbursement will be provided on the payroll date immediately following the date on which Executive remits the applicable premium payment and will commence within 60 days after the Termination Date, subject to the requirements of Section 409A; provided that, the first payment will include any reimbursements that would have otherwise been payable during the period beginning on the Termination Date and ending on the date of the first reimbursement payment. Reimbursement payments will be treated as taxable compensation to Executive.
  - iv. Executive will receive a Pro-Rata Annual Cash Bonus, determined and paid as described in Section 5(b)(v) above.
- d. Other Payments and Benefits. Upon any termination of Executive's employment with the Company, in addition to the amounts and benefits (if any) under other sub-sections of this Section 5, Executive will be entitled to the following:
- i. prompt payment of any earned but unpaid portion of his Base Salary through the Termination Date and a prompt cash payment (determined based on Executive's per-business-day rate of Base Salary) in respect of vacation that is accrued but unused as of the Termination Date;
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## Exhibit 10.2

- ii. any vested deferred compensation (including any interest accrued on or appreciation in value of such deferred amounts) in accordance with the documents governing such compensation;
  - iii. prompt reimbursement for business expenses reasonably incurred but not yet reimbursed by the Company in accordance with the Company's expense reimbursement policy as in effect from time to time;
  - iv. unless Executive's employment with the Company has been terminated by the Company for Cause, Executive will receive any earned but unpaid Annual Cash Bonus for any calendar year that ended prior to the Termination Date; and
  - v. any other payment or benefit to which Executive is, or becomes, entitled under the then-applicable terms of any then-applicable written plan, program, agreement, corporate governance document, or other arrangement of the Company or any of its affiliates (collectively, "Company Arrangements"), including (without limitation) Section 8 of this Agreement.
- e. Payments Subject to Section 409A and Other Applicable Law.
- i. The Company and Executive intend that this Agreement will be interpreted and administered so that any amount or benefit payable hereunder will be paid or provided in a manner that is either exempt from or compliant with Section 409A, and thus does not incur any income inclusion, additional tax, or interest under Section 409A.
  - ii. Notwithstanding anything in this Agreement or elsewhere to the contrary, Executive will not be entitled to any payment or benefit pursuant to this Section 5 prior to the earliest date he is permitted to receive such payment or benefit without incurring income inclusion, additional tax, or interest under Section 409A. To the extent any payment or benefit is required to be delayed six months pursuant to the special rules of Section 409A related to "specified employees," each affected payment and benefit will be delayed until the first day of the seventh month following the Termination Date or, if earlier, within ten days following the date of Executive's death.
  - iii. Any installment payments or benefits under this Agreement or any other arrangement will be treated as a series of separate payments and benefits for purposes of Section 409A. Executive shall have no duties following the Termination Date that are inconsistent with his having had a "separation from service" under Section 409A on or before the Termination Date. Notwithstanding any other provision contained herein, if a Change in Control is not a change in ownership or control as defined for purposes of Section 409A and payment of the severance amount in a lump sum would trigger "additional tax" under Section 409A, then the severance amount under Section 5(e)(i) shall be paid in the form described in Section 5(b)(i).
  - iv. If Executive is entitled to any reimbursement of expenses or in-kind benefits that are includable in Executive's federal gross taxable income, the amount of such expenses reimbursable or in-kind benefits provided in any one calendar year will not affect the expenses eligible for reimbursement or the in-kind benefits to be provided in any other calendar year. Executive's right to reimbursement of expenses or in-kind benefits
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## Exhibit 10.2

- under this Agreement will (x) not be subject to liquidation or exchange for another benefit and (y) be made on or before the last day of Executive's taxable year following the year in which the expense was incurred.
- v. None of the Company, its affiliates or their respective directors, officers, employees or advisors will be held liable for any taxes, interest or other amounts owed by Executive as a result of the application of Section 409A or otherwise, provided (in the case of the Company only) that the Company has complied with the provisions of this Agreement, and of any other applicable Company Arrangement, concerning the timing of payments and benefits.
  - f. No Mitigation; No Offset. In the event of any termination of Executive's employment with the Company, he will be under no obligation to seek other employment or otherwise in any way to mitigate the amount of any payment or benefit provided for in this Section 5, and there will be no offset against amounts due him under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain.
  - g. Release; Compliance with Covenants. The Company's obligation to make any payment or provide any benefit (other than the payments and benefits described in Section 5(f)) under Section 5(a), Section 5(b), Section 5(e), or Section 5(m) will be contingent upon, and is the consideration for, (A) Executive executing and delivering to the Company, within 45 days after the Termination Date, a general release (the "Release"), substantially in the form annexed hereto as Exhibit B, (B) such release becoming irrevocable in accordance with its terms and (C) Executive not having committed, prior to the date that such payment or benefit is due to be provided, a material breach of his obligations under Section 7, which breach has remained uncured for 10 days after the Company has given him written notice describing the breach in reasonable detail and requesting cure (provided that the Company shall not be required to provide an opportunity to cure if the Board of Directors determines in good faith that the breach is not curable within the 10-day cure period that would otherwise apply). In the event of a material breach of Executive's obligations under Section 7 without timely cure as described above, the Company may immediately cease all payments under Section 5(a), Section 5(b), Section 5(e), or Section 5(m), as applicable (other than the payments and benefits described in Section 5(f)), and the Company may immediately forfeit all outstanding equity awards held by Executive to the extent that such equity awards vested or would have vested pursuant to Section 5(a), Section 5(b), Section 5(e), or Section 5(m), as applicable (other than as described in Section 5(f)). In the event that either the 45-day period, or the 10-day period, referred to in the immediately preceding sentence span two calendar years, any payments or benefits that, but for clauses (A), (B) or (C), as applicable, of such sentence, would have been due to be provided during the first such calendar year will be delayed and paid to Executive on the first regular payroll date of the Company in such second calendar year (but in no event later than January 31 of such second calendar year but with respect to delays pursuant to clause (C) of the immediately preceding sentence only if then cured), if required by Section 409A, with any subsequent payments and benefits to be provided as if no such delay had occurred.
  - h. Parachute Payments.
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## Exhibit 10.2

- i. Notwithstanding anything in this Agreement or elsewhere to the contrary, in the event that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (each, a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the Company will reduce (but not below zero) the aggregate present value of the Payments under this Agreement to the Reduced Amount (as defined below), if reducing the Payments under this Agreement will provide Executive a Net After-Tax Benefit that exceeds his Net After-Tax Benefit if such reduction is not made. To the extent such Payments are required to be so reduced, they will be reduced in the following order and, to the extent applicable, in accordance with Section 409A of the Code, such that any such reduction does not result in Executive incurring any income inclusion, additional tax, or interest under Section 409A: (i) Payments that are payable in cash, with amounts that are payable last reduced first; (ii) Payments due in respect of any equity or equity derivatives included in such calculation at their full value under Section 280G (rather than their accelerated value), with amounts that are payable last reduced first; and (iii) Payments due in respect of any equity or equity derivatives included in such calculation at their accelerated value under Section 280G, with the highest per share values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24). If the same payment or benefit date applies to more than one payment or benefit within any of the foregoing categories, the reduction will apply to each such payment or benefit on a pro rata basis.
  - ii. The "Reduced Amount" will be an amount expressed in present value that maximizes the expected net after-tax present value of the Payments without causing any Payment under this Agreement to be subject to the Excise Tax. The term "Excise Tax" means the excise tax imposed under Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax. The term "Net After-Tax Benefit" means the present value (as determined in accordance with Section 280G(d)(4) of the Code) of the Payments net of all taxes imposed on Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under the state and local laws that applied to Executive's taxable income for the immediately preceding taxable year, or such other rate(s) as Executive certifies are likely to apply to him in the relevant tax year(s).
  - iii. All determinations to be made under this Section 5(j) will be made in the first instance by a nationally recognized public accounting or consulting firm, selected by the Company prior to the events that trigger the potential application of Section 280G, which firm (the "Auditor") will provide its determinations and any supporting calculations to both the Company and Executive within ten days after the events that trigger the potential application of Section 280G. All fees and expenses of the Auditor in
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## Exhibit 10.2

- performing the determinations referred to in this Section 5(j) will be borne solely by the Company.
- iv. It is possible that after the Auditor makes its determinations under clause (iii) above, Executive will receive Payments that are, in the aggregate, either more or less than the Reduced Amount (hereafter referred to as an “Excess Payment” or “Underpayment”, respectively). If it is determined by the Auditor upon request by Executive or the Company, by a final determination of a court, or by an Internal Revenue Service proceeding that has been finally and conclusively resolved, that an Excess Payment has been made, then Executive will refund the Excess Payment to the Company promptly on demand, together with an additional payment in an amount equal to the product obtained by multiplying the Excess Payment times the rate that is 120% of the applicable annual federal rate (as determined in and under Section 1274(d) of the Code), times a fraction whose numerator is the number of days elapsed from the date of Executive’s receipt of such Excess Payment through the date of such refund and whose denominator is 365. If it is determined by the Auditor upon request by Executive or the Company, by arbitration under Section 19 below, or by a court of competent jurisdiction, that an Underpayment has occurred, the Company will pay an amount equal to the Underpayment to Executive within 10 days of such determination together with an additional payment in an amount equal to the product obtained by multiplying the Underpayment times the rate that is 120% of the applicable annual federal rate (as determined in and under Section 1274(d) of the Code) times a fraction whose numerator is the number of days elapsed from the date of the Underpayment through the date of such payment and whose denominator is 365.
  - i. Resignation from Positions. Upon any termination of Executive’s employment with the Company, Executive will be deemed to have resigned with immediate effect from any position he then holds as an officer, director or fiduciary of the Company or any Company-related entity. Executive will promptly execute and deliver to the Company any letters, documents and other instruments that the Company delivers to him and reasonably requests him to sign, and that are necessary or appropriate to effect such resignations.
  - j. No Duplication. For the avoidance of doubt, Executive will in no event be entitled to duplicate payments or benefits under both Section 5(e) and Section 5(b).
  - k. Terminations After Expiration of the Term of Employment Following Delivery of Notice of Nonrenewal of the Term of Employment by the Company.
    - i. Termination by the Company. The provisions of this Section 5(m)(i) shall apply in the event that (A) the Company provides Executive written notice of nonrenewal of the Term of Employment in accordance with Section 1(b) (other than for Cause), and (B) Executive’s employment is terminated (other than for death or Disability) by the Company without Cause after the last day of the Term of Employment. In that event, subject to the provisions of Section 5(i), Executive will be entitled to a cash severance amount equal to 12 months of his Base Salary as of the Termination Date, in addition to the payments and benefits set forth in Sections 5(b)(ii), (iii)
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## Exhibit 10.2

and (v) and Section 5(f). Such severance amount will be paid in 12 equal monthly installments commencing within 60 days following the Termination Date, subject to the requirements of Section 409A; provided, however, that the first payment will include any unpaid installments for the period prior to commencement, and the final installment will be paid on or before the date that is 12 months after the Termination Date. Notwithstanding the foregoing, if Executive's employment is terminated as described in this Section 5(m)(i) within 24 months following a Change in Control, such Base Salary amount will be payable to Executive in a cash lump sum instead of installments. Such lump sum shall be paid within 60 days following the Termination Date, subject to the requirements of Section 409A. If Executive's employment is terminated as described in this Section 5(m)(i) within six months before a Change in Control, when the Change in Control occurs, the excess of the severance amount payable under this Section 5(m)(i) over the severance amount previously paid to Executive pursuant to this Section 5(m)(i) shall be paid in a lump sum upon the Change in Control, consistent with Section 409A. The Company may require that Executive be on Garden Leave as described in Section 5(d) during the 90-day period following the Company's notice of termination. For the avoidance of doubt, in the event that the circumstances described in this Section 5(m)(i) occur, the Company shall have no further obligations to Executive other than as set forth in this Section 5(m)(i).

- ii. Termination by Executive. The provisions of this Section 5(m)(ii) shall apply in the event that (A) the Company provides Executive written notice of nonrenewal of the Term of Employment in accordance with Section 1(b) (other than for Cause), (B) the Company does not offer Executive a successor employment agreement that is substantially equivalent to, or more favorable than, this Agreement (viewed in the aggregate) at least 10 days before the last day of the Term of Employment, and (C) Executive provides written notice of his resignation under this Section 5(m)(ii) no later than the seventh day after the last day of the Term of Employment. If Executive provides such notice, the Company shall have a 30-day period during which to cure Executive's grounds for termination, by offering Executive a successor employment agreement that is substantially equivalent to, or more favorable than, this Agreement (viewed in the aggregate). If the Company fails to cure, Executive's termination shall be effective 90 days after the date of Executive's written notice of such resignation, unless the Company designates an earlier termination date. The Company may require that Executive be on Garden Leave as described in Section 5(d) during the 90-day period following the date of Executive's written notice of resignation. In the event of a termination of employment under this Section 5(m)(ii), the Company will provide (x) any payments and benefits described in Section 5(f) above, and (y) subject to the provisions of Section 5(i) above, the payments and benefits set forth in Sections 5(b)(ii), (iii) and (v). For the avoidance of doubt, in the event that the circumstances described in this Section 5(m)(ii) occur, the
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## Exhibit 10.2

Company shall have no further obligations to Executive other than as set forth in this Section 5(m)(ii).

- i. Qualifying Retirements. Notwithstanding anything in this Agreement or elsewhere to the contrary, if Executive terminates his employment with the Company (with or without Good Reason) or the Company terminates his employment without Cause, in each case, at any time after Executive has attained age 55 and the sum of his age plus his years of service with the Company and its predecessors (including, without limitation, Fixed Income Discount Advisory Company (“FIDAC”) during the time that FIDAC was the external manager of the Company) (including, in each case, fractional years) equals or exceeds 65 as of the Termination Date, and he has at least five years of service with the Company and its predecessors as of the Termination Date, then the Company will provide (without duplication and without limiting the benefits provided under the foregoing Sections, if applicable) (x) any payments and benefits described in Section 5(f) above and (y) subject to the provisions of Section 5(i) above, the payments and benefits described in Sections 5(b)(ii), (iii), and (v).
6. Definitions. For purposes of this Agreement, the following terms will be defined as set forth below:
  - a. “Cause” means Executive’s (i) conviction, or entry of a guilty plea or a plea of nolo contendere with respect to, a felony, a crime of moral turpitude or any crime committed against the Company, other than traffic violations; (ii) engagement in willful misconduct, gross negligence, or fraud, embezzlement, or misappropriation relating to significant amounts occurs in connection with the performance of his duties under this Agreement; (iii) failure to follow any lawful directive of the Board of Directors or the CEO; (iv) material breach of Section 7 of this Agreement; (v) chronic or persistent substance abuse that materially and adversely affects his performance of his duties under this Agreement; or (vi) material breach of this Agreement (other than Section 7) resulting in material and demonstrable economic injury to the Company. No act or omission to act by Executive will be deemed “willful” if conducted in good faith or with a reasonable belief that such act or omission was in, or not opposed to, the best interests of the Company. No termination of Executive’s employment for Cause shall be effective as a termination for Cause unless the following provisions of this Section 6(a) have first been complied with. The Board of Directors shall give Executive written notice of its intention to terminate his employment for Cause, such notice (the “Cause Notice”) (x) to state in reasonable detail the circumstances that constitute the grounds on which the proposed termination for Cause is based and (y) to be given no later than the later of (i) the 90<sup>th</sup> day after the Board of Directors first becomes aware of such circumstances or (ii) the 10<sup>th</sup> day after the Board of Directors completes (with reasonable diligence) its investigation as to whether Cause exists. If the Board of Directors determines that the grounds on which the proposed termination for Cause is based are subject to cure, Executive shall have 10 days after receiving such Cause Notice in which to fully cure such grounds. If he fails to timely and fully cure such grounds, Executive shall then be entitled to a hearing before the Board of Directors. Such hearing shall be held and completed within 25 days after he received such Cause Notice, provided that he requests such hearing within 10 days after receiving such Cause Notice. If, within 10 days following such hearing (if timely requested), and

## Exhibit 10.2

otherwise within 20 days after he received such Cause Notice, the Board of Directors gives written notice to Executive confirming that, in the judgment of at least a majority of the members of the Board of Directors, Cause for terminating his employment on the basis set forth in the original Cause Notice still exists, his employment shall thereupon be terminated for Cause. During the period between the delivery of a Cause Notice and expiration of the time within which the Board of Directors is required to confirm that "Cause" as set forth in such notice exists, the Board of Directors may suspend some or all of Executive's duties, responsibilities and positions with the Company and Company-related entities, and such suspension will not constitute Good Reason or otherwise be deemed a violation of this Agreement.

- b. "Change in Control" means the occurrence of any one of the following events to the extent such event also constitutes a "change in control event" for purposes of Section 409A:
- i. any "person," as such term is used in Sections 13(d) and 14(d) of the Act (other than the Company, any of its subsidiaries, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its subsidiaries) together with all affiliates and "associates" (as such term is currently defined in Rule 12b-2 under the Act) of such person, becomes the "beneficial owner" (as such term is currently defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Board of Directors ("voting securities"); or
  - ii. persons who, as of the Effective Date, are members of the Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board of Directors, provided that any person becoming a member of the Board of Directors subsequent to the Effective Date whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors will, for purposes of this Agreement, be considered an Incumbent Director; or
  - iii. there occurs (A) any consolidation or merger of the Company or any subsidiary where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, and in substantially the same proportions that they beneficially owned shares of the Company immediately prior to the consolidation or merger, securities representing in the aggregate 60% or more of the combined voting power of the then outstanding securities of the entity issuing cash or securities in the consolidation or merger (or of its ultimate parent entity, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the business or assets of the Company (other than to an entity 60% or more of whose voting power is represented by securities beneficially owned, in substantially the same
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## Exhibit 10.2

proportions that they beneficially owned shares of the Company immediately before such transfer, by the persons or entities that beneficially owned shares of the Company immediately before such transfer) or (C) any liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change in Control" will not be deemed to have occurred for purposes of the foregoing clause solely as the result of an acquisition of its own voting securities by the Company which, by reducing the number of voting securities outstanding, increases the proportionate voting power represented by the voting securities beneficially owned by any person or entity to 40% or more of the combined voting power of all then outstanding voting securities, provided that any subsequent acquisition of additional voting securities by such person or entity, when such person or entity beneficially owns voting securities representing 40% or more of the combined voting power of all then outstanding voting securities, shall by itself constitute a Change in Control.

- a. "Code" means the Internal Revenue Code of 1986, as amended.
- b. "Disability" means Executive's inability, for a period of six consecutive months, to render substantially the services provided for in this Agreement by reason of mental or physical disability, whether resulting from illness, accident or otherwise, provided that such inability also constitutes "disability" for purposes of Section 409A.
- c. "Good Reason" means the occurrence of any of the following events without Executive's prior written consent:
  - i. any material diminution in Executive's duties or responsibilities, provided that any changes to Executive's duties or responsibilities resulting from Executive ceasing to be a Chief Investment Officer or Co-Chief Investment Officer will not constitute Good Reason;
  - ii. any relocation of Executive's principal place of employment to a place other than New York City (or, following a Change in Control, the Borough of Manhattan);
  - iii. any failure of the Company to pay or provide to Executive, when due, any material payment or benefit owed to him; or
  - iv. any material failure by the Company to honor any of its material obligations to Executive.

For Good Reason to exist on the basis of an event, Executive must have provided written notice of such event to the Company within 90 days after he first learned of its occurrence; the Company must have failed to fully cure such event within 30 days after it received such notice; and Executive must have provided to the Company, within 30 days following the expiration of such cure period, written notice of his decision to terminate his employment, which termination shall be effective 90 days after the date of Executive's initial written notice of the Good Reason event, unless the Company agrees to an earlier termination date. The Company may require that Executive be on Garden Leave as described in Section 5(d) during the 90-day period following the date of Executive's initial written notice of the Good Reason event.

- a. "Notice of Termination" means any written notice, delivered by either Party to the other, that Executive's employment with the Company will terminate.

### 7. Covenants.

- a. Confidentiality Restrictions. Executive agrees at all times during his employment with the Company and thereafter, to hold in strictest confidence, and not to use, or disclose to any person, firm or corporation, any confidential or proprietary
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## Exhibit 10.2

information of the Company (“Confidential Information”), except as otherwise provided in this Section 7. Confidential Information includes, without limitation: client or customer lists, identities, contacts, business and financial information; investment strategies; pricing information or policies, fees or commission arrangements of the Company; marketing plans, projections, presentations or strategies of the Company; financial and budget information of the Company; personnel information, personnel lists, resumes, personnel data, organizational structure, compensation and performance evaluations; information regarding the existence or terms of any agreement or relationship between the Company and any other party; information developed by Executive during his employment with the Company; and any other information of whatever nature that gives to the Company an opportunity to obtain an advantage over its competitors who or which do not have access to such information, in each case to the extent that such information is confidential or proprietary. Confidential Information developed by Executive during his employment with the Company will be subject to the terms and conditions of this Agreement as if the Company had furnished such Confidential Information to Executive in the first instance. Confidential Information does not include any of the foregoing items that have become publicly known and through no wrongful act of Executive or a third party.

b. Exceptions.

- i. Nothing in this Agreement or elsewhere shall prevent Executive from: (i) using and disclosing documents and information in connection with the good faith performance of his duties for the Company or any of its affiliates; (ii) cooperating with, or participating in, any investigation conducted by any governmental agency; (iii) making truthful statements, or disclosing documents and information, (x) to the extent reasonably necessary in connection with any litigation, arbitration or mediation involving Executive’s rights or obligations under this Agreement or otherwise in connection with his employment with the Company (or the termination of such employment) or (y) when required by law, by legal process or by any court, arbitrator, mediator or legislative body (including any committee thereof) with actual or apparent jurisdiction to order Executive to make such statements or to disclose such documents and information, provided that Executive both gives the Company advance notice of any such disclosure to the extent legally allowable and cooperates (at the Company’s sole expense) in good faith with any effort the Company may make to seek a protective order concerning the confidentiality of any such disclosure; (iv) retaining, and using appropriately (*e.g.*, not in connection with violating any non-competition or non-solicitation restriction), documents and information relating to his personal rights and obligations and his rolodex (and electronic equivalents); (v) disclosing his post-employment restrictions in confidence in connection with any potential new employment or business venture; (vi) disclosing documents and information in confidence to any attorney, financial advisor, tax preparer, or other professional for the purpose of securing professional advice; or (vii) using and disclosing documents and information at the request of the Company or its attorneys or agents.
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## Exhibit 10.2

- ii. Nothing in this Agreement or elsewhere shall prohibit or restrict Executive from initiating communications directly with, responding to any inquiry from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, any agency Inspector General or any other federal, state or local regulatory authority, or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. Executive does not need the prior authorization of the Company to engage in conduct protected by this subsection, and Executive does not need to notify the Company that Executive has engaged in such conduct. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose trade secrets to their attorneys, courts, or government officials in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.
  - c. Former Employer Information. Subject to Section 7(b), Executive agrees that he will not, during and in connection with his employment with the Company, use or disclose any proprietary information or trade secrets of any former or concurrent employer or other person or entity and that he will not bring into the premises of the Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.
  - d. Third Party Information. Subject to Section 7(b), Executive recognizes that the Company has received, and in the future will receive, from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Executive agrees to treat all such information as Confidential Information.
  - e. Mutual Non-Disparagement. Executive acknowledges that any disparaging comments by him against the Company are likely to substantially depreciate the business reputation of the Company. Subject to Section 7(b), Executive therefore agrees that he will not directly or indirectly defame, disparage, or publicly criticize the services, business, integrity, veracity or reputation of the Company or its officers, directors, or employees in any forum or through any medium of communication. The Company agrees that, upon termination of Executive's employment, the Company will direct its senior management team and the members of the Board of Directors not to, directly or indirectly, defame, disparage, or publicly criticize the integrity, veracity, or reputation of Executive.
  - f. Restrictive Covenants.
    - i. Conflicting Employment. Executive agrees that, during his employment with the Company, he will not engage in any other employment,
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## Exhibit 10.2

occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during such employment, nor will he engage in any other activities that conflict with his obligations or responsibilities to the Company.

- ii. Returning Company Documents and Property. Executive agrees that, at the time he leaves the employ of the Company, or at any other time at the Company's reasonable request, he will deliver to the Company (and will not keep in his possession, recreate or deliver to anyone else) any and all software, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, Confidential Information, other documents or property, or reproductions of any aforementioned items developed by him pursuant to his employment with the Company or otherwise belonging to the Company. To the extent Executive has retained any Company property or Confidential Information on any electronic or computer equipment belonging to him or under his control, Executive agrees to so advise the Company and to permanently delete all such property or Confidential Information and all copies, and to allow the Company reasonable access to such equipment for purposes of permanently deleting all such property or Confidential Information. In the event of any termination of Executive's employment with the Company, Executive agrees to provide such written assurances of his compliance with this Section 7(f)(ii) as the Company may reasonably request.
  - iii. Notification to New Employer. During Executive's employment with the Company and for 12 months thereafter, Executive will advise the Company of any new employer of his, or any other person or entity for whom he may perform services, either before or within three (3) days after accepting an offer to work for such employer or other person or entity. Executive hereby agrees to notify, and grants consent to notification by the Company to, any new employer, or other person or entity for whom he may perform services, of his obligations under this Section 7 and under Section 5(d) above (relating to "Garden Leave").
  - iv. Solicitation of Employees. During his employment with the Company and for 12 months thereafter, Executive will not, either directly or indirectly, for himself or for any other person or entity:
    1. solicit, induce, recruit or encourage any of the Company's employees, consultants, independent contractors or any person who provides services to the Company to terminate or reduce their employment or other relationship with the Company,
    2. hire any individual who is (or was within the six (6) months immediately preceding such hiring) an employee, exclusive consultant, or exclusive independent contractor of the Company, or
    3. attempt to do any of the foregoing.
  - v. Solicitation of Customers. During his employment with the Company and for 12 months thereafter, Executive will not, either directly or indirectly, (i) solicit, entice, or induce any Customer for the purpose of providing, or provide, products or services that are competitive with the products or services provided by the Company, or (ii) solicit, entice, or induce any
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**Exhibit 10.2**

Customer to terminate or reduce its business with (or refrain from increasing its business with) the Company. As used in this subsection (f)(v) of this Section 7, "Customer" means any person or entity to which the Company provided products or services (or was invested in products offered by the Company), and with which Executive had contact on behalf of the Company or about whom Executive possesses Confidential Information, within the last 12 months of his employment with the Company.

- vi. Noncompetition. During his employment with the Company and for 12 months thereafter, Executive will not, either directly or indirectly:
1. have any ownership interest in, or participate in the financing, operation, management or control of, any Competitor (as defined below); or
  2. engage in or perform services (whether as an employee, consultant, proprietor, partner, director or otherwise) for any Competitor, if such services either (i) are the same as or similar to (individually or in the aggregate) the services Executive performed for the Company during his employment with the Company, or (ii) are performed with respect to products or services of the Competitor that are competitive with the products or services provided by the Company with which Executive was involved during his employment with the Company or about which Executive received or possessed Confidential Information during his employment with the Company.
- vii. As used in subsection (f)(vi) of Section 7, "Competitor" means any person or entity that competes with the Company and that is (i) a mortgage REIT, (ii) an entity or person engaged in any element of acquiring mortgage backed securities, including any private or public investment firm or broker dealer whose business strategy is based on or who engages in the trading, sales, investment or management of mortgage backed securities, or (iii) an entity or person that manages or advises (including as an external advisor) either a mortgage REIT or an entity or person engaged in any element of acquiring mortgage backed securities, including any private or public investment firm or broker dealer whose business strategy is based on or who engages in the trading, sales, investment or management of mortgage backed securities. The restrictions set forth in subsection (f)(vi) of this Section 7 will apply within or with respect to the United States and any other country in which the Company is then engaged in business. Executive acknowledges that the Company's technology and products have worldwide application, including without limitation over the Internet and that such geographic scope is therefore reasonable. It is agreed that ownership of no more than 2% of the outstanding voting stock of a publicly traded entity will not constitute a violation of subsection (f)(vi) of this Section 7.
- viii. Corporate Opportunities. Executive agrees that, during his employment with the Company and for 12 months thereafter, Executive will not use, for his own personal gain or benefit, opportunities discovered in the course of his employment. In addition, if during his employment with the
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## Exhibit 10.2

Company Executive is approached about or otherwise become aware of a potential investment or other business transaction that may be appropriate for the Company, Executive will not take that opportunity for himself, will (if warranted) bring it to the Board of Directors' attention, and will not share or disclose it to any third party, without either (x) the Board of Directors' permission or (y) a good faith belief that sharing or disclosing it is in, or not opposed to, the Company's best interests.

- g. Cooperation with Respect to Litigation. During the Term of Employment and at all times thereafter, Executive agrees to give written notice to the Company of any third-party claim against the Company promptly after becoming aware of such claim, and cooperate with the Company, in good faith and upon reasonable request by the Company, in connection with any pending, potential or future claim, investigation or action that directly or indirectly relates to any action, event or activity about which Executive may have knowledge in connection with or as a result of his employment by the Company. Such cooperation will include all assistance that the Company, its counsel or representatives may reasonably request, including reviewing documents, meeting with counsel, providing factual information and material, and appearing or testifying as a witness, in each case consistent with Executive's other obligations under this Agreement and with his other personal and professional commitments after the Termination Date; provided, however, that the Company will promptly pay, or reimburse Executive for, any reasonable expense that he incurs in connection with any cooperation under this Section 7(g).
- h. Remedies.
- i. Executive acknowledges and agrees that the restrictions set forth in this Section 7 are critical and necessary to protect the Company's legitimate business interests; are reasonably drawn to this end with respect to duration, scope, and otherwise; are not unduly burdensome; are not injurious to the public interest; and are supported by adequate consideration. Executive agrees that it would be impossible or inadequate to measure and calculate the Company's damages from any breach of the restrictions set forth in this Section 7. Accordingly, Executive agrees that if he breaches or threatens to breach any such restriction, the Company will have available, in addition to any other right or remedy available, the right to seek an injunction from a court of competent jurisdiction restraining such breach or threatened breach and to specific performance of such restriction. Executive further agrees that no bond or other security will be required in obtaining such equitable relief. Executive further acknowledges and agrees that (x) any claim he may have against the Company, whether under this Agreement or otherwise, will not (except as otherwise expressly provided in Section 7(h)(v) below) be a defense to enforcement of the restrictions set forth in this Section 7, (y) the circumstances of the termination of his employment with the Company will have no impact on his obligations under this Section 7, and (z) this Section 7 is enforceable by the Company, and its subsidiaries, its affiliates, and its permitted successors and assigns.
  - ii. Executive, and the Company, agree and intend that Executive's obligations under any subsection of this Section 7 (to the extent not
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## Exhibit 10.2

perpetual) be tolled during any period that Executive is in material breach of any of the obligations in such subsection, so that the Company is provided with the full benefit of the restrictive period set forth in such subsection; provided that the extension by tolling for any subsection shall not exceed 12 months in the aggregate.

- iii. Executive also agrees that, in addition to any other remedies available to the Company, in the event Executive breaches, in any material respect and without timely cure, any of his obligations under this Section 7, the Company shall also be entitled to the remedy described in Section 5(i) above.
  - iv. Executive and the Company further agree that, in the event that any provision of this Section 7 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, that provision will be deemed to be modified to permit its enforcement to the maximum extent permitted by law. The prevailing party in any action or proceeding under Section 7(h)(i) will be entitled to prompt reimbursement of all expenses (including, without limitation, attorney fees) that such party reasonably incurred in connection with such action or proceeding. It is also agreed that each of the Company's affiliates will have the right to enforce all of Executive's obligations to that affiliate under this Agreement, including without limitation pursuant to this Section 7.
  - v. In the event that (A) the Company or any of its affiliates is, on or after the Termination Date, in material breach of any of its material obligations to Executive under this Agreement, (B) Executive provides written notice to the Company describing such breach in reasonable detail and requesting cure, within 30 days after he learns of the occurrence of such breach, (C) the Company does not cure such breach within 30 days after receipt of such notice, then (z) the restrictions (relating to competition and solicitation of customers) that are set forth in Sections 7(f)(v) and 7(f)(vi) will immediately become null and void. For the avoidance of doubt, the Company and its affiliates will not be considered in breach of their obligations under this Agreement for purposes of this Section 7(h)(v) by reason of the Company or an affiliate exercising its rights under this Agreement in the event of a breach of this Agreement by Executive.
8. Indemnification. The Company will indemnify Executive, to the fullest extent permitted by Maryland law as amended from time to time, against any and all costs, expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines, penalties, ERISA excise taxes and amounts paid in settlement) actually and reasonably incurred by Executive in connection with any action, suit or proceeding, whether civil, criminal, administration, investigative, formal, informal or other (each, a "Proceeding"), provided that Executive's involvement in such Proceeding relates to his positions with, or services for, the Company or any of its affiliates. Expenses incurred by Executive in connection with any such Proceeding will be paid, or reimbursed by the Company, promptly upon receipt by the Company of (i) a written affirmation of Executive's good faith belief that Executive is entitled to indemnification by the Company pursuant to this Section 8 with respect to such expenses and proceeding, (ii) a written undertaking by
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## Exhibit 10.2

Executive, or on Executive's behalf, to and in favor of the Company, wherein Executive agrees to repay the amount if Executive is determined not to have been entitled to indemnification under this Section 8 and (iii) reasonable supporting documentation demonstrating that the expenses have been incurred. While Executive is an officer of the Company, and for six years thereafter, the Company (or any successor thereto) will provide comprehensive coverage under its officers and directors insurance policy (or policies) on substantially the same terms and levels that it then provides coverage to its senior executive officers and/or to members of the Board of Directors, at the Company's sole cost. Nothing in this Agreement shall limit any right that Executive may have in respect of indemnification, advancement, or liability insurance coverage under any other Company Arrangement. Notwithstanding the foregoing, in no event shall the foregoing indemnification apply to any costs, expenses, liabilities or losses resulting from Executive's engaging in conduct that constitutes Cause.

9. Clawback Policy. Executive agrees that all bonuses, equity compensation and other incentive compensation provided by the Company will be subject to any clawback policy applying to senior executives of the Company generally that is implemented by the Board of Directors from time to time.
  10. Inventions.
    - a. Assignment of Inventions. Executive acknowledges that, during his employment by the Company, Executive may be expected to undertake creative work, either alone or jointly with others, which may lead to inventions, ideas, original works of authorship, developments, concepts, improvements, trade secrets or other intellectual property rights, in each case, whether or not patentable or registrable under patent, copyright or similar laws and including, in each case, tangible embodiment of any of the foregoing ("Inventions"). Executive hereby agrees that any Invention that is created by him during his employment by the Company and that is related to the actual or prospective business of the Company or that results from work performed by Executive for the Company (whether or not on the Company's premises or using the Company's equipment and materials or during regular business hours) ("Company Inventions") will be a work-for-hire and will be the sole and exclusive property of the Company and, to the extent such Company Inventions are not a work-for-hire, Executive hereby assigns to the Company Investment Corporation all of his right, title and interest in and to any and all such Company Inventions. In addition, any Inventions created within three years after the termination of Executive's employment by the Company which are based upon or derived from Confidential Information or Company Inventions will be the sole and exclusive property of the Company and Executive hereby assigns to the Company all of his right, title and interest in and to any and all such Company Inventions. Nothing in the preceding sentence will be construed to limit Executive's obligations under Section 10 of this Agreement.
    - b. Further Assistance. Executive agrees to assist the Company, or its designee, upon reasonable request and at the sole expense of the Company or its designee, whether during his employment with the Company or thereafter, in every proper way to secure the Company's, or designee's, rights in the Company Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including disclosing to the Company or designee all pertinent information and data with respect thereto, executing, or causing to be executed, all applications, specifications, oaths, assignments and
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## Exhibit 10.2

other instruments which the Company or designee reasonably deems necessary in order to apply for and obtain such rights and in order to assign and convey to the Company or designee the sole and exclusive rights, title and interest in and to such Company Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. If the Company, or its designee, is unable because of Executive's mental or physical incapacity or for any other reason to secure Executive's signature to apply for or to pursue any application for any United States or foreign patents, copyright registrations or other registrations covering Company Inventions, then Executive hereby irrevocably designates and appoints the Company, or its designee, and its duly authorized officers and agents as his agent and attorney in fact, to act for and in his behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by him, in each case at no expense to Executive. Executive understands and acknowledges that this appointment is coupled with an interest and survives his death or incompetence.

- c. Moral Rights. To the extent not assignable, Executive hereby waives, to the extent permitted by applicable law, any and all claims he may now or hereafter have in any jurisdiction to all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as "moral rights" with respect to all Company Inventions.
  - d. No License. Executive understands and acknowledges that this Agreement does not grant him, and will not be construed to grant him, any license or right of any nature with respect to any Company Inventions or Confidential Information, other than as expressly set forth in this Agreement.
11. Assignability; Binding Nature. This Agreement will inure to the benefit of the Company and Executive and their respective successors, heirs (in the case of Executive) and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that any such rights or obligations may be assigned or transferred by the Company pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company, provided that in each case the assignee or transferee is the successor to all or substantially all of the business and assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. This Agreement will not be assignable by Executive; provided however that, in the event of Executive's death or a judicial determination of his incapacity, references to Executive in this Agreement will be deemed, where appropriate, to be references to his heirs, estate, beneficiaries, executor or other legal representative.
  12. Representation. The Company and Executive each represent and warrant that it or he is fully authorized and empowered to enter into this Agreement and that its or his entering into this Agreement, and the performance of its or his obligations under this Agreement, will not violate any document to which it or he is a party or by which it or he is bound.
  13. Entire Agreement; Inconsistency. This Agreement contains the entire agreement between the Company and Executive concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between them with respect thereto (including, without limitation, the Prior
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## Exhibit 10.2

Employment Agreement). In the event of any inconsistency between this Agreement and any other Company Arrangement, whether applicable on the date of this Agreement or at any time thereafter, this Agreement will, to the extent more favorable to Executive, control unless Executive otherwise agrees in a signed writing that specifically identifies the provisions of this Agreement whose control he is waiving.

14. Amendment or Waiver. This Agreement can only be changed, modified or amended in a writing that is signed by both Executive and the Company and that specifically identifies the provision(s) of this Agreement that are being changed, modified or amended. No waiver by either the Company or Executive at any time of any breach by the other Party of any condition or provision of this Agreement will be deemed a waiver of a similar or dissimilar condition or provision at the same or at any prior or subsequent time. Any waiver must be in writing and signed by Executive or a specifically authorized officer of the Company, as the case may be.
  15. Severability. In the event that any provision or portion of this Agreement is determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement will be unaffected thereby and will remain in full force and effect to the fullest extent permitted by law.
  16. Reasonableness. To the extent that any provision or portion of this Agreement is determined to be unenforceable by a court of law or equity, or by any arbitration panel, that provision or portion of this Agreement will nevertheless be enforceable to the extent that such court or panel determines is reasonable.
  17. Survivorship. The respective rights and obligations of the Parties will survive any termination of the Term of Employment, or of Executive's employment with the Company, to the extent necessary to the intended preservation of such rights and obligations. For the avoidance of doubt, the covenants in Section 7 and the indemnification and insurance provisions of Section 8 of this Agreement will survive any termination of the Term of Employment or of Executive's employment with the Company.
  18. Governing Law. This Agreement, the rights and obligations of the Parties under it, and any claims or disputes relating thereto will be governed by and construed in accordance with the laws of the State of New York (without regard to its choice of law provisions), other than rights and obligations (and related claims and disputes) under Section 8 (Indemnification), which will be governed by Maryland law.
  19. Resolution of Disputes. Any claim arising out of or relating to this Agreement, any other agreement between the Parties, Executive's employment with the Company, or any termination thereof will (except to the extent otherwise provided in Section 7(h)(i) with respect to certain requests for injunctive relief) be resolved by binding confidential arbitration, to be held in the Borough of Manhattan in New York City, before a panel of three arbitrators, in accordance with the employment dispute rules of the American Arbitration Association and this Section 19. Any award rendered by the panel will be accompanied by a written opinion setting forth in reasonable detail the basis for the award, and any such award may be entered in a court having jurisdiction thereof.
  20. Notices. Any notice, consent, demand, request, or other communication given to any person or entity in connection with this Agreement shall be in writing and will be deemed to have been given to such person or entity (i) when delivered personally to such person or entity, (ii) five days after being sent by prepaid certified or registered mail, or two days after being sent by a nationally recognized overnight courier, to the address specified below for such person or entity (or to such other address as such person or
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**Exhibit 10.2**

entity shall have specified by 10 days advance notice given in accordance with this Section 20), or (iii) in the case of the Company only, on the first business day after it is sent by facsimile to the facsimile number set forth below (or to such other facsimile number as has been specified on 10 days' advance notice given in accordance with this Section 20), with a confirmatory copy sent by certified or registered mail or by overnight courier in accordance with this Section 20.

If to the Company: Chimera Investment Corporation  
630 Fifth Ave., Ste 2400  
New York, NY 10111  
Attn: Corporate Secretary  
Fax #: (212) 918-3459  
Email: fei.wang@chimerareit.com

If to Executive: The address of his principal residence as it appears in the Company records, with a copy to him (during his employment with the Company) at his principal office at the Company

If to a beneficiary of Executive: The address most recently specified by Executive or his beneficiary.

1. Withholding. The Company will be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company reasonably determines to be required to be withheld pursuant to applicable law. The Company will use commercially reasonable efforts to establish a relationship with a broker-dealer to facilitate the sale of shares acquired on the vesting or exercise of any equity or equity-based compensation granted to Executive by the Company to enable Executive to satisfy all applicable withholding taxes due in connection with such vesting or exercise; provided that if the Company does not establish any such relationship, Executive may satisfy such withholding obligations by instructing the Company to retain shares otherwise deliverable to Executive upon the vesting or exercise of any such equity or equity-based award with a fair market value not exceeding the minimum amount required to be withheld by applicable law.
2. Headings. The headings of the Sections and sub-sections contained in this Agreement are for convenience only and will not be deemed to control or affect the meaning or construction of any provision of this Agreement.
3. Counterparts. This Agreement may be executed in two or more counterparts. Signatures delivered by facsimile (including, without limitation, by "pdf") will be deemed effective for all purposes.

*[Signature page(s) follow]*

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**Exhibit 10.2**

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Chimera Investment Corporation

By: /s/ Gerard Creagh

Name: Gerard Creagh

Title: Chairman of the Compensation Committee

Executive

By: /s/ Choudhary Yarlagadda

Name: Choudhary Yarlagadda

Title: President, Chief Operating Officer and Co-Chief Investment Officer

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Exhibit A

2023 Incentive Compensation

I. 2023 Annual Cash Bonus.

The following summarizes the material terms of the Annual Cash Bonus set forth in Section 3(b)(i) of the Agreement to which this Exhibit A is attached (the “Agreement”) in respect of the 2023 calendar year. Unless otherwise specified in this Exhibit A, all defined terms have the meanings set forth in the Agreement. The Annual Cash Bonus metrics and terms for subsequent years will be determined by the Compensation Committee, in good faith, in consultation with the CEO.

1. 2023 Performance Period. The Annual Cash Bonus will be payable for the calendar year commencing January 1, 2023 and ending December 31, 2023 (the “2023 Annual Cash Bonus Performance Period”) if the metrics and other requirements described below are met.

Except as otherwise provided in the Agreement, Executive will be eligible to receive the 2023 Annual Cash Bonus only if Executive remains employed by the Company through the last day of the 2023 Annual Cash Bonus Performance Period. In no event will Executive receive any unpaid 2023 Annual Cash Bonus in the event Executive’s employment is terminated by the Company for Cause. For the avoidance of doubt, Executive will not be entitled to an Annual Cash Bonus for any performance period beginning on or after termination of Executive’s employment for any reason.

Except as otherwise provided in the Agreement, any 2023 Annual Cash Bonus will be subject to achievement of the performance goals described in this Exhibit A.

1. Target Cash Bonus. For the 2023 Annual Cash Bonus Performance Period, Executive’s target Annual Cash Bonus (the “Target Cash Bonus”) will be equal to the target Annual Cash Bonus set forth in Section 3(b)(i) of the Agreement. Executive is entitled to receive an Annual Cash Bonus from 0% to 200% of the Target Cash Bonus for the 2023 Annual Cash Bonus Performance Period, based on performance as described below and continued employment as described above.
  2. 2023 Performance Components: Annual Cash Bonus Measurement Period. The 2023 Annual Cash Bonus will be payable based on the following metrics and continued employment through December 31, 2023 (subject to the terms of the Agreement). The Relative ROE and Relative TSR metrics will be measured based on the measurement period beginning at the end of the third fiscal quarter of the calendar year immediately preceding the beginning of the 2023 Annual Cash Bonus Performance Period through the end of the third fiscal quarter of the 2023 Annual Cash Bonus Performance Period (*i.e.*, Q3 to Q3 measurement period, which is October 1, 2022 through September 30, 2023) (the “Annual Cash Bonus Measurement Period”). The Strategic Goals metrics will be measured based on the 2023 calendar year.
    - a. 35% based on the Company’s Relative ROE, subject to adjustment based on Company ROE (as defined below), for the Annual Cash Bonus Measurement Period
    - b. 35% based on the Company’s Relative TSR (as defined below), subject to adjustment based on Company TSR (as defined below), for the Annual Cash Bonus Measurement Period
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## Exhibit 10.2

c. 30% based on achievement of the Strategic Goals (as defined below) during the 2023 calendar year

1. Definitions. For purposes of this Exhibit A:

“Company Average Equity” means, for purposes of calculating Company ROE and Relative ROE, the stockholders’ equity of the Company (based on the Company’s common stock) as determined in accordance with GAAP and shown on the Company’s quarterly and annual financial statements as filed with the Securities and Exchange Commission, but excluding accumulated other comprehensive income or loss (which, among other things, reflects unrealized gains or losses in the Company’s portfolio), stockholders’ equity attributable to preferred stock and other items as determined by the Compensation Committee in its sole discretion. For purposes of calculating Relative ROE, Company Average Equity will be determined based on the average of the Company’s stockholders’ equity calculated as described in the preceding sentence as of the last day of each fiscal quarter during the Annual Cash Bonus Measurement Period. Notwithstanding the foregoing, stockholder’s equity attributable to an issuance of common stock of the Company during the Annual Cash Bonus Measurement Period shall be excluded from the calculation of “Company Average Equity” for a period of six months from such issuance.

“Company TSR” means, for the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable, the percentage change in the value of a share of the Company’s common stock from the closing price on the last trading day before the beginning of the applicable measurement period to the closing price on the last trading day of the applicable measurement period (plus common stock dividends paid during the applicable measurement period, assuming immediate reinvestment of such dividends in additional common shares), as determined by the Compensation Committee in its sole discretion. For example, for the Annual Cash Bonus Measurement Period, Company TSR will be measured based on the closing price of the Company’s common stock on September 30, 2022 and the closing price on September 29, 2023 (plus common stock dividends as described above), and, for the LTI Measurement Period, Company TSR will be measured based on the closing price on September 30, 2022 and the closing price on September 30, 2025 (plus common stock dividends as described above).

“Company Return” means, for purposes of calculating Company ROE, the Company’s net income as determined in accordance with GAAP and shown on the Company’s quarterly and annual financial statements as filed with the Securities and Exchange Commission, but excluding non-cash, non-operating expense items such as depreciation expense, amortization of goodwill and other non-cash, non-operating expense items as determined by the Compensation Committee in its sole discretion for the Annual Cash Bonus Measurement Period. For the avoidance of doubt, any realized and/or unrealized gains or losses from hedging instruments shall not be excluded from the calculation of Company Return.

“Company ROE” means (i) Company Return for the Annual Cash Bonus Measurement Period, divided by (ii) Company Average Equity for the Annual Cash Bonus Measurement Period.

“Peer Group” means the entities (other than the Company) included in the iShares Mortgage Real Estate ETF as of the beginning of the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable. Any entity (other than the Company) that ceases to be included in the iShares Mortgage Real Estate ETF during the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable, shall be treated as performing at the lowest

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**Exhibit 10.2**

level in the Peer Group for such Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable.

“Relative ROE” means Company ROE as such amount stands in relation to the return on average equity (determined in the same way that the Company ROE is determined) for the Annual Cash Bonus Measurement Period of the entities (other than the Company) included in the Peer Group.

“Relative TSR” means the Company TSR as such amount stands in relation to the total shareholder return (determined in the same way that the Company TSR is determined) for the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable, of the entities (other than the Company) included in the Peer Group, as determined by the Compensation Committee in its sole discretion.

“Strategic Goals” means such individual or strategic objectives as may be determined by the Compensation Committee, in consultation with the CEO, and communicated to Executive, including any new objectives arising during the 2023 Annual Cash Bonus Performance Period based on emerging or developing business needs.

1. Annual Cash Bonus Earned.

Executive will be entitled to receive, as Executive’s 2023 Annual Cash Bonus, an amount ranging from 0% to 200% of Executive’s Target Cash Bonus, based (i) 35% on the level of Relative ROE achievement during the Annual Cash Bonus Measurement Period, subject to adjustment based on Company ROE (the “ROE Component”), (ii) 35% on the level of Relative TSR achievement during the Annual Cash Bonus Measurement Period, subject to adjustment based on Company TSR (the “TSR Component”), and (iii) 30% on the level of achievement of the Strategic Goals during the 2023 calendar year (the “Strategic Goals Component”), as described herein, and subject to continued employment through December 31, 2023 (subject to the terms of the Agreement).

The total amount of the 2023 Annual Cash Bonus payable to Executive will be equal to Executive’s Target Cash Bonus amount multiplied by the sum of (x) 35% multiplied by the percentage of the ROE Component payable based on the table below, subject to adjustment based on Company ROE, (y) 35% multiplied by the percentage of the TSR Component payable based on the table below, subject to adjustment based on Company TSR, and (z) 30% multiplied by the Strategic Goals achievement percentage based on the Compensation Committee’s determination as described in more detail below. The 2023 Annual Cash Bonus shall not exceed 200% of the Target Cash Bonus.

a. ROE Component.

The amount of Executive’s 2023 Annual Cash Bonus payable to Executive in respect of the ROE Component (35% of the Target Cash Bonus) will be based on the Company ROE compared to that of the Peer Group (measured as a percentile) for the Annual Cash Bonus Measurement Period, as follows, subject to adjustment based on Company ROE as described below:

<b>Relative ROE</b>	<b>Percentage of the ROE Component Payable</b>
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%



## Exhibit 10.2

“Threshold” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 52 weeks in the Annual Cash Bonus Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative ROE.

The percentage of the ROE Component payable for Relative ROE achieved between the percentiles set forth in the above table (if performance is above the Threshold) will be determined by linear interpolation. If the achieved Relative ROE is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative ROE will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company ROE for the Annual Cash Bonus Measurement Period is at or below zero, achievement of the ROE Component shall be deemed to not exceed 100%.

### a. TSR Component.

The amount of Executive’s 2023 Annual Cash Bonus payable to Executive in respect of the TSR Component (35% of the Target Cash Bonus) will be based on the level of Relative TSR achievement for the Annual Cash Bonus Measurement Period, as follows, subject to adjustment based on Company TSR as described below:

<b>Relative TSR</b>	<b>Percentage of the TSR Component Payable</b>
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“Threshold” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 52 weeks in the Annual Cash Bonus Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative TSR.

The percentage of the TSR Component payable for Relative TSR achieved between the percentiles set forth in the above table (if performance is above the Threshold) will be determined by linear interpolation. If the achieved Relative TSR is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative TSR will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company TSR for the Annual Cash Bonus Measurement Period is at or below zero, achievement of the TSR Component shall be deemed to not exceed 100%.

### a. Strategic Goals Component.

The amount of Executive’s 2023 Annual Cash Bonus payable to Executive in respect of the Strategic Goals Component (30% of the Target Cash Bonus) will range from 0% to 200% of the portion of the Target Cash Bonus attributable to the Strategic Goals Component, as determined in the discretion of the Compensation Committee based on its determination of Executive’s level of achievement of the Strategic Goals during the 2023 calendar year.

1. Payment of Annual Cash Bonus. Any Annual Cash Bonus will be paid in cash between December 1, 2023 and January 30, 2024, subject (except as otherwise provided in the Agreement) to continued employment through December 31, 2023.

## II. 2023 Long-Term Incentive Compensation.

The following summarizes the material terms of the long-term incentive compensation (“LTI”) in the form of RSUs and PSUs that are to be granted under Section 3(b)(ii) of the Agreement in

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## Exhibit 10.2

2023. The metrics and terms for LTI to be granted in subsequent years will be determined by the Compensation Committee, in good faith, in consultation with the CEO.

1. 2023 LTI; LTI Measurement Period. The metrics and terms described below will apply to RSUs and PSUs granted in 2023.

Except as otherwise provided in the Agreement or this Exhibit A, Executive will be eligible to receive payout on LTI only if Executive remains employed by the Company through the applicable vesting date (in the case of RSUs) and through the last day of the PSU Performance Period (in the case of PSUs). In no event will Executive receive any unpaid LTI in the event Executive's employment is terminated by the Company for Cause. For the avoidance of doubt, Executive will not be entitled to LTI for any performance or vesting period beginning on or after termination of Executive's employment for any reason. Except as otherwise provided in the Agreement, any LTI will be subject to the vesting conditions and achievement of the performance goals described below.

For purposes of the PSUs, Relative Economic Return, Company Economic Return, Relative TSR and Company TSR will be based on the "LTI Measurement Period," which is the period beginning on the first day of the fourth fiscal quarter of the calendar year immediately preceding the beginning of the PSU Performance Period through the last day of the third fiscal quarter of the last calendar year in the PSU Performance Period (*i.e.*, Q3 to Q3 measurement period, which is October 1, 2022 through September 30, 2025).

1. Target LTI. For the LTI to be granted in 2023, Executive's target LTI will be equal to the target annual LTI amount set forth in Section 3(b)(ii) of the Agreement (the "Target LTI").
2. Performance Components. The LTI to be granted in 2023 will consist of two components:
  - a. RSUs. Executive will be granted a number of RSUs having an aggregate fair value, based on the volume weighted average closing price of the Company's common stock during the 20 trading day period ending on December 30, 2022, equal to 50% of the Target LTI. Subject (except as otherwise provided in the Agreement) to Executive remaining employed by the Company through the applicable vesting date and meeting all applicable requirements set forth in the Agreement and this Exhibit A, the RSUs will vest in three equal installments on each of the first three anniversaries of December 31, 2022. Unless otherwise provided in the Agreement or this Exhibit A, the vested portion of the RSUs will be paid in common stock of the Company within 60 days after the applicable vesting date, or such other date as may be specified in the documents governing the award.
  - b. PSUs. Executive will be granted a target number of PSUs having an aggregate fair value, based on the volume weighted average closing price of the Company's common stock during the 20 trading day period ending on December 30, 2022, equal to 50% of the Target LTI (the "Target PSUs"). The performance period for the PSUs (which applies for purposes of time-based vesting) shall be the period from January 1, 2023 through December 31, 2025 (the "PSU Performance Period").

Of the Target PSUs:

- a. 50% will be subject to performance metrics tied to Relative Economic Return, subject to adjustment based on Company Economic Return as described below, for the LTI Measurement Period (the "Economic Return PSUs")
  - b. 50% will be subject to performance metrics tied to Relative TSR, subject to adjustment based on Company TSR as described below, for the LTI Measurement Period (the "TSR PSUs")
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## Exhibit 10.2

Subject (except as otherwise provided in the Agreement or this Exhibit A) to Executive's continuing employment through the last day of the PSU Performance Period, between 0% and 200% of the Target PSUs will vest as of the last day of the PSU Performance Period and be paid in common stock of the Company between December 1, 2025 and January 30, 2026 (or such other date as may be specified in the documents governing the awards), based on achievement of the Economic Return and TSR metrics described below.

### Economic Return

The Economic Return PSUs will vest as of the last day of the PSU Performance Period based on the Company Economic Return compared to that of the Peer Group (measured as a percentile) for the LTI Measurement Period, as follows, subject to adjustment based on Company Economic Return as described below:

Relative Economic Return	Percentage of Economic Return PSUs
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“Threshold” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 156 weeks in the LTI Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative Economic Return.

For any Relative Economic Return achieved between the percentiles specified in the above table (if performance is above the Threshold), the percentage of the Target PSUs that will vest for the PSU Performance Period will be determined by linear interpolation. If the achieved Relative Economic Return is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative Economic Return will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company Economic Return for the LTI Measurement Period is at or below zero, achievement of the Economic Return metric shall be deemed to not exceed 100%.

### Relative TSR

The TSR PSUs may vest as of the last day of the PSU Performance Period based on the Company TSR compared to that of the Peer Group (measured as a percentile) for the LTI Measurement Period, subject to adjustment based on Company TSR as described below:

Relative TSR	Percentage of TSR PSUs
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“Threshold” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 156 weeks in the LTI Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative TSR.

For any Relative TSR achieved between the percentiles specified in the above table (if performance is above the Threshold), the percentage of the TSR PSUs that may vest for the PSU Performance Period will be determined by linear interpolation. If the achieved Relative

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## Exhibit 10.2

TSR is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative TSR will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company TSR for the LTI Measurement Period is at or below zero, achievement of the TSR metric shall be deemed to not exceed 100%.

### Change in Control

Notwithstanding anything in the Agreement or this Exhibit A to the contrary, upon the consummation of a Change in Control, (i) the percentage of the Target PSUs that would have vested in accordance with the paragraphs based on the Relative Economic Return, Company Economic Return, Relative TSR and Company TSR, as applicable, measured from the first day of the LTI Measurement Period through the end of the most recent fiscal quarter prior to such Change in Control for which data is available (or the last day of the LTI Measurement Period, if earlier) will be eligible to vest on the last day of the PSU Performance Period, subject only to Executive's continuing employment with the Company through the last day of the PSU Performance Period (except as otherwise provided in the Agreement), and (ii) any portion of the Target PSUs that would not have vested in accordance with the preceding paragraphs based on actual performance as described in clause (i) above will be forfeited as of such Change in Control with no compensation due therefor. For the avoidance of doubt, any PSUs that would continue to be eligible to vest following a Change in Control in accordance with clause (i) above may be substituted with awards payable in cash amounts tied to the consideration paid in connection with the Change in Control, as determined by the Compensation Committee in its sole discretion.

The RSUs and PSUs will be granted to Executive under the Company's current Equity Incentive Plan (or a successor).

#### 1. Definitions. For purposes of the PSUs:

"Company Economic Return" means (x) the Company's change in book value per share ("BVPS"), plus (y) common stock dividends, for the LTI Measurement Period.

"Relative Economic Return" means (i) the Company Economic Return for the LTI Measurement Period, divided by (ii) BVPS at the beginning of the LTI Measurement Period, as such amount stands in relation to the economic return (measured in the same way that the Company Economic Return is measured) during the LTI Measurement Period of the entities in the Peer Group.

### **III. Dividend Equivalents**

Dividend equivalents will accrue on RSUs and PSUs granted hereunder as and when dividends are paid to the Company's shareholders and, to the extent that the RSUs and PSUs become vested, will be paid to Executive in cash, shares or a combination thereof, as determined by the Compensation Committee in its sole discretion, at the time such RSUs or PSUs are settled.

### **IV. Committee Determinations**

All determinations with respect to the Annual Cash Bonus and the LTI, including, without limitation, the amount, if any, that is payable to Executive or vests for each performance period, will be made by the Compensation Committee, in good faith, and in compliance with the Agreement and this Exhibit A. All such determinations will be final and binding on Executive and the Company.

The Compensation Committee may adjust any of the performance metrics set forth herein to exclude the impact of any acquisitions or dispositions of businesses or business segments by the Company, one-time non-operating charges, unusual or nonrecurring items, accounting changes (including the early adoption of any accounting change mandated by any governing body,

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## Exhibit 10.2

organization or authority), changes in tax laws, impact of discontinued operations, restatements of prior period financial results, and any other events or transactions that may result in distortion of the performance metrics or the value of the awards. In addition, if the Compensation Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render any of the performance metrics set forth herein unsuitable, the Compensation Committee may modify any such performance metrics, in whole or in part, as the Compensation Committee deems appropriate and equitable.

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### Exhibit B

#### General Release

IN CONSIDERATION OF good and valuable consideration, the receipt of which is hereby acknowledged, and in consideration of the terms and conditions contained in the Employment Agreement, dated as of March 24, 2023 and effective as of January 1, 2023 (the "Agreement") by and between Choudhary Yarlalagadda (the "Executive") and Chimera Investment Corporation (the "Company"), the Executive on behalf of himself and any person or entity claiming by, through, or under him (including without limitation his heirs, executors, administrators, spouse, personal representatives and assigns), releases and discharges the Company and its past, present and future subsidiaries, divisions, affiliates and parents, and their respective current and former officers, directors, employees, attorneys, agents, benefit plans, and/or owners, and their respective successors and assigns, and any other person or entity claimed to be jointly or severally liable with the Company or any of the aforementioned persons or entities (collectively, the "Released Parties") from any and all manner of actions and causes of action, suits, debts, dues, accounts, bonds, covenants, contracts, agreements, judgments, charges, claims, attorneys' fees and costs, and demands whatsoever ("Claims") which the Executive (or any person or entity claiming by, through, or under him) have, had, or may have, against the Released Parties or any of them arising at any time from the beginning of the world to the date Executive executes this General Release, whether known or unknown, accrued or unaccrued, contingent or noncontingent. The Claims described in this paragraph include without limitation, (i) any and all Claims relating to the Executive's employment with the Company and the cessation thereof, (ii) any and all Claims for discrimination based on age, sex, race, color, disability status, national origin, religion, or any other protected characteristic, including but not limited to, Claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. §§ 2000 et seq., the Age Discrimination in Employment Act of 1967, 29 U.S.C. §§ 621 et seq., the Americans with Disabilities Act of 1990, 42 U.S.C. §§ 12101 et seq., the New York State and New York City Human Rights Laws, and all state and local analogues of such statutes, each as amended, (iii) any and all Claims under all federal, state, and local statutes, rules, regulations, or ordinances, each as amended, including but not limited to, the Family and Medical Leave Act of 1993, 29 U.S.C. §§ 2601 et seq., the Worker Adjustment and Retraining Notification Act of 1988, 29 U.S.C. §§2101 et seq., the Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1001 et seq., the New York Labor Laws, the New York Whistleblower Protection Law (to the fullest extent they may be released under applicable law), the New York Civil Rights Law (N.Y. Civ. Rts. § 1, et seq.), the New York AIDS/HIV confidentiality law (N.Y. Public Health Law §2780), the New York Equal Pay Law, New York State Labor Relations Act, Article 23-A of the New York State Corrections Law, New York Family Leave Law, New York Minimum Wage Act, New York

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## Exhibit 10.2

Wage and Hour Law, New York Wage Payment Law, New York State Worker Adjustment and Retraining Notification Act, and retaliation provisions of New York Workers' Compensation Law, <sup>[1]</sup> and (iv) any and all Claims under the common law of any jurisdiction, including but not limited to, breach of contract, defamation, interference with contractual/prospective contractual relations, invasion of privacy, promissory estoppel, negligence, breach of the covenant of good faith and fair dealing, fraud, infliction of emotional distress, and wrongful discharge; provided, however, that the Executive does not release or discharge the Released Parties from: any of the obligations that arise under, or are preserved by, Section 5 of the Agreement; any Claim for unemployment or workers' compensation benefits; any Claim that arises after the date on which the Executive signs this General Release; or any Claim that is not waivable under applicable law. It is the intention of the Executive that the language relating to the description of Claims in this paragraph will be given the broadest possible interpretation permitted by law. It is understood that nothing in this General Release is to be construed as an admission on behalf of the Released Parties of any wrongdoing with respect to the Executive, any such wrongdoing being expressly denied. The Executive represents and warrants that he fully understands the terms of this General Release, that he has been encouraged to seek, and has sought, the benefit of advice of legal counsel, and that he knowingly and voluntarily, of his own free will, without any duress, being fully informed, and after due deliberation, accepts its terms and signs below as his own free act. Except as otherwise provided in this Release, the Executive understands that as a result of executing this General Release, he will not have the right to assert any Claims that the Company or any other of the Released Parties unlawfully terminated his employment or violated any of his rights in connection with his employment or otherwise.

The Executive agrees and covenants not to file, initiate, or join any lawsuit (either individually, with others, or as part of a class), in any forum, pleading, raising, or asserting any Claim(s) barred or released by this General Release. If he does so, and the action is found to be barred in whole or in part by this General Release, the Executive agrees to pay the attorneys' fees and costs, or the proportions thereof, incurred by the applicable Released Party in defending against those Claims that are found to be barred by this General Release. Nothing in this General Release precludes the Executive from challenging the validity of this General Release under the requirements of the Age Discrimination in Employment Act, and the Executive will not be responsible for reimbursing the attorneys' fees and costs of the Released Parties in connection with such a challenge to the validity of the release. The Executive, however, acknowledges that this General Release applies to all Claims that he has under the Age Discrimination in Employment Act, and that, unless the release is held to be invalid, all of the Executive's Claims under that Act will be extinguished by execution of this General Release. The Executive further agrees that nothing in this General Release will preclude or prevent the Executive from filing a charge with, providing information to, or cooperating with the U.S. Equal Employment Opportunity Commission, the U.S. Securities and Exchange Commission, or other government agency, and the Executive understands that he does not need the prior authorization of any of the Released Parties prior to taking any such action. The Executive will not seek or accept any relief obtained on his behalf by any government agency, private party, class, or otherwise with respect to any Claims released in this General Release, and, in the event the Executive receives such monetary relief, the Company will be entitled to an offset for the payments made pursuant to the Agreement and this General Release. This General Release does not limit the Executive's right to receive an award from any government agency that provides awards for providing information relating to a potential violation of law.

Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their

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**Exhibit 10.2**

attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

The Company hereby advises the Executive to consult with counsel before executing this General Release. The Executive may take twenty-one (21) days to consider whether to execute this General Release and discuss it with counsel of his own choosing. The Executive agrees that changes made to this General Release, whether material or immaterial, do not restart the twenty-one (21) day period. Upon the Executive's execution of this General Release, the Executive will have seven (7) days after such execution in which he may revoke such execution. In the event of revocation, the Executive must present written notice of such revocation to the office of the Company's Corporate Secretary. If seven (7) days pass without receipt of such notice of revocation, this General Release will become binding and effective on the eighth (8th) day after the execution hereof. Signatures delivered by facsimile (including, without limitation, by "pdf") will be effective for all purposes.

INTENDING TO BE LEGALLY BOUND, I hereby set my hand below:

\_\_\_\_\_

Dated: \_\_\_\_\_

[1] To be updated at time of separation to include applicable state law references

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (together with its Exhibits, this “Agreement”) by and between Chimera Investment Corporation (together with its successors and assigns, the “Company”) and Subramaniam Viswanathan (“Executive”, and together with the Company, a “Party”) is dated March 24, 2023 and effective as of January 1, 2023 (the “Effective Date”).

### WITNESSETH:

WHEREAS, Executive wishes to continue to be employed by the Company, and the Company wishes to continue to employ Executive, under the terms and conditions described below.

WHEREAS, the Parties are currently parties to an Employment Agreement, dated June 22, 2021 (the “Prior Employment Agreement”), that is being superseded by this Agreement.

NOW THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained, the Parties agree as follows:

1. Term of Employment.

- a. The Company hereby employs Executive, and Executive hereby accepts employment with the Company, in the positions and with the duties and responsibilities as set forth in Section 2 below, subject to the terms and conditions of this Agreement.
- b. The term of employment under this Agreement will commence on the Effective Date and: (i) will continue until the first anniversary of the Effective Date (the “Initial Term”); (ii) will be extended until the first December 31<sup>st</sup> that coincides with, or follows, the second anniversary of any Change in Control that occurs during the Term of Employment; and (iii) will be extended for an additional one year period (a “Renewal Term”) on the last day of the Initial Term or of any extension of the Term of Employment pursuant to clause (ii) or this clause (iii), and on each subsequent anniversary thereof, unless either Party provides written notice of nonrenewal to the other Party not less than 90 days prior to the latest of the last day: of the Initial Term, of any extension of the Term of Employment pursuant to clause (ii), or of any Renewal Term (the Initial Term, together with each extension of the Term of Employment pursuant to clause (ii) and each Renewal Term, the “Term of Employment”); provided that, if the last day of the Term of Employment otherwise would occur during a Garden Leave (as defined below) period, the Term of Employment will continue through the end of such Garden Leave. The Term of Employment may also be terminated in accordance with Section 5 below.
- c. As a condition of employment, Executive must maintain his license to be an active Certified Public Accountant in good standing and must maintain his brokerage accounts at institutions that are approved by the Company (unless such institution is exempt from such requirement as determined by the Company’s principal legal officer or general counsel). If any of the requirements of this subsection (c) are not met, the Company may terminate this Agreement at its discretion, and Executive shall not be entitled to any severance payments or benefits or other compensation (other than salary earned through the date of termination) under this Agreement.

2. Position; Duties and Responsibilities.

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### Exhibit 10.3

- a. During the Term of Employment, Executive will be employed as the Chief Financial Officer of the Company, reporting directly to the Chief Executive Officer of the Company (the “CEO”). Executive will (i) be responsible for, and, along with the CEO, have authority over, the Company’s financial functions, and (ii) have such other duties and responsibilities as are reasonably assigned to him by the CEO or the Board of Directors of the Company (the “Board of Directors”) (not inconsistent in any significant respect with the duties and responsibilities typically assigned to the chief financial officer of a publicly-traded REIT, including serving as the principal financial officer but not the principal accounting officer of the Company for securities law purposes).
  - b. During the Term of Employment, Executive will, without additional compensation, also serve on the board of directors of, serve as an officer of, and/or perform such executive and consulting services for, or on behalf of, such subsidiaries or affiliates of the Company as the Board of Directors may, from time to time, reasonably request. For purposes of this Agreement, the term “affiliate” will have the meaning ascribed thereto as of the Effective Date in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the “Act”).
  - c. During the Term of Employment, Executive will serve the Company faithfully, diligently and to the best of his ability and will devote substantially all of his time and efforts to his employment and the performance of his duties under this Agreement. Nothing herein will preclude Executive from engaging in charitable and community affairs and managing his personal, financial and legal affairs, so long as such activities do not materially interfere with his carrying out his duties and responsibilities under this Agreement. Notwithstanding the foregoing, any service on civic, educational, philanthropic or charitable boards or committees shall be subject to prior approval by the CEO. During the Term of Employment, Executive shall perform his duties and responsibilities principally in New York City.
3. Compensation.
- a. Base Salary. During his employment with the Company, Executive will be entitled to receive an annualized base salary (the “Base Salary”) of not less than \$700,000. The Compensation Committee of the Board of Directors (the “Compensation Committee”) may review Executive’s Base Salary annually to determine whether increases are appropriate. Any such increased amount will thereafter be the “Base Salary” for all purposes. During Executive’s employment with the Company, the Base Salary will not be decreased at any time, or for any purpose (including, without limitation for the purpose of determining payments and benefits under Section 5), without Executive’s prior written consent.
  - b. Incentive Compensation.
    - i. For each calendar year during the Term of Employment, Executive will be entitled to receive an annual cash bonus, payable in cash (“Annual Cash Bonus”), as provided under this Agreement. The Annual Cash Bonus for the 2023 calendar year is described on Exhibit A. The Annual Cash Bonus for each subsequent calendar year during the Term of Employment will be subject to such performance metrics and other terms as may be established annually by the Compensation Committee, in consultation with the CEO. During the Term of Employment, Executive’s target Annual Cash Bonus shall be \$750,000, which target may not be reduced
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### Exhibit 10.3

during the Term of Employment without Executive's consent. The target Annual Cash Bonus may be increased by the Compensation Committee in its discretion, and any such increased amount will thereafter be the target Annual Cash Bonus for all purposes under the Agreement. The actual Annual Cash Bonus may be more or less than such target amount, based on achievement of the applicable performance metrics. The Compensation Committee will make all determinations with respect to any Annual Cash Bonus, in good faith, in consultation with the CEO, and consistent with the text of this Agreement and the terms of Exhibit A.

- ii. During the Term of Employment, Executive shall be entitled to receive long-term incentive compensation consisting of grants in the form of restricted stock units ("RSUs") and/or performance stock units ("PSUs") granted under the Company's current Equity Incentive Plan (or its successor), as determined by the Compensation Committee (the "LTI") and as provided by this Agreement. During the Term of Employment, Executive's target annual LTI grant shall be \$1,300,000, which target may not be reduced during the Term of Employment without Executive's consent. The target annual LTI amount may be increased by the Compensation Committee in its discretion, and any such increased amount will thereafter be the target annual LTI amount for all purposes under the Agreement. The performance metrics and other terms of the LTI grants to be made in the 2023 calendar year are described on Exhibit A. The LTI grants for each subsequent calendar year during the Term of Employment will be subject to such performance metrics and other terms as may be established annually by the Compensation Committee, in consultation with the CEO. The Compensation Committee will make all determinations with respect to LTI, in good faith, in consultation with the CEO, and consistent with the text of this Agreement and the terms of Exhibit A.
  - c. Stock Ownership Requirements. All shares of the Company's stock distributed to Executive by the Company will be subject to the stock ownership guidelines in effect for executives from time to time, as determined by the Board of Directors. Unless the stock ownership guidelines provide otherwise: vested shares under equity grants may not be transferred during Executive's employment with the Company unless the value of Executive's stock holdings in the Company (including shares of restricted stock, restricted stock units and deferred stock units) after the transfer exceeds three times Executive's Base Salary; and following the termination of Executive's employment with the Company, vested shares of equity awards may not be transferred unless the value of Executive's stock holdings in the Company (including shares of restricted stock, restricted stock units and deferred stock units) after the transfer exceeds three times Executive's Base Salary as of the date that Executive's employment with the Company terminates in accordance with the terms of this Agreement (the "Termination Date"), provided, however, that this sentence will no longer apply following the six-month anniversary of the Termination Date. For the avoidance of doubt, if the Company's stock ownership guidelines provide for different holding requirements or terms with respect to Executive, the stock ownership guidelines shall govern. Notwithstanding the foregoing, the restrictions of this
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### Exhibit 10.3

subsection (c) will not prevent Executive from selling or directing the withholding of shares of the Company stock in accordance with, and subject to, Section 21 to satisfy income tax and employment tax obligations relating to the vesting, exercise, or settlement of equity grants to which the shares relate.

4. Employee Benefit Programs and Fringe Benefits. During the Term of Employment, Executive will be entitled to five weeks of vacation per fiscal year and will be eligible to participate in all executive incentive and employee benefit programs of the Company now or hereafter made available to the Company's senior executives or salaried employees generally, as such programs may be in effect from time to time. The Company will reimburse Executive for any and all business expenses reasonably incurred by Executive in connection with his employment in accordance with applicable the Company policies.
5. Termination of Employment.
  - a. Termination Due to Death or Disability. If Executive's employment with the Company is terminated by reason of Executive's death or Disability, the Term of Employment will (if it has not yet already expired) terminate automatically and the Company will have no further obligations to Executive under this Agreement except for (x) any payments and benefits described in Section 5(f) below and (y) subject to the requirements of Section 5(i) below, amounts and benefits due pursuant to clauses (i) through (iv) of this Section 5(a).
    - i. In the event Executive's employment with the Company is terminated during the Term of Employment by reason of Executive's Disability, the Company will reimburse Executive for 100% of the COBRA premiums incurred by Executive for Executive and his eligible dependents under the Company's health care plan during the 18-month period immediately following the Termination Date. Such reimbursement will be provided on the payroll date immediately following the date on which Executive remits the applicable premium payment and will commence within 60 days after the Termination Date; provided that the first payment will include any reimbursements that would have otherwise been payable during the period beginning on the Termination Date and ending on the date of the first reimbursement payment. Reimbursement payments will be treated as taxable compensation to Executive.
    - ii. Whether or not such termination of employment due to death or Disability occurs during the Term of Employment, any outstanding equity-based or other compensation that has been granted to Executive, and that vests solely on the basis of continued employment, will vest in full as of the Termination Date and, with respect to RSUs, will be paid on the dates specified in the documents governing the awards.
    - iii. Whether or not such termination of employment due to death or Disability occurs during the Term of Employment, all of Executive's outstanding PSUs and other performance-vesting awards will continue to vest, subject only to the achievement by the Company of the applicable performance goals, in each case as though such termination of employment had not occurred, and will be paid on the date specified in the documents governing the awards.
    - iv. Whether or not such termination due to death or Disability occurs during the Term of Employment, Executive will receive a Pro-Rata Annual Cash

**Exhibit 10.3**

Bonus (as defined in Section 5(b)(v) below), determined and paid as provided such subsection.

- b. Termination By the Company Without Cause or By Executive with Good Reason (Other Than in Connection with a Change in Control). In the event Executive's employment with the Company is terminated (other than for death or Disability) (x) by the Company without Cause (other than within six months before, or 24 months after, a Change in Control), or (y) by Executive with Good Reason (other than within 24 months after a Change in Control), the Term of Employment will (if it has not already expired) terminate automatically and the Company will have no further obligations to Executive under this Agreement except for (x) any payments and benefits described in Section 5(f) below and (y) subject to the provisions of Section 5(i) below, the following payments and benefits:
- i. If such termination of employment occurs during the Term of Employment, Executive will be entitled to a cash severance amount equal to:
    1. 1.0 times his Base Salary as of the Termination Date, plus
    2. 1.0 times the greater of (x) his Target Cash Bonus (as defined in Exhibit A) or (y) the average of the Annual Cash Bonus awarded (or due to be awarded) to Executive (including, for avoidance of doubt, annual cash bonuses awarded under the Prior Employment Agreement for years ending prior to the Effective Date) by the Company for the three most recent calendar years that ended on or before the Termination Date; provided that in the event Executive has not been eligible for an annual cash bonus from the Company for at least three calendar years, the average will be based on the annual cash bonus awarded (or due to be awarded) to Executive by the Company for the completed calendar years of employment since the effective date of the Prior Employment Agreement (the "Average Cash Bonus").

The severance amount will be paid in 12 equal monthly installments commencing within 60 days following the Termination Date, subject to the requirements of Section 409A of the Code ("Section 409A"); provided, however, that the first installment will include any unpaid installments for the period prior to commencement, and the final installment will be paid on or before the date that is 12 months after the Termination Date.

- i. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, any outstanding equity-based or other compensation that has been granted to Executive, and that vests solely on the basis of continued employment, will vest (and become exercisable) in full as of the Termination Date and, with respect to RSUs, will be paid on the date(s) specified in the documents governing the awards.
  - ii. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, all of Executive's outstanding PSUs and other performance-vesting awards will continue to vest, subject only to the achievement by the Company of the applicable performance goals, as though such termination of employment had not occurred, and will be paid on the date(s) specified in the documents governing the awards.
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### Exhibit 10.3

- iii. If such termination of employment occurs during the Term of Employment, the Company will reimburse Executive for 100% of the COBRA premiums incurred by Executive for Executive and his eligible dependents under the Company's health care plan during the 12-month period following the Termination Date. Such reimbursement will be provided on the payroll date immediately following the date on which Executive remits the applicable premium payment and will commence within 60 days after the Termination Date, subject to the requirements of Section 409A; provided that the first payment will include any reimbursements that would have otherwise been payable during the period beginning on the Termination Date and ending on the date of the first reimbursement payment. Reimbursement payments will be treated as taxable compensation to Executive.
- iv. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, Executive will receive a portion of the Annual Cash Bonus that Executive would have earned for the calendar year in which his employment terminated, based on the degree to which the Company has attained any applicable Company-wide performance metrics for such year, with any discretionary or personal performance goals treated as having been attained at target. The portion of such Annual Cash Bonus to be received by Executive (a "Pro-Rata Annual Cash Bonus") shall be determined by multiplying the Annual Cash Bonus amount determined under the first sentence of this clause (v) by a fraction whose numerator is the number of days during the calendar year of termination that he was employed with the Company and whose denominator is 365. Any Pro-Rata Annual Cash Bonus will be paid in cash when the corresponding Annual Cash Bonus would have been paid to Executive for such year absent such termination but no later than March 15 of the immediately following year.

No termination of Executive's employment that is governed by this Section 5(b), or by Section 5(c), 5(d) or 5(m) below, will be deemed a breach of this Agreement, nor will it relieve either Party of its/his other obligations under this Agreement.

- a. Termination by the Company for Cause or Voluntary Termination by Executive. In the event that at any time Executive's employment with the Company is terminated (x) by the Company for Cause or (y) by Executive other than with Good Reason, due to Disability, or in a termination governed by Section 5(m) below, then (z) the Term of Employment will (if it has not already expired) terminate automatically and the Company will have no further obligations to Executive under this Agreement except for any payments and benefits described in Section 5(f).
  - b. Garden Leave. Executive will provide a Notice of Termination to the Company no less than 90 days prior to any termination by him of his employment with the Company effective during the Term of Employment, and the Company will provide a Notice of Termination to Executive no less than 90 days prior to terminating Executive's employment effective during the Term of Employment (other than a termination for Cause); provided that the Company may elect to terminate the Garden Leave (as defined below) early as described below. During
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## Exhibit 10.3

this 90-day notice period (the “Garden Leave”), Executive will (i) continue to make himself available to provide such services as the Company may reasonably request (provided only that such services are reasonably consistent with Executive’s status as a senior executive of the Company) and (ii) continue to receive all payments and benefits to which he would otherwise be entitled, except that (notwithstanding anything in this Agreement or elsewhere to the contrary) in the event of a termination (x) by Executive other than with Good Reason, for Disability, or in a termination to which Section 5(m) applies, or (y) by the Company for Cause, Executive will not be eligible to earn any Annual Cash Bonus with respect to any calendar year that ends after the commencement of the Garden Leave. During the Garden Leave, the Company may require Executive to resign from any position with the Company, including without limitation any position Executive then holds as an officer, director or fiduciary of the Company or any Company-related entity, and/or remove any or all of Executive’s duties or responsibilities, which will not constitute Good Reason or otherwise be deemed a violation of this Agreement. Executive agrees that he will not commence employment with any entity during the Term of Employment (including the Garden Leave). During the Garden Leave, Executive will take all steps reasonably requested by the Company to effect a successful transition of client and customer relationships to the person or persons designated by the Company. Notwithstanding the foregoing, the Company in its sole discretion may waive all or any portion of the Garden Leave by providing written notice to Executive accelerating the last day of the Garden Leave period and the Termination Date (provided that, if the termination of Executive’s employment is on account of termination by the Company without Cause or by Executive for Good Reason or due to Disability, pay in lieu of notice shall be paid for any remaining portion of the 90-day notice period). For the avoidance of doubt, no such shortening of the Garden Leave will be treated as a termination of Executive’s employment by the Company without Cause or as giving Executive any basis for terminating his employment with Good Reason.

- c. Termination Related to Change in Control. In the event Executive’s employment with the Company is terminated (x) by the Company other than for Cause or Disability, and within six months before, or 24 months after, a Change in Control, or (y) by Executive with Good Reason and within 24 months after a Change in Control, then (z) the Term of Employment (if it has not already expired) will terminate automatically and the Company will have no further obligations to Executive under this Agreement except for (x) any payments and benefits described in Section 5(f) below, and (y) subject to the requirements of Section 5(i) below, the following payments and benefits:
- i. If such termination occurs during the Term of Employment, the Company will promptly pay to Executive a cash severance amount equal to:
    1. 2.0 times his Base Salary as of the Termination Date, plus
    2. 2.0 times the greater of (x) his Target Cash Bonus (as defined in Exhibit A) or (y) the Average Cash Bonus (which, for avoidance of doubt, includes annual cash bonuses awarded under the Prior Employment Agreement for years ending prior to the Effective Date).
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### Exhibit 10.3

Except as provided below, the severance amount shall be paid in a cash lump sum payment within 60 days following the Termination Date, subject to the requirements of Section 409A. If Executive's employment is terminated by the Company other than for Cause or Disability within six months before a Change in Control, as described above, the severance amount shall be calculated pursuant to Section 5(b)(i) and paid in the form of payment described in Section 5(b)(i) upon Executive's termination of employment before the Change in Control, and upon the Change in Control, Executive shall receive a lump sum cash payment equal to the excess of the severance amount payable under this Section 5(e)(i) over the severance amount previously paid to Executive pursuant to Section 5(b)(i), consistent with Section 409A (as defined below).

- i. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, all of Executive's outstanding equity-based and other awards that vest or become exercisable based solely on Executive's continued employment will vest (and become exercisable) in full as of the Termination Date. In addition, if such termination of employment occurs on or within 24 months after the Change in Control, (A) any such awards (e.g., RSUs) that settle following vesting and that remain outstanding following such Change in Control will be settled within 60 days after the Termination Date, subject to the requirements of Section 409A, and (B) any such awards that are in the form of stock options or SARs and that remain outstanding following such Change in Control will remain exercisable until at least the earlier of (a) the 90<sup>th</sup> day following the Termination Date and (b) the date on which such option or SAR would have expired had Executive's employment not terminated.
  - ii. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, any of Executive's outstanding PSUs or other performance-vesting equity-based grants whose continued vesting after such Change in Control is based solely on continued employment (without regard to performance after such Change in Control) will vest in full as of the Termination Date (or as of the Change in Control, if later) and will be settled within 60 days after the Termination Date (or the Change in Control, if later), subject to the requirements of Section 409A. Any outstanding performance-vesting awards whose vesting after such Change in Control remains contingent on performance will continue to vest, subject only to attainment by the Company of the applicable performance goals.
  - iii. The Company will reimburse Executive for 100% of the COBRA premiums incurred by Executive for Executive and his eligible dependents under the Company's health care plan during the 18-month period following the Termination Date. Such reimbursement will be provided on the payroll date immediately following the date on which Executive remits the applicable premium payment and will commence within 60 days after the Termination Date, subject to the requirements of Section 409A; provided that, the first payment will include any reimbursements that would have otherwise been payable during the period beginning on the Termination Date and ending on the date of the first reimbursement
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**Exhibit 10.3**

- payment. Reimbursement payments will be treated as taxable compensation to Executive.
- iv. Executive will receive a Pro-Rata Annual Cash Bonus, determined and paid as described in Section 5(b)(v) above.
- d. Other Payments and Benefits. Upon any termination of Executive's employment with the Company, in addition to the amounts and benefits (if any) under other sub-sections of this Section 5, Executive will be entitled to the following:
- i. prompt payment of any earned but unpaid portion of his Base Salary through the Termination Date and a prompt cash payment (determined based on Executive's per-business-day rate of Base Salary) in respect of vacation that is accrued but unused as of the Termination Date;
  - ii. any vested deferred compensation (including any interest accrued on or appreciation in value of such deferred amounts) in accordance with the documents governing such compensation;
  - iii. prompt reimbursement for business expenses reasonably incurred but not yet reimbursed by the Company in accordance with the Company's expense reimbursement policy as in effect from time to time;
  - iv. unless Executive's employment with the Company has been terminated by the Company for Cause, Executive will receive any earned but unpaid Annual Cash Bonus for any calendar year that ended prior to the Termination Date; and
  - v. any other payment or benefit to which Executive is, or becomes, entitled under the then-applicable terms of any then-applicable written plan, program, agreement, corporate governance document, or other arrangement of the Company or any of its affiliates (collectively, "Company Arrangements"), including (without limitation) Section 8 of this Agreement.
- e. Payments Subject to Section 409A and Other Applicable Law.
- i. The Company and Executive intend that this Agreement will be interpreted and administered so that any amount or benefit payable hereunder will be paid or provided in a manner that is either exempt from or compliant with Section 409A, and thus does not incur any income inclusion, additional tax, or interest under Section 409A.
  - ii. Notwithstanding anything in this Agreement or elsewhere to the contrary, Executive will not be entitled to any payment or benefit pursuant to this Section 5 prior to the earliest date he is permitted to receive such payment or benefit without incurring income inclusion, additional tax, or interest under Section 409A. To the extent any payment or benefit is required to be delayed six months pursuant to the special rules of Section 409A related to "specified employees," each affected payment and benefit will be delayed until the first day of the seventh month following the Termination Date or, if earlier, within ten days following the date of Executive's death.
  - iii. Any installment payments or benefits under this Agreement or any other arrangement will be treated as a series of separate payments and benefits for purposes of Section 409A. Executive shall have no duties following the Termination Date that are inconsistent with his having had a "separation from service" under Section 409A on or before the Termination Date. Notwithstanding any other provision contained herein,
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### Exhibit 10.3

if a Change in Control is not a change in ownership or control as defined for purposes of Section 409A and payment of the severance amount in a lump sum would trigger “additional tax” under Section 409A, then the severance amount under Section 5(e)(i) shall be paid in the form described in Section 5(b)(i).

- iv. If Executive is entitled to any reimbursement of expenses or in-kind benefits that are includable in Executive’s federal gross taxable income, the amount of such expenses reimbursable or in-kind benefits provided in any one calendar year will not affect the expenses eligible for reimbursement or the in-kind benefits to be provided in any other calendar year. Executive’s right to reimbursement of expenses or in-kind benefits under this Agreement will (x) not be subject to liquidation or exchange for another benefit and (y) be made on or before the last day of Executive’s taxable year following the year in which the expense was incurred.
  - v. None of the Company, its affiliates or their respective directors, officers, employees or advisors will be held liable for any taxes, interest or other amounts owed by Executive as a result of the application of Section 409A or otherwise, provided (in the case of the Company only) that the Company has complied with the provisions of this Agreement, and of any other applicable Company Arrangement, concerning the timing of payments and benefits.
  - f. No Mitigation; No Offset. In the event of any termination of Executive’s employment with the Company, he will be under no obligation to seek other employment or otherwise in any way to mitigate the amount of any payment or benefit provided for in this Section 5, and there will be no offset against amounts due him under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain.
  - g. Release; Compliance with Covenants. The Company’s obligation to make any payment or provide any benefit (other than the payments and benefits described in Section 5(f)) under Section 5(a), Section 5(b), Section 5(e), or Section 5(m) will be contingent upon, and is the consideration for, (A) Executive executing and delivering to the Company, within 45 days after the Termination Date, a general release (the “Release”), substantially in the form annexed hereto as Exhibit B, (B) such release becoming irrevocable in accordance with its terms and (C) Executive not having committed, prior to the date that such payment or benefit is due to be provided, a material breach of his obligations under Section 7, which breach has remained uncured for 10 days after the Company has given him written notice describing the breach in reasonable detail and requesting cure (provided that the Company shall not be required to provide an opportunity to cure if the Board of Directors determines in good faith that the breach is not curable within the 10-day cure period that would otherwise apply). In the event of a material breach of Executive’s obligations under Section 7 without timely cure as described above, the Company may immediately cease all payments under Section 5(a), Section 5(b), Section 5(e), or Section 5(m), as applicable (other than the payments and benefits described in Section 5(f)), and the Company may immediately forfeit all outstanding equity awards held by Executive to the extent that such equity awards vested or would have vested pursuant to Section 5(a), Section 5(b), Section 5(e), or Section 5(m), as applicable (other than as described in Section 5(f)). In the
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### Exhibit 10.3

event that either the 45-day period, or the 10-day period, referred to in the immediately preceding sentence span two calendar years, any payments or benefits that, but for clauses (A), (B) or (C), as applicable, of such sentence, would have been due to be provided during the first such calendar year will be delayed and paid to Executive on the first regular payroll date of the Company in such second calendar year (but in no event later than January 31 of such second calendar year but with respect to delays pursuant to clause (C) of the immediately preceding sentence only if then cured), if required by Section 409A, with any subsequent payments and benefits to be provided as if no such delay had occurred.

h. Parachute Payments.

- i. Notwithstanding anything in this Agreement or elsewhere to the contrary, in the event that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (each, a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the Company will reduce (but not below zero) the aggregate present value of the Payments under this Agreement to the Reduced Amount (as defined below), if reducing the Payments under this Agreement will provide Executive a Net After-Tax Benefit that exceeds his Net After-Tax Benefit if such reduction is not made. To the extent such Payments are required to be so reduced, they will be reduced in the following order and, to the extent applicable, in accordance with Section 409A of the Code, such that any such reduction does not result in Executive incurring any income inclusion, additional tax, or interest under Section 409A: (i) Payments that are payable in cash, with amounts that are payable last reduced first; (ii) Payments due in respect of any equity or equity derivatives included in such calculation at their full value under Section 280G (rather than their accelerated value), with amounts that are payable last reduced first; and (iii) Payments due in respect of any equity or equity derivatives included in such calculation at their accelerated value under Section 280G, with the highest per share values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24). If the same payment or benefit date applies to more than one payment or benefit within any of the foregoing categories, the reduction will apply to each such payment or benefit on a pro rata basis.
  - ii. The "Reduced Amount" will be an amount expressed in present value that maximizes the expected net after-tax present value of the Payments without causing any Payment under this Agreement to be subject to the Excise Tax. The term "Excise Tax" means the excise tax imposed under Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax. The term "Net After-Tax Benefit" means the present value (as determined in accordance with Section 280G(d)(4) of the Code) of the Payments net of all taxes imposed on Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest
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### Exhibit 10.3

marginal rate under Section 1 of the Code and under the state and local laws that applied to Executive's taxable income for the immediately preceding taxable year, or such other rate(s) as Executive certifies are likely to apply to him in the relevant tax year(s).

- iii. All determinations to be made under this Section 5(j) will be made in the first instance by a nationally recognized public accounting or consulting firm, selected by the Company prior to the events that trigger the potential application of Section 280G, which firm (the "Auditor") will provide its determinations and any supporting calculations to both the Company and Executive within ten days after the events that trigger the potential application of Section 280G. All fees and expenses of the Auditor in performing the determinations referred to in this Section 5(j) will be borne solely by the Company.
  - iv. It is possible that after the Auditor makes its determinations under clause (iii) above, Executive will receive Payments that are, in the aggregate, either more or less than the Reduced Amount (hereafter referred to as an "Excess Payment" or "Underpayment", respectively). If it is determined by the Auditor upon request by Executive or the Company, by a final determination of a court, or by an Internal Revenue Service proceeding that has been finally and conclusively resolved, that an Excess Payment has been made, then Executive will refund the Excess Payment to the Company promptly on demand, together with an additional payment in an amount equal to the product obtained by multiplying the Excess Payment times the rate that is 120% of the applicable annual federal rate (as determined in and under Section 1274(d) of the Code), times a fraction whose numerator is the number of days elapsed from the date of Executive's receipt of such Excess Payment through the date of such refund and whose denominator is 365. If it is determined by the Auditor upon request by Executive or the Company, by arbitration under Section 19 below, or by a court of competent jurisdiction, that an Underpayment has occurred, the Company will pay an amount equal to the Underpayment to Executive within 10 days of such determination together with an additional payment in an amount equal to the product obtained by multiplying the Underpayment times the rate that is 120% of the applicable annual federal rate (as determined in and under Section 1274(d) of the Code) times a fraction whose numerator is the number of days elapsed from the date of the Underpayment through the date of such payment and whose denominator is 365.
  - i. Resignation from Positions. Upon any termination of Executive's employment with the Company, Executive will be deemed to have resigned with immediate effect from any position he then holds as an officer, director or fiduciary of the Company or any Company-related entity. Executive will promptly execute and deliver to the Company any letters, documents and other instruments that the Company delivers to him and reasonably requests him to sign, and that are necessary or appropriate to effect such resignations.
  - j. No Duplication. For the avoidance of doubt, Executive will in no event be entitled to duplicate payments or benefits under both Section 5(e) and Section 5(b).
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Exhibit 10.3

- k. Terminations After Expiration of the Term of Employment Following Delivery of Notice of Nonrenewal of the Term of Employment by the Company.
- i. Termination by the Company. The provisions of this Section 5(m)(i) shall apply in the event that (A) the Company provides Executive written notice of nonrenewal of the Term of Employment in accordance with Section 1(b) (other than for Cause), and (B) Executive's employment is terminated (other than for death or Disability) by the Company without Cause after the last day of the Term of Employment. In that event, subject to the provisions of Section 5(i), Executive will be entitled to a cash severance amount equal to 12 months of his Base Salary as of the Termination Date, in addition to the payments and benefits set forth in Sections 5(b)(ii), (iii) and (v) and Section 5(f). Such severance amount will be paid in 12 equal monthly installments commencing within 60 days following the Termination Date, subject to the requirements of Section 409A; provided, however, that the first payment will include any unpaid installments for the period prior to commencement, and the final installment will be paid on or before the date that is 12 months after the Termination Date. Notwithstanding the foregoing, if Executive's employment is terminated as described in this Section 5(m)(i) within 24 months following a Change in Control, such Base Salary amount will be payable to Executive in a cash lump sum instead of installments. Such lump sum shall be paid within 60 days following the Termination Date, subject to the requirements of Section 409A. If Executive's employment is terminated as described in this Section 5(m)(i) within six months before a Change in Control, when the Change in Control occurs, the excess of the severance amount payable under this Section 5(m)(i) over the severance amount previously paid to Executive pursuant to this Section 5(m)(i) shall be paid in a lump sum upon the Change in Control, consistent with Section 409A. The Company may require that Executive be on Garden Leave as described in Section 5(d) during the 90-day period following the Company's notice of termination. For the avoidance of doubt, in the event that the circumstances described in this Section 5(m)(i) occur, the Company shall have no further obligations to Executive other than as set forth in this Section 5(m)(i).
  - ii. Termination by Executive. The provisions of this Section 5(m)(ii) shall apply in the event that (A) the Company provides Executive written notice of nonrenewal of the Term of Employment in accordance with Section 1(b) (other than for Cause), (B) the Company does not offer Executive a successor employment agreement that is substantially equivalent to, or more favorable than, this Agreement (viewed in the aggregate) at least 10 days before the last day of the Term of Employment, and (C) Executive provides written notice of his resignation under this Section 5(m)(ii) no later than the seventh day after the last day of the Term of Employment. If Executive provides such notice, the Company shall have a 30-day period during which to cure Executive's grounds for termination, by offering Executive a successor employment agreement that is substantially equivalent to, or more favorable than, this Agreement (viewed in the aggregate). If the Company fails to cure, Executive's termination shall be
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## Exhibit 10.3

effective 90 days after the date of Executive's written notice of such resignation, unless the Company designates an earlier termination date. The Company may require that Executive be on Garden Leave as described in Section 5(d) during the 90-day period following the date of Executive's written notice of resignation. In the event of a termination of employment under this Section 5(m)(ii), the Company will provide (x) any payments and benefits described in Section 5(f) above, and (y) subject to the provisions of Section 5(i) above, the payments and benefits set forth in Sections 5(b)(ii), (iii) and (v). For the avoidance of doubt, in the event that the circumstances described in this Section 5(m)(ii) occur, the Company shall have no further obligations to Executive other than as set forth in this Section 5(m)(ii).

- i. Qualifying Retirements. Notwithstanding anything in this Agreement or elsewhere to the contrary, if Executive terminates his employment with the Company (with or without Good Reason) or the Company terminates his employment without Cause, in each case, at any time after Executive has attained age 55 and the sum of his age plus his years of service with the Company and its predecessors (including, without limitation, Fixed Income Discount Advisory Company ("FIDAC") during the time that FIDAC was the external manager of the Company) (including, in each case, fractional years) equals or exceeds 65 as of the Termination Date, and he has at least five years of service with the Company and its predecessors as of the Termination Date, then the Company will provide (without duplication and without limiting the benefits provided under the foregoing Sections, if applicable) (x) any payments and benefits described in Section 5(f) above and (y) subject to the provisions of Section 5(i) above, the payments and benefits described in Sections 5(b)(ii), (iii), and (v).
6. Definitions. For purposes of this Agreement, the following terms will be defined as set forth below:

  - a. "Cause" means Executive's (i) conviction, or entry of a guilty plea or a plea of nolo contendere with respect to, a felony, a crime of moral turpitude or any crime committed against the Company, other than traffic violations; (ii) engagement in willful misconduct, gross negligence, or fraud, embezzlement, or misappropriation relating to significant amounts occurs in connection with the performance of his duties under this Agreement; (iii) failure to follow any lawful directive of the Board of Directors or the CEO; (iv) material breach of Section 7 of this Agreement; (v) chronic or persistent substance abuse that materially and adversely affects his performance of his duties under this Agreement; or (vi) material breach of this Agreement (other than Section 7) resulting in material and demonstrable economic injury to the Company. No act or omission to act by Executive will be deemed "willful" if conducted in good faith or with a reasonable belief that such act or omission was in, or not opposed to, the best interests of the Company. No termination of Executive's employment for Cause shall be effective as a termination for Cause unless the following provisions of this Section 6(a) have first been complied with. The Board of Directors shall give Executive written notice of its intention to terminate his employment for Cause, such notice (the "Cause Notice") (x) to state in reasonable detail the circumstances that constitute the grounds on which the proposed termination for Cause is based and (y) to be given no later than the later of (i) the 90<sup>th</sup> day after

### Exhibit 10.3

the Board of Directors first becomes aware of such circumstances or (ii) the 10<sup>th</sup> day after the Board of Directors completes (with reasonable diligence) its investigation as to whether Cause exists. If the Board of Directors determines that the grounds on which the proposed termination for Cause is based are subject to cure, Executive shall have 10 days after receiving such Cause Notice in which to fully cure such grounds. If he fails to timely and fully cure such grounds, Executive shall then be entitled to a hearing before the Board of Directors. Such hearing shall be held and completed within 25 days after he received such Cause Notice, provided that he requests such hearing within 10 days after receiving such Cause Notice. If, within 10 days following such hearing (if timely requested), and otherwise within 20 days after he received such Cause Notice, the Board of Directors gives written notice to Executive confirming that, in the judgment of at least a majority of the members of the Board of Directors, Cause for terminating his employment on the basis set forth in the original Cause Notice still exists, his employment shall thereupon be terminated for Cause. During the period between the delivery of a Cause Notice and expiration of the time within which the Board of Directors is required to confirm that "Cause" as set forth in such notice exists, the Board of Directors may suspend some or all of Executive's duties, responsibilities and positions with the Company and Company-related entities, and such suspension will not constitute Good Reason or otherwise be deemed a violation of this Agreement.

- b. "Change in Control" means the occurrence of any one of the following events to the extent such event also constitutes a "change in control event" for purposes of Section 409A:
- i. any "person," as such term is used in Sections 13(d) and 14(d) of the Act (other than the Company, any of its subsidiaries, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its subsidiaries) together with all affiliates and "associates" (as such term is currently defined in Rule 12b-2 under the Act) of such person, becomes the "beneficial owner" (as such term is currently defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Board of Directors ("voting securities"); or
  - ii. persons who, as of the Effective Date, are members of the Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board of Directors, provided that any person becoming a member of the Board of Directors subsequent to the Effective Date whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors will, for purposes of this Agreement, be considered an Incumbent Director; or
  - iii. there occurs (A) any consolidation or merger of the Company or any subsidiary where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule
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### Exhibit 10.3

13d-3 under the Act), directly or indirectly, and in substantially the same proportions that they beneficially owned shares of the Company immediately prior to the consolidation or merger, securities representing in the aggregate 60% or more of the combined voting power of the then outstanding securities of the entity issuing cash or securities in the consolidation or merger (or of its ultimate parent entity, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the business or assets of the Company (other than to an entity 60% or more of whose voting power is represented by securities beneficially owned, in substantially the same proportions that they beneficially owned shares of the Company immediately before such transfer, by the persons or entities that beneficially owned shares of the Company immediately before such transfer) or (C) any liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change in Control" will not be deemed to have occurred for purposes of the foregoing clause solely as the result of an acquisition of its own voting securities by the Company which, by reducing the number of voting securities outstanding, increases the proportionate voting power represented by the voting securities beneficially owned by any person or entity to 40% or more of the combined voting power of all then outstanding voting securities, provided that any subsequent acquisition of additional voting securities by such person or entity, when such person or entity beneficially owns voting securities representing 40% or more of the combined voting power of all then outstanding voting securities, shall by itself constitute a Change in Control.

- a. "Code" means the Internal Revenue Code of 1986, as amended.
- b. "Disability" means Executive's inability, for a period of six consecutive months, to render substantially the services provided for in this Agreement by reason of mental or physical disability, whether resulting from illness, accident or otherwise, provided that such inability also constitutes "disability" for purposes of Section 409A.
- c. "Good Reason" means the occurrence of any of the following events without Executive's prior written consent:
  - i. any material diminution in Executive's duties or responsibilities;
  - ii. any relocation of Executive's principal place of employment to a place other than New York City (or, following a Change in Control, the Borough of Manhattan);
  - iii. any failure of the Company to pay or provide to Executive, when due, any material payment or benefit owed to him; or
  - iv. any material failure by the Company to honor any of its material obligations to Executive.

For Good Reason to exist on the basis of an event, Executive must have provided written notice of such event to the Company within 90 days after he first learned of its occurrence; the Company must have failed to fully cure such event within 30 days after it received such notice; and Executive must have provided to the Company, within 30 days following the expiration of such cure period, written notice of his decision to terminate his employment, which termination shall be effective 90 days after the date of Executive's initial written notice of the Good Reason event, unless the Company agrees to an earlier termination date. The Company may require that

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### Exhibit 10.3

Executive be on Garden Leave as described in Section 5(d) during the 90-day period following the date of Executive's initial written notice of the Good Reason event.

- a. "Notice of Termination" means any written notice, delivered by either Party to the other, that Executive's employment with the Company will terminate.

#### 7. Covenants.

- a. Confidentiality Restrictions. Executive agrees at all times during his employment with the Company and thereafter, to hold in strictest confidence, and not to use, or disclose to any person, firm or corporation, any confidential or proprietary information of the Company ("Confidential Information"), except as otherwise provided in this Section 7. Confidential Information includes, without limitation: client or customer lists, identities, contacts, business and financial information; investment strategies; pricing information or policies, fees or commission arrangements of the Company; marketing plans, projections, presentations or strategies of the Company; financial and budget information of the Company; personnel information, personnel lists, resumes, personnel data, organizational structure, compensation and performance evaluations; information regarding the existence or terms of any agreement or relationship between the Company and any other party; information developed by Executive during his employment with the Company; and any other information of whatever nature that gives to the Company an opportunity to obtain an advantage over its competitors who or which do not have access to such information, in each case to the extent that such information is confidential or proprietary. Confidential Information developed by Executive during his employment with the Company will be subject to the terms and conditions of this Agreement as if the Company had furnished such Confidential Information to Executive in the first instance. Confidential Information does not include any of the foregoing items that have become publicly known and through no wrongful act of Executive or a third party.

#### b. Exceptions.

- i. Nothing in this Agreement or elsewhere shall prevent Executive from: (i) using and disclosing documents and information in connection with the good faith performance of his duties for the Company or any of its affiliates; (ii) cooperating with, or participating in, any investigation conducted by any governmental agency; (iii) making truthful statements, or disclosing documents and information, (x) to the extent reasonably necessary in connection with any litigation, arbitration or mediation involving Executive's rights or obligations under this Agreement or otherwise in connection with his employment with the Company (or the termination of such employment) or (y) when required by law, by legal process or by any court, arbitrator, mediator or legislative body (including any committee thereof) with actual or apparent jurisdiction to order Executive to make such statements or to disclose such documents and information, provided that Executive both gives the Company advance notice of any such disclosure to the extent legally allowable and cooperates (at the Company's sole expense) in good faith with any effort the Company may make to seek a protective order concerning the confidentiality of any such disclosure; (iv) retaining, and using appropriately (*e.g.*, not in connection with violating any non-competition or non-solicitation restriction), documents and information relating to his
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**Exhibit 10.3**

personal rights and obligations and his rolodex (and electronic equivalents); (v) disclosing his post-employment restrictions in confidence in connection with any potential new employment or business venture; (vi) disclosing documents and information in confidence to any attorney, financial advisor, tax preparer, or other professional for the purpose of securing professional advice; or (vii) using and disclosing documents and information at the request of the Company or its attorneys or agents.

- ii. Nothing in this Agreement or elsewhere shall prohibit or restrict Executive from initiating communications directly with, responding to any inquiry from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, any agency Inspector General or any other federal, state or local regulatory authority, or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. Executive does not need the prior authorization of the Company to engage in conduct protected by this subsection, and Executive does not need to notify the Company that Executive has engaged in such conduct. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose trade secrets to their attorneys, courts, or government officials in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.
  - c. Former Employer Information. Subject to Section 7(b), Executive agrees that he will not, during and in connection with his employment with the Company, use or disclose any proprietary information or trade secrets of any former or concurrent employer or other person or entity and that he will not bring into the premises of the Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.
  - d. Third Party Information. Subject to Section 7(b), Executive recognizes that the Company has received, and in the future will receive, from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Executive agrees to treat all such information as Confidential Information.
  - e. Mutual Non-Disparagement. Executive acknowledges that any disparaging comments by him against the Company are likely to substantially depreciate the business reputation of the Company. Subject to Section 7(b), Executive therefore agrees that he will not directly or indirectly defame, disparage, or publicly criticize the services, business, integrity, veracity or reputation of the Company or its officers, directors, or employees in any forum or through any medium of
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**Exhibit 10.3**

communication. The Company agrees that, upon termination of Executive's employment, the Company will direct its senior management team and the members of the Board of Directors not to, directly or indirectly, defame, disparage, or publicly criticize the integrity, veracity, or reputation of Executive.

f. Restrictive Covenants.

- i. Conflicting Employment. Executive agrees that, during his employment with the Company, he will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during such employment, nor will he engage in any other activities that conflict with his obligations or responsibilities to the Company.
  - ii. Returning Company Documents and Property. Executive agrees that, at the time he leaves the employ of the Company, or at any other time at the Company's reasonable request, he will deliver to the Company (and will not keep in his possession, recreate or deliver to anyone else) any and all software, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, Confidential Information, other documents or property, or reproductions of any aforementioned items developed by him pursuant to his employment with the Company or otherwise belonging to the Company. To the extent Executive has retained any Company property or Confidential Information on any electronic or computer equipment belonging to him or under his control, Executive agrees to so advise the Company and to permanently delete all such property or Confidential Information and all copies, and to allow the Company reasonable access to such equipment for purposes of permanently deleting all such property or Confidential Information. In the event of any termination of Executive's employment with the Company, Executive agrees to provide such written assurances of his compliance with this Section 7(f)(ii) as the Company may reasonably request.
  - iii. Notification to New Employer. During Executive's employment with the Company and for 12 months thereafter, Executive will advise the Company of any new employer of his, or any other person or entity for whom he may perform services, either before or within three (3) days after accepting an offer to work for such employer or other person or entity. Executive hereby agrees to notify, and grants consent to notification by the Company to, any new employer, or other person or entity for whom he may perform services, of his obligations under this Section 7 and under Section 5(d) above (relating to "Garden Leave").
  - iv. Solicitation of Employees. During his employment with the Company and for 12 months thereafter, Executive will not, either directly or indirectly, for himself or for any other person or entity:
    1. solicit, induce, recruit or encourage any of the Company's employees, consultants, independent contractors or any person who provides services to the Company to terminate or reduce their employment or other relationship with the Company,
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Exhibit 10.3

2. hire any individual who is (or was within the six (6) months immediately preceding such hiring) an employee, exclusive consultant, or exclusive independent contractor of the Company, or
  3. attempt to do any of the foregoing.
- v. Solicitation of Customers. During his employment with the Company and for 12 months thereafter, Executive will not, either directly or indirectly, (i) solicit, entice, or induce any Customer for the purpose of providing, or provide, products or services that are competitive with the products or services provided by the Company, or (ii) solicit, entice, or induce any Customer to terminate or reduce its business with (or refrain from increasing its business with) the Company. As used in this subsection (f)(v) of this Section 7, "Customer" means any person or entity to which the Company provided products or services (or was invested in products offered by the Company), and with which Executive had contact on behalf of the Company or about whom Executive possesses Confidential Information, within the last 12 months of his employment with the Company.
- vi. Noncompetition. During his employment with the Company and for 12 months thereafter, Executive will not, either directly or indirectly:
1. have any ownership interest in, or participate in the financing, operation, management or control of, any Competitor (as defined below); or
  2. engage in or perform services (whether as an employee, consultant, proprietor, partner, director or otherwise) for any Competitor, if such services either (i) are the same as or similar to (individually or in the aggregate) the services Executive performed for the Company during his employment with the Company, or (ii) are performed with respect to products or services of the Competitor that are competitive with the products or services provided by the Company with which Executive was involved during his employment with the Company or about which Executive received or possessed Confidential Information during his employment with the Company.
- vii. As used in subsection (f)(vi) of Section 7, "Competitor" means any person or entity that competes with the Company and that is (i) a mortgage REIT, (ii) an entity or person engaged in any element of acquiring mortgage backed securities, including any private or public investment firm or broker dealer whose business strategy is based on or who engages in the trading, sales, investment or management of mortgage backed securities, or (iii) an entity or person that manages or advises (including as an external advisor) either a mortgage REIT or an entity or person engaged in any element of acquiring mortgage backed securities, including any private or public investment firm or broker dealer whose business strategy is based on or who engages in the trading, sales, investment or management of mortgage backed securities. The restrictions set forth in subsection (f)(vi) of this Section 7 will apply within or with respect to the United States and any other country in which the Company is then engaged in business. Executive acknowledges that the Company's
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**Exhibit 10.3**

technology and products have worldwide application, including without limitation over the Internet and that such geographic scope is therefore reasonable. It is agreed that ownership of no more than 2% of the outstanding voting stock of a publicly traded entity will not constitute a violation of subsection (f)(vi) of this Section 7.

- viii. Corporate Opportunities. Executive agrees that, during his employment with the Company and for 12 months thereafter, Executive will not use, for his own personal gain or benefit, opportunities discovered in the course of his employment. In addition, if during his employment with the Company Executive is approached about or otherwise become aware of a potential investment or other business transaction that may be appropriate for the Company, Executive will not take that opportunity for himself, will (if warranted) bring it to the Board of Directors' attention, and will not share or disclose it to any third party, without either (x) the Board of Directors' permission or (y) a good faith belief that sharing or disclosing it is in, or not opposed to, the Company's best interests.
- g. Cooperation with Respect to Litigation. During the Term of Employment and at all times thereafter, Executive agrees to give written notice to the Company of any third-party claim against the Company promptly after becoming aware of such claim, and cooperate with the Company, in good faith and upon reasonable request by the Company, in connection with any pending, potential or future claim, investigation or action that directly or indirectly relates to any action, event or activity about which Executive may have knowledge in connection with or as a result of his employment by the Company. Such cooperation will include all assistance that the Company, its counsel or representatives may reasonably request, including reviewing documents, meeting with counsel, providing factual information and material, and appearing or testifying as a witness, in each case consistent with Executive's other obligations under this Agreement and with his other personal and professional commitments after the Termination Date; provided, however, that the Company will promptly pay, or reimburse Executive for, any reasonable expense that he incurs in connection with any cooperation under this Section 7(g).
- h. Remedies.
- i. Executive acknowledges and agrees that the restrictions set forth in this Section 7 are critical and necessary to protect the Company's legitimate business interests; are reasonably drawn to this end with respect to duration, scope, and otherwise; are not unduly burdensome; are not injurious to the public interest; and are supported by adequate consideration. Executive agrees that it would be impossible or inadequate to measure and calculate the Company's damages from any breach of the restrictions set forth in this Section 7. Accordingly, Executive agrees that if he breaches or threatens to breach any such restriction, the Company will have available, in addition to any other right or remedy available, the right to seek an injunction from a court of competent jurisdiction restraining such breach or threatened breach and to specific performance of such restriction. Executive further agrees that no bond or other security will be required in obtaining such equitable relief. Executive further acknowledges and agrees that (x) any claim he may have against the
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### Exhibit 10.3

Company, whether under this Agreement or otherwise, will not (except as otherwise expressly provided in Section 7(h)(v) below) be a defense to enforcement of the restrictions set forth in this Section 7, (y) the circumstances of the termination of his employment with the Company will have no impact on his obligations under this Section 7, and (z) this Section 7 is enforceable by the Company, and its subsidiaries, its affiliates, and its permitted successors and assigns.

- ii. Executive, and the Company, agree and intend that Executive's obligations under any subsection of this Section 7 (to the extent not perpetual) be tolled during any period that Executive is in material breach of any of the obligations in such subsection, so that the Company is provided with the full benefit of the restrictive period set forth in such subsection; provided that the extension by tolling for any subsection shall not exceed 12 months in the aggregate.
  - iii. Executive also agrees that, in addition to any other remedies available to the Company, in the event Executive breaches, in any material respect and without timely cure, any of his obligations under this Section 7, the Company shall also be entitled to the remedy described in Section 5(i) above.
  - iv. Executive and the Company further agree that, in the event that any provision of this Section 7 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, that provision will be deemed to be modified to permit its enforcement to the maximum extent permitted by law. The prevailing party in any action or proceeding under Section 7(h)(i) will be entitled to prompt reimbursement of all expenses (including, without limitation, attorney fees) that such party reasonably incurred in connection with such action or proceeding. It is also agreed that each of the Company's affiliates will have the right to enforce all of Executive's obligations to that affiliate under this Agreement, including without limitation pursuant to this Section 7.
  - v. In the event that (A) the Company or any of its affiliates is, on or after the Termination Date, in material breach of any of its material obligations to Executive under this Agreement, (B) Executive provides written notice to the Company describing such breach in reasonable detail and requesting cure, within 30 days after he learns of the occurrence of such breach, (C) the Company does not cure such breach within 30 days after receipt of such notice, then (z) the restrictions (relating to competition and solicitation of customers) that are set forth in Sections 7(f)(v) and 7(f)(vi) will immediately become null and void. For the avoidance of doubt, the Company and its affiliates will not be considered in breach of their obligations under this Agreement for purposes of this Section 7(h)(v) by reason of the Company or an affiliate exercising its rights under this Agreement in the event of a breach of this Agreement by Executive.
8. Indemnification. The Company will indemnify Executive, to the fullest extent permitted by Maryland law as amended from time to time, against any and all costs, expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines,
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### Exhibit 10.3

penalties, ERISA excise taxes and amounts paid in settlement) actually and reasonably incurred by Executive in connection with any action, suit or proceeding, whether civil, criminal, administration, investigative, formal, informal or other (each, a “Proceeding”), provided that Executive’s involvement in such Proceeding relates to his positions with, or services for, the Company or any of its affiliates. Expenses incurred by Executive in connection with any such Proceeding will be paid, or reimbursed by the Company, promptly upon receipt by the Company of (i) a written affirmation of Executive’s good faith belief that Executive is entitled to indemnification by the Company pursuant to this Section 8 with respect to such expenses and proceeding, (ii) a written undertaking by Executive, or on Executive’s behalf, to and in favor of the Company, wherein Executive agrees to repay the amount if Executive is determined not to have been entitled to indemnification under this Section 8 and (iii) reasonable supporting documentation demonstrating that the expenses have been incurred. While Executive is an officer of the Company, and for six years thereafter, the Company (or any successor thereto) will provide comprehensive coverage under its officers and directors insurance policy (or policies) on substantially the same terms and levels that it then provides coverage to its senior executive officers and/or to members of the Board of Directors, at the Company’s sole cost. Nothing in this Agreement shall limit any right that Executive may have in respect of indemnification, advancement, or liability insurance coverage under any other Company Arrangement. Notwithstanding the foregoing, in no event shall the foregoing indemnification apply to any costs, expenses, liabilities or losses resulting from Executive’s engaging in conduct that constitutes Cause.

9. Clawback Policy. Executive agrees that all bonuses, equity compensation and other incentive compensation provided by the Company will be subject to any clawback policy applying to senior executives of the Company generally that is implemented by the Board of Directors from time to time.

10. Inventions.

a. Assignment of Inventions. Executive acknowledges that, during his employment by the Company, Executive may be expected to undertake creative work, either alone or jointly with others, which may lead to inventions, ideas, original works of authorship, developments, concepts, improvements, trade secrets or other intellectual property rights, in each case, whether or not patentable or registrable under patent, copyright or similar laws and including, in each case, tangible embodiment of any of the foregoing (“Inventions”). Executive hereby agrees that any Invention that is created by him during his employment by the Company and that is related to the actual or prospective business of the Company or that results from work performed by Executive for the Company (whether or not on the Company’s premises or using the Company’s equipment and materials or during regular business hours) (“Company Inventions”) will be a work-for-hire and will be the sole and exclusive property of the Company and, to the extent such Company Inventions are not a work-for-hire, Executive hereby assigns to the Company Investment Corporation all of his right, title and interest in and to any and all such Company Inventions. In addition, any Inventions created within three years after the termination of Executive’s employment by the Company which are based upon or derived from Confidential Information or Company Inventions will be the sole and exclusive property of the Company and Executive hereby assigns to the Company all of his right, title and interest in and to any and

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## Exhibit 10.3

all such Company Inventions. Nothing in the preceding sentence will be construed to limit Executive's obligations under Section 10 of this Agreement.

- b. Further Assistance. Executive agrees to assist the Company, or its designee, upon reasonable request and at the sole expense of the Company or its designee, whether during his employment with the Company or thereafter, in every proper way to secure the Company's, or designee's, rights in the Company Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including disclosing to the Company or designee all pertinent information and data with respect thereto, executing, or causing to be executed, all applications, specifications, oaths, assignments and other instruments which the Company or designee reasonably deems necessary in order to apply for and obtain such rights and in order to assign and convey to the Company or designee the sole and exclusive rights, title and interest in and to such Company Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. If the Company, or its designee, is unable because of Executive's mental or physical incapacity or for any other reason to secure Executive's signature to apply for or to pursue any application for any United States or foreign patents, copyright registrations or other registrations covering Company Inventions, then Executive hereby irrevocably designates and appoints the Company, or its designee, and its duly authorized officers and agents as his agent and attorney in fact, to act for and in his behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by him, in each case at no expense to Executive. Executive understands and acknowledges that this appointment is coupled with an interest and survives his death or incompetence.
  - c. Moral Rights. To the extent not assignable, Executive hereby waives, to the extent permitted by applicable law, any and all claims he may now or hereafter have in any jurisdiction to all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as "moral rights" with respect to all Company Inventions.
  - d. No License. Executive understands and acknowledges that this Agreement does not grant him, and will not be construed to grant him, any license or right of any nature with respect to any Company Inventions or Confidential Information, other than as expressly set forth in this Agreement.
11. Assignability; Binding Nature. This Agreement will inure to the benefit of the Company and Executive and their respective successors, heirs (in the case of Executive) and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that any such rights or obligations may be assigned or transferred by the Company pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company, provided that in each case the assignee or transferee is the successor to all or substantially all of the business and assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. This Agreement will not be assignable by Executive; provided however that, in the event of Executive's death or a judicial determination of his incapacity, references to Executive in this
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### Exhibit 10.3

Agreement will be deemed, where appropriate, to be references to his heirs, estate, beneficiaries, executor or other legal representative.

12. Representation. The Company and Executive each represent and warrant that it or he is fully authorized and empowered to enter into this Agreement and that its or his entering into this Agreement, and the performance of its or his obligations under this Agreement, will not violate any document to which it or he is a party or by which it or he is bound.
  13. Entire Agreement; Inconsistency. This Agreement contains the entire agreement between the Company and Executive concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between them with respect thereto (including, without limitation, the Prior Employment Agreement). In the event of any inconsistency between this Agreement and any other Company Arrangement, whether applicable on the date of this Agreement or at any time thereafter, this Agreement will, to the extent more favorable to Executive, control unless Executive otherwise agrees in a signed writing that specifically identifies the provisions of this Agreement whose control he is waiving.
  14. Amendment or Waiver. This Agreement can only be changed, modified or amended in a writing that is signed by both Executive and the Company and that specifically identifies the provision(s) of this Agreement that are being changed, modified or amended. No waiver by either the Company or Executive at any time of any breach by the other Party of any condition or provision of this Agreement will be deemed a waiver of a similar or dissimilar condition or provision at the same or at any prior or subsequent time. Any waiver must be in writing and signed by Executive or a specifically authorized officer of the Company, as the case may be.
  15. Severability. In the event that any provision or portion of this Agreement is determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement will be unaffected thereby and will remain in full force and effect to the fullest extent permitted by law.
  16. Reasonableness. To the extent that any provision or portion of this Agreement is determined to be unenforceable by a court of law or equity, or by any arbitration panel, that provision or portion of this Agreement will nevertheless be enforceable to the extent that such court or panel determines is reasonable.
  17. Survivorship. The respective rights and obligations of the Parties will survive any termination of the Term of Employment, or of Executive's employment with the Company, to the extent necessary to the intended preservation of such rights and obligations. For the avoidance of doubt, the covenants in Section 7 and the indemnification and insurance provisions of Section 8 of this Agreement will survive any termination of the Term of Employment or of Executive's employment with the Company.
  18. Governing Law. This Agreement, the rights and obligations of the Parties under it, and any claims or disputes relating thereto will be governed by and construed in accordance with the laws of the State of New York (without regard to its choice of law provisions), other than rights and obligations (and related claims and disputes) under Section 8 (Indemnification), which will be governed by Maryland law.
  19. Resolution of Disputes. Any claim arising out of or relating to this Agreement, any other agreement between the Parties, Executive's employment with the Company, or any termination thereof will (except to the extent otherwise provided in Section 7(h)(i) with respect to certain requests for injunctive relief) be resolved by binding confidential arbitration, to be held in the Borough of Manhattan in New York City, before a panel of
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### Exhibit 10.3

three arbitrators, in accordance with the employment dispute rules of the American Arbitration Association and this Section 19. Any award rendered by the panel will be accompanied by a written opinion setting forth in reasonable detail the basis for the award, and any such award may be entered in a court having jurisdiction thereof.

20. Notices. Any notice, consent, demand, request, or other communication given to any person or entity in connection with this Agreement shall be in writing and will be deemed to have been given to such person or entity (i) when delivered personally to such person or entity, (ii) five days after being sent by prepaid certified or registered mail, or two days after being sent by a nationally recognized overnight courier, to the address specified below for such person or entity (or to such other address as such person or entity shall have specified by 10 days advance notice given in accordance with this Section 20), or (iii) in the case of the Company only, on the first business day after it is sent by facsimile to the facsimile number set forth below (or to such other facsimile number as has been specified on 10 days' advance notice given in accordance with this Section 20), with a confirmatory copy sent by certified or registered mail or by overnight courier in accordance with this Section 20.

If to the Company: Chimera Investment Corporation  
630 Fifth Ave., Ste 2400  
New York, NY 10111  
Attn: Corporate Secretary  
Fax #: (212) 918-3459  
Email: fei.wang@chimerareit.com

If to Executive: The address of his principal residence as it appears in the Company records, with a copy to him (during his employment with the Company) at his principal office at the Company

If to a beneficiary of Executive: The address most recently specified by Executive or his beneficiary.

1. Withholding. The Company will be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company reasonably determines to be required to be withheld pursuant to applicable law. The Company will use commercially reasonable efforts to establish a relationship with a broker-dealer to facilitate the sale of shares acquired on the vesting or exercise of any equity or equity-based compensation granted to Executive by the Company to enable Executive to satisfy all applicable withholding taxes due in connection with such vesting or exercise; provided that if the Company does not establish any such relationship, Executive may satisfy such withholding obligations by instructing the Company to retain shares otherwise deliverable to Executive upon the vesting or exercise of any such equity or equity-based award with a fair market value not exceeding the minimum amount required to be withheld by applicable law.
  2. Headings. The headings of the Sections and sub-sections contained in this Agreement are for convenience only and will not be deemed to control or affect the meaning or construction of any provision of this Agreement.
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**Exhibit 10.3**

3. Counterparts. This Agreement may be executed in two or more counterparts. Signatures delivered by facsimile (including, without limitation, by “pdf”) will be deemed effective for all purposes.

*[Signature page(s) follow]*

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**Exhibit 10.3**

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Chimera Investment Corporation

By: /s/ Gerard Creagh

Name: Gerard Creagh

Title: Chairman of the Compensation Committee

Executive

By: /s/ Subramaniam Viswanathan

Name: Subramaniam Viswanathan

Title: Chief Financial Officer

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Exhibit A

2023 Incentive Compensation

I. 2023 Annual Cash Bonus.

The following summarizes the material terms of the Annual Cash Bonus set forth in Section 3(b)(i) of the Agreement to which this Exhibit A is attached (the “Agreement”) in respect of the 2023 calendar year. Unless otherwise specified in this Exhibit A, all defined terms have the meanings set forth in the Agreement. The Annual Cash Bonus metrics and terms for subsequent years will be determined by the Compensation Committee, in good faith, in consultation with the CEO.

1. 2023 Performance Period. The Annual Cash Bonus will be payable for the calendar year commencing January 1, 2023 and ending December 31, 2023 (the “2023 Annual Cash Bonus Performance Period”) if the metrics and other requirements described below are met.

Except as otherwise provided in the Agreement, Executive will be eligible to receive the 2023 Annual Cash Bonus only if Executive remains employed by the Company through the last day of the 2023 Annual Cash Bonus Performance Period. In no event will Executive receive any unpaid 2023 Annual Cash Bonus in the event Executive’s employment is terminated by the Company for Cause. For the avoidance of doubt, Executive will not be entitled to an Annual Cash Bonus for any performance period beginning on or after termination of Executive’s employment for any reason.

Except as otherwise provided in the Agreement, any 2023 Annual Cash Bonus will be subject to achievement of the performance goals described in this Exhibit A.

1. Target Cash Bonus. For the 2023 Annual Cash Bonus Performance Period, Executive’s target Annual Cash Bonus (the “Target Cash Bonus”) will be equal to the target Annual Cash Bonus set forth in Section 3(b)(i) of the Agreement. Executive is entitled to receive an Annual Cash Bonus from 0% to 200% of the Target Cash Bonus for the 2023 Annual Cash Bonus Performance Period, based on performance as described below and continued employment as described above.
  2. 2023 Performance Components: Annual Cash Bonus Measurement Period. The 2023 Annual Cash Bonus will be payable based on the following metrics and continued employment through December 31, 2023 (subject to the terms of the Agreement). The Relative ROE and Relative TSR metrics will be measured based on the measurement period beginning at the end of the third fiscal quarter of the calendar year immediately preceding the beginning of the 2023 Annual Cash Bonus Performance Period through the end of the third fiscal quarter of the 2023 Annual Cash Bonus Performance Period (*i.e.*, Q3 to Q3 measurement period, which is October 1, 2022 through September 30, 2023) (the “Annual Cash Bonus Measurement Period”). The Strategic Goals metrics will be measured based on the 2023 calendar year.
    - a. 35% based on the Company’s Relative ROE, subject to adjustment based on Company ROE (as defined below), for the Annual Cash Bonus Measurement Period
    - b. 35% based on the Company’s Relative TSR (as defined below), subject to adjustment based on Company TSR (as defined below), for the Annual Cash Bonus Measurement Period
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### Exhibit 10.3

c. 30% based on achievement of the Strategic Goals (as defined below) during the 2023 calendar year

1. Definitions. For purposes of this Exhibit A:

“Company Average Equity” means, for purposes of calculating Company ROE and Relative ROE, the stockholders’ equity of the Company (based on the Company’s common stock) as determined in accordance with GAAP and shown on the Company’s quarterly and annual financial statements as filed with the Securities and Exchange Commission, but excluding accumulated other comprehensive income or loss (which, among other things, reflects unrealized gains or losses in the Company’s portfolio), stockholders’ equity attributable to preferred stock and other items as determined by the Compensation Committee in its sole discretion. For purposes of calculating Relative ROE, Company Average Equity will be determined based on the average of the Company’s stockholders’ equity calculated as described in the preceding sentence as of the last day of each fiscal quarter during the Annual Cash Bonus Measurement Period. Notwithstanding the foregoing, stockholder’s equity attributable to an issuance of common stock of the Company during the Annual Cash Bonus Measurement Period shall be excluded from the calculation of “Company Average Equity” for a period of six months from such issuance.

“Company TSR” means, for the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable, the percentage change in the value of a share of the Company’s common stock from the closing price on the last trading day before the beginning of the applicable measurement period to the closing price on the last trading day of the applicable measurement period (plus common stock dividends paid during the applicable measurement period, assuming immediate reinvestment of such dividends in additional common shares), as determined by the Compensation Committee in its sole discretion. For example, for the Annual Cash Bonus Measurement Period, Company TSR will be measured based on the closing price of the Company’s common stock on September 30, 2022 and the closing price on September 29, 2023 (plus common stock dividends as described above), and, for the LTI Measurement Period, Company TSR will be measured based on the closing price on September 30, 2022 and the closing price on September 30, 2025 (plus common stock dividends as described above).

“Company Return” means, for purposes of calculating Company ROE, the Company’s net income as determined in accordance with GAAP and shown on the Company’s quarterly and annual financial statements as filed with the Securities and Exchange Commission, but excluding non-cash, non-operating expense items such as depreciation expense, amortization of goodwill and other non-cash, non-operating expense items as determined by the Compensation Committee in its sole discretion for the Annual Cash Bonus Measurement Period. For the avoidance of doubt, any realized and/or unrealized gains or losses from hedging instruments shall not be excluded from the calculation of Company Return.

“Company ROE” means (i) Company Return for the Annual Cash Bonus Measurement Period, divided by (ii) Company Average Equity for the Annual Cash Bonus Measurement Period.

“Peer Group” means the entities (other than the Company) included in the iShares Mortgage Real Estate ETF as of the beginning of the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable. Any entity (other than the Company) that ceases to be included in the iShares Mortgage Real Estate ETF during the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable, shall be treated as performing at the lowest level in the Peer Group for such Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable.

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**Exhibit 10.3**

“**Relative ROE**” means Company ROE as such amount stands in relation to the return on average equity (determined in the same way that the Company ROE is determined) for the Annual Cash Bonus Measurement Period of the entities (other than the Company) included in the Peer Group.

“**Relative TSR**” means the Company TSR as such amount stands in relation to the total shareholder return (determined in the same way that the Company TSR is determined) for the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable, of the entities (other than the Company) included in the Peer Group, as determined by the Compensation Committee in its sole discretion.

“**Strategic Goals**” means such individual or strategic objectives as may be determined by the Compensation Committee, in consultation with the CEO, and communicated to Executive, including any new objectives arising during the 2023 Annual Cash Bonus Performance Period based on emerging or developing business needs.

1. **Annual Cash Bonus Earned.**

Executive will be entitled to receive, as Executive’s 2023 Annual Cash Bonus, an amount ranging from 0% to 200% of Executive’s Target Cash Bonus, based (i) 35% on the level of Relative ROE achievement during the Annual Cash Bonus Measurement Period, subject to adjustment based on Company ROE (the “**ROE Component**”), (ii) 35% on the level of Relative TSR achievement during the Annual Cash Bonus Measurement Period, subject to adjustment based on Company TSR (the “**TSR Component**”), and (iii) 30% on the level of achievement of the Strategic Goals during the 2023 calendar year (the “**Strategic Goals Component**”), as described herein, and subject to continued employment through December 31, 2023 (subject to the terms of the Agreement).

The total amount of the 2023 Annual Cash Bonus payable to Executive will be equal to Executive’s Target Cash Bonus amount multiplied by the sum of (x) 35% multiplied by the percentage of the ROE Component payable based on the table below, subject to adjustment based on Company ROE, (y) 35% multiplied by the percentage of the TSR Component payable based on the table below, subject to adjustment based on Company TSR, and (z) 30% multiplied by the Strategic Goals achievement percentage based on the Compensation Committee’s determination as described in more detail below. The 2023 Annual Cash Bonus shall not exceed 200% of the Target Cash Bonus.

a. **ROE Component.**

The amount of Executive’s 2023 Annual Cash Bonus payable to Executive in respect of the ROE Component (35% of the Target Cash Bonus) will be based on the Company ROE compared to that of the Peer Group (measured as a percentile) for the Annual Cash Bonus Measurement Period, as follows, subject to adjustment based on Company ROE as described below:

<b>Relative ROE</b>	<b>Percentage of the ROE Component Payable</b>
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“**Threshold**” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 52 weeks in the Annual Cash Bonus Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative ROE.

The percentage of the ROE Component payable for Relative ROE achieved between the percentiles set forth in the above table (if performance is above the Threshold) will be



## Exhibit 10.3

determined by linear interpolation. If the achieved Relative ROE is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative ROE will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company ROE for the Annual Cash Bonus Measurement Period is at or below zero, achievement of the ROE Component shall be deemed to not exceed 100%.

### a. TSR Component.

The amount of Executive's 2023 Annual Cash Bonus payable to Executive in respect of the TSR Component (35% of the Target Cash Bonus) will be based on the level of Relative TSR achievement for the Annual Cash Bonus Measurement Period, as follows, subject to adjustment based on Company TSR as described below:

Relative TSR	Percentage of the TSR Component Payable
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

"Threshold" means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 52 weeks in the Annual Cash Bonus Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative TSR.

The percentage of the TSR Component payable for Relative TSR achieved between the percentiles set forth in the above table (if performance is above the Threshold) will be determined by linear interpolation. If the achieved Relative TSR is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative TSR will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company TSR for the Annual Cash Bonus Measurement Period is at or below zero, achievement of the TSR Component shall be deemed to not exceed 100%.

### a. Strategic Goals Component.

The amount of Executive's 2023 Annual Cash Bonus payable to Executive in respect of the Strategic Goals Component (30% of the Target Cash Bonus) will range from 0% to 200% of the portion of the Target Cash Bonus attributable to the Strategic Goals Component, as determined in the discretion of the Compensation Committee based on its determination of Executive's level of achievement of the Strategic Goals during the 2023 calendar year.

1. Payment of Annual Cash Bonus. Any Annual Cash Bonus will be paid in cash between December 1, 2023 and January 30, 2024, subject (except as otherwise provided in the Agreement) to continued employment through December 31, 2023.

## II. 2023 Long-Term Incentive Compensation.

The following summarizes the material terms of the long-term incentive compensation ("LTI") in the form of RSUs and PSUs that are to be granted under Section 3(b)(ii) of the Agreement in 2023. The metrics and terms for LTI to be granted in subsequent years will be determined by the Compensation Committee, in good faith, in consultation with the CEO.

1. 2023 LTI; LTI Measurement Period. The metrics and terms described below will apply to RSUs and PSUs granted in 2023.

Except as otherwise provided in the Agreement or this Exhibit A, Executive will be eligible to receive payout on LTI only if Executive remains employed by the Company through

## Exhibit 10.3

the applicable vesting date (in the case of RSUs) and through the last day of the PSU Performance Period (in the case of PSUs). In no event will Executive receive any unpaid LTI in the event Executive's employment is terminated by the Company for Cause. For the avoidance of doubt, Executive will not be entitled to LTI for any performance or vesting period beginning on or after termination of Executive's employment for any reason. Except as otherwise provided in the Agreement, any LTI will be subject to the vesting conditions and achievement of the performance goals described below.

For purposes of the PSUs, Relative Economic Return, Company Economic Return, Relative TSR and Company TSR will be based on the "LTI Measurement Period," which is the period beginning on the first day of the fourth fiscal quarter of the calendar year immediately preceding the beginning of the PSU Performance Period through the last day of the third fiscal quarter of the last calendar year in the PSU Performance Period (*i.e.*, Q3 to Q3 measurement period, which is October 1, 2022 through September 30, 2025).

1. Target LTI. For the LTI to be granted in 2023, Executive's target LTI will be equal to the target annual LTI amount set forth in Section 3(b)(ii) of the Agreement (the "Target LTI").
2. Performance Components. The LTI to be granted in 2023 will consist of two components:
  - a. RSUs. Executive will be granted a number of RSUs having an aggregate fair value, based on the volume weighted average closing price of the Company's common stock during the 20 trading day period ending on December 30, 2022, equal to 50% of the Target LTI. Subject (except as otherwise provided in the Agreement) to Executive remaining employed by the Company through the applicable vesting date and meeting all applicable requirements set forth in the Agreement and this Exhibit A, the RSUs will vest in three equal installments on each of the first three anniversaries of December 31, 2022. Unless otherwise provided in the Agreement or this Exhibit A, the vested portion of the RSUs will be paid in common stock of the Company within 60 days after the applicable vesting date, or such other date as may be specified in the documents governing the award.
  - b. PSUs. Executive will be granted a target number of PSUs having an aggregate fair value, based on the volume weighted average closing price of the Company's common stock during the 20 trading day period ending on December 30, 2022, equal to 50% of the Target LTI (the "Target PSUs"). The performance period for the PSUs (which applies for purposes of time-based vesting) shall be the period from January 1, 2023 through December 31, 2025 (the "PSU Performance Period").

Of the Target PSUs:

- a. 50% will be subject to performance metrics tied to Relative Economic Return, subject to adjustment based on Company Economic Return as described below, for the LTI Measurement Period (the "Economic Return PSUs")
- b. 50% will be subject to performance metrics tied to Relative TSR, subject to adjustment based on Company TSR as described below, for the LTI Measurement Period (the "TSR PSUs")

Subject (except as otherwise provided in the Agreement or this Exhibit A) to Executive's continuing employment through the last day of the PSU Performance Period, between 0% and 200% of the Target PSUs will vest as of the last day of the PSU Performance Period and be paid in common stock of the Company between December 1, 2025 and January 30, 2026 (or such other date as may be specified in the documents governing the awards), based on achievement of the Economic Return and TSR metrics described below.

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**Exhibit 10.3**Economic Return

The Economic Return PSUs will vest as of the last day of the PSU Performance Period based on the Company Economic Return compared to that of the Peer Group (measured as a percentile) for the LTI Measurement Period, as follows, subject to adjustment based on Company Economic Return as described below:

Relative Economic Return	Percentage of Economic Return PSUs
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“Threshold” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 156 weeks in the LTI Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative Economic Return.

For any Relative Economic Return achieved between the percentiles specified in the above table (if performance is above the Threshold), the percentage of the Target PSUs that will vest for the PSU Performance Period will be determined by linear interpolation. If the achieved Relative Economic Return is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative Economic Return will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company Economic Return for the LTI Measurement Period is at or below zero, achievement of the Economic Return metric shall be deemed to not exceed 100%.

Relative TSR

The TSR PSUs may vest as of the last day of the PSU Performance Period based on the Company TSR compared to that of the Peer Group (measured as a percentile) for the LTI Measurement Period, subject to adjustment based on Company TSR as described below:

Relative TSR	Percentage of TSR PSUs
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“Threshold” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 156 weeks in the LTI Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative TSR.

For any Relative TSR achieved between the percentiles specified in the above table (if performance is above the Threshold), the percentage of the TSR PSUs that may vest for the PSU Performance Period will be determined by linear interpolation. If the achieved Relative TSR is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative TSR will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company TSR for the LTI Measurement Period is at or below zero, achievement of the TSR metric shall be deemed to not exceed 100%.

Change in Control

Notwithstanding anything in the Agreement or this Exhibit A to the contrary, upon the consummation of a Change in Control, (i) the percentage of the Target PSUs that would have vested in accordance with the paragraphs based on the Relative Economic Return,

### Exhibit 10.3

Company Economic Return, Relative TSR and Company TSR, as applicable, measured from the first day of the LTI Measurement Period through the end of the most recent fiscal quarter prior to such Change in Control for which data is available (or the last day of the LTI Measurement Period, if earlier) will be eligible to vest on the last day of the PSU Performance Period, subject only to Executive's continuing employment with the Company through the last day of the PSU Performance Period (except as otherwise provided in the Agreement), and (ii) any portion of the Target PSUs that would not have vested in accordance with the preceding paragraphs based on actual performance as described in clause (i) above will be forfeited as of such Change in Control with no compensation due therefor. For the avoidance of doubt, any PSUs that would continue to be eligible to vest following a Change in Control in accordance with clause (i) above may be substituted with awards payable in cash amounts tied to the consideration paid in connection with the Change in Control, as determined by the Compensation Committee in its sole discretion.

The RSUs and PSUs will be granted to Executive under the Company's current Equity Incentive Plan (or a successor).

1. **Definitions.** For purposes of the PSUs:

"**Company Economic Return**" means (x) the Company's change in book value per share ("**BVPS**"), plus (y) common stock dividends, for the LTI Measurement Period.

"**Relative Economic Return**" means (i) the Company Economic Return for the LTI Measurement Period, divided by (ii) BVPS at the beginning of the LTI Measurement Period, as such amount stands in relation to the economic return (measured in the same way that the Company Economic Return is measured) during the LTI Measurement Period of the entities in the Peer Group.

### **III. Dividend Equivalents**

Dividend equivalents will accrue on RSUs and PSUs granted hereunder as and when dividends are paid to the Company's shareholders and, to the extent that the RSUs and PSUs become vested, will be paid to Executive in cash, shares or a combination thereof, as determined by the Compensation Committee in its sole discretion, at the time such RSUs or PSUs are settled.

### **IV. Committee Determinations**

All determinations with respect to the Annual Cash Bonus and the LTI, including, without limitation, the amount, if any, that is payable to Executive or vests for each performance period, will be made by the Compensation Committee, in good faith, and in compliance with the Agreement and this Exhibit A. All such determinations will be final and binding on Executive and the Company.

The Compensation Committee may adjust any of the performance metrics set forth herein to exclude the impact of any acquisitions or dispositions of businesses or business segments by the Company, one-time non-operating charges, unusual or nonrecurring items, accounting changes (including the early adoption of any accounting change mandated by any governing body, organization or authority), changes in tax laws, impact of discontinued operations, restatements of prior period financial results, and any other events or transactions that may result in distortion of the performance metrics or the value of the awards. In addition, if the Compensation Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render any of the performance metrics set forth herein unsuitable, the Compensation Committee may modify any such performance metrics, in whole or in part, as the Compensation Committee deems appropriate and equitable.

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**Exhibit B**

**General Release**

IN CONSIDERATION OF good and valuable consideration, the receipt of which is hereby acknowledged, and in consideration of the terms and conditions contained in the Employment Agreement, dated as of March 24, 2023 and effective as of January 1, 2023 (the “Agreement”) by and between Subramaniam Viswanathan (the “Executive”) and Chimera Investment Corporation (the “Company”), the Executive on behalf of himself and any person or entity claiming by, through, or under him (including without limitation his heirs, executors, administrators, spouse, personal representatives and assigns), releases and discharges the Company and its past, present and future subsidiaries, divisions, affiliates and parents, and their respective current and former officers, directors, employees, attorneys, agents, benefit plans, and/or owners, and their respective successors and assigns, and any other person or entity claimed to be jointly or severally liable with the Company or any of the aforementioned persons or entities (collectively, the “Released Parties”) from any and all manner of actions and causes of action, suits, debts, dues, accounts, bonds, covenants, contracts, agreements, judgments, charges, claims, attorneys’ fees and costs, and demands whatsoever (“Claims”) which the Executive (or any person or entity claiming by, through, or under him) have, had, or may have, against the Released Parties or any of them arising at any time from the beginning of the world to the date Executive executes this General Release, whether known or unknown, accrued or unaccrued, contingent or noncontingent. The Claims described in this paragraph include without limitation, (i) any and all Claims relating to the Executive’s employment with the Company and the cessation thereof, (ii) any and all Claims for discrimination based on age, sex, race, color, disability status, national origin, religion, or any other protected characteristic, including but not limited to, Claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. §§ 2000 et seq., the Age Discrimination in Employment Act of 1967, 29 U.S.C. §§ 621 et seq., the Americans with Disabilities Act of 1990, 42 U.S.C. §§ 12101 et seq., the New York State and New York City Human Rights Laws, and all state and local analogues of such statutes, each as amended, (iii) any and all Claims under all federal, state, and local statutes, rules, regulations, or ordinances, each as amended, including but not limited to, the Family and Medical Leave Act of 1993, 29 U.S.C. §§ 2601 et seq., the Worker Adjustment and Retraining Notification Act of 1988, 29 U.S.C. §§2101 et seq., the Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1001 et seq., the New York Labor Laws, the New York Whistleblower Protection Law (to the fullest extent they may be released under applicable law), the New York Civil Rights Law (N.Y. Civ. Rts. § 1, et seq.), the New York AIDS/HIV confidentiality law (N.Y. Public Health Law §2780), the New York Equal Pay Law, New York State Labor Relations Act, Article 23-A of the New York State Corrections Law, New York Family Leave Law, New York Minimum Wage Act, New York Wage and Hour Law, New York Wage Payment Law, New York State Worker Adjustment and Retraining Notification Act, and retaliation provisions of New York Workers’ Compensation Law,<sup>[1]</sup> and (iv) any and all Claims under the common law of any jurisdiction, including but not limited to, breach of contract, defamation, interference with contractual/prospective contractual relations, invasion of privacy, promissory estoppel, negligence, breach of the covenant of good faith and fair dealing, fraud, infliction of emotional distress, and wrongful discharge; provided, however, that the Executive does not release or discharge the Released Parties from: any of the obligations that arise under, or are preserved by, Section 5 of the Agreement; any Claim for unemployment or workers’ compensation benefits; any Claim that arises after the date on which

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### Exhibit 10.3

the Executive signs this General Release; or any Claim that is not waivable under applicable law. It is the intention of the Executive that the language relating to the description of Claims in this paragraph will be given the broadest possible interpretation permitted by law. It is understood that nothing in this General Release is to be construed as an admission on behalf of the Released Parties of any wrongdoing with respect to the Executive, any such wrongdoing being expressly denied. The Executive represents and warrants that he fully understands the terms of this General Release, that he has been encouraged to seek, and has sought, the benefit of advice of legal counsel, and that he knowingly and voluntarily, of his own free will, without any duress, being fully informed, and after due deliberation, accepts its terms and signs below as his own free act. Except as otherwise provided in this Release, the Executive understands that as a result of executing this General Release, he will not have the right to assert any Claims that the Company or any other of the Released Parties unlawfully terminated his employment or violated any of his rights in connection with his employment or otherwise.

The Executive agrees and covenants not to file, initiate, or join any lawsuit (either individually, with others, or as part of a class), in any forum, pleading, raising, or asserting any Claim(s) barred or released by this General Release. If he does so, and the action is found to be barred in whole or in part by this General Release, the Executive agrees to pay the attorneys' fees and costs, or the proportions thereof, incurred by the applicable Released Party in defending against those Claims that are found to be barred by this General Release. Nothing in this General Release precludes the Executive from challenging the validity of this General Release under the requirements of the Age Discrimination in Employment Act, and the Executive will not be responsible for reimbursing the attorneys' fees and costs of the Released Parties in connection with such a challenge to the validity of the release. The Executive, however, acknowledges that this General Release applies to all Claims that he has under the Age Discrimination in Employment Act, and that, unless the release is held to be invalid, all of the Executive's Claims under that Act will be extinguished by execution of this General Release. The Executive further agrees that nothing in this General Release will preclude or prevent the Executive from filing a charge with, providing information to, or cooperating with the U.S. Equal Employment Opportunity Commission, the U.S. Securities and Exchange Commission, or other government agency, and the Executive understands that he does not need the prior authorization of any of the Released Parties prior to taking any such action. The Executive will not seek or accept any relief obtained on his behalf by any government agency, private party, class, or otherwise with respect to any Claims released in this General Release, and, in the event the Executive receives such monetary relief, the Company will be entitled to an offset for the payments made pursuant to the Agreement and this General Release. This General Release does not limit the Executive's right to receive an award from any government agency that provides awards for providing information relating to a potential violation of law.

Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

The Company hereby advises the Executive to consult with counsel before executing this General Release. The Executive may take twenty-one (21) days to consider whether to execute this General Release and discuss it with counsel of his own choosing. The Executive agrees that changes made to this General Release, whether material or immaterial, do not restart the twenty-one (21) day period. Upon the Executive's execution of this General Release, the Executive will

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**Exhibit 10.3**

have seven (7) days after such execution in which he may revoke such execution. In the event of revocation, the Executive must present written notice of such revocation to the office of the Company's Corporate Secretary. If seven (7) days pass without receipt of such notice of revocation, this General Release will become binding and effective on the eighth (8th) day after the execution hereof. Signatures delivered by facsimile (including, without limitation, by "pdf") will be effective for all purposes.

INTENDING TO BE LEGALLY BOUND, I hereby set my hand below:

\_\_\_\_\_

Dated: \_\_\_\_\_

[1] To be updated at time of separation to include applicable state law references

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (together with its Exhibits, this “Agreement”) by and between Chimera Investment Corporation (together with its successors and assigns, the “Company”) and Dan Sudhanshu Thakkar (“Executive”, and together with the Company, a “Party”) is dated March 24, 2023 and effective as of January 1, 2023 (the “Effective Date”).

### WITNESSETH:

WHEREAS, Executive wishes to continue to be employed by the Company, and the Company wishes to continue to employ Executive, under the terms and conditions described below.

WHEREAS, the Parties are currently parties to a letter agreement, dated December 10, 2022, regarding your appointment as the Co-Chief Investment Officer and resignation as the Chief Risk Officer of the Company (the “Prior Letter Agreement”), which Prior Letter Agreement is being superseded by this Agreement.

NOW THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained, the Parties agree as follows:

1. Term of Employment.

- a. The Company hereby employs Executive, and Executive hereby accepts employment with the Company, in the positions and with the duties and responsibilities as set forth in Section 2 below, subject to the terms and conditions of this Agreement.
- b. The term of employment under this Agreement will commence on the Effective Date and: (i) will continue until the first anniversary of the Effective Date (the “Initial Term”); (ii) will be extended until the first December 31<sup>st</sup> that coincides with, or follows, the second anniversary of any Change in Control that occurs during the Term of Employment; and (iii) will be extended for an additional one year period (a “Renewal Term”) on the last day of the Initial Term or of any extension of the Term of Employment pursuant to clause (ii) or this clause (iii), and on each subsequent anniversary thereof, unless either Party provides written notice of nonrenewal to the other Party not less than 90 days prior to the latest of the last day: of the Initial Term, of any extension of the Term of Employment pursuant to clause (ii), or of any Renewal Term (the Initial Term, together with each extension of the Term of Employment pursuant to clause (ii) and each Renewal Term, the “Term of Employment”); provided that, if the last day of the Term of Employment otherwise would occur during a Garden Leave (as defined below) period, the Term of Employment will continue through the end of such Garden Leave. The Term of Employment may also be terminated in accordance with Section 5 below.

2. Position: Duties and Responsibilities.

- a. During the Term of Employment, Executive will be employed as the Co-Chief Investment Officer of the Company, reporting directly to the Chief Executive Officer of the Company (the “CEO”), or in such other senior management position as the Board determines. Executive will (i) be responsible for, and, along with the CEO and any other Co-Chief Investment Officer, have authority over, the Company’s investment functions and (ii) have such other duties and
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## Exhibit 10.4

responsibilities as are reasonably assigned to him by the CEO or the Board of Directors of the Company (the “Board of Directors”) (not inconsistent in any significant respect with the duties and responsibilities typically assigned to a senior executive of a publicly-traded REIT).

- b. During the Term of Employment, Executive will, without additional compensation, also serve on the board of directors of, serve as an officer of, and/or perform such executive and consulting services for, or on behalf of, such subsidiaries or affiliates of the Company as the Board of Directors may, from time to time, reasonably request. For purposes of this Agreement, the term “affiliate” will have the meaning ascribed thereto as of the Effective Date in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the “Act”).
  - c. During the Term of Employment, Executive will serve the Company faithfully, diligently and to the best of his ability and will devote substantially all of his time and efforts to his employment and the performance of his duties under this Agreement. Nothing herein will preclude Executive from engaging in charitable and community affairs and managing his personal, financial and legal affairs, so long as such activities do not materially interfere with his carrying out his duties and responsibilities under this Agreement. Notwithstanding the foregoing, any service on civic, educational, philanthropic or charitable boards or committees shall be subject to prior approval by the CEO. During the Term of Employment, Executive shall perform his duties and responsibilities principally in New York City.
3. Compensation.
- a. Base Salary. During his employment with the Company, Executive will be entitled to receive an annualized base salary (the “Base Salary”) of not less than \$500,000. The Compensation Committee of the Board of Directors (the “Compensation Committee”) may review Executive’s Base Salary annually to determine whether increases are appropriate. Any such increased amount will thereafter be the “Base Salary” for all purposes. During Executive’s employment with the Company, the Base Salary will not be decreased at any time, or for any purpose (including, without limitation for the purpose of determining payments and benefits under Section 5), without Executive’s prior written consent.
  - b. Incentive Compensation.
    - i. For each calendar year during the Term of Employment, Executive will be entitled to receive an annual cash bonus, payable in cash (“Annual Cash Bonus”), as provided under this Agreement. The Annual Cash Bonus for the 2023 calendar year is described on Exhibit A. The Annual Cash Bonus for each subsequent calendar year during the Term of Employment will be subject to such performance metrics and other terms as may be established annually by the Compensation Committee, in consultation with the CEO. During the Term of Employment, Executive’s target Annual Cash Bonus shall be \$500,000, which target may not be reduced during the Term of Employment without Executive’s consent. The target Annual Cash Bonus may be increased by the Compensation Committee in its discretion, and any such increased amount will thereafter be the target Annual Cash Bonus for all purposes under the Agreement. The actual Annual Cash Bonus may be more or less than such target amount, based on achievement of the applicable performance metrics. The
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## Exhibit 10.4

Compensation Committee will make all determinations with respect to any Annual Cash Bonus, in good faith, in consultation with the CEO, and consistent with the text of this Agreement and the terms of Exhibit A.

- ii. During the Term of Employment, Executive shall be entitled to receive long-term incentive compensation consisting of grants in the form of restricted stock units (“RSUs”) and/or performance stock units (“PSUs”) granted under the Company’s current Equity Incentive Plan (or its successor), as determined by the Compensation Committee (the “LTI”) and as provided by this Agreement. During the Term of Employment, Executive’s target annual LTI grant shall be \$1,000,000, which target may not be reduced during the Term of Employment without Executive’s consent. The target annual LTI amount may be increased by the Compensation Committee in its discretion, and any such increased amount will thereafter be the target annual LTI amount for all purposes under the Agreement. The performance metrics and other terms of the LTI grants to be made in the 2023 calendar year are described on Exhibit A. The LTI grants for each subsequent calendar year during the Term of Employment will be subject to such performance metrics and other terms as may be established annually by the Compensation Committee, in consultation with the CEO. The Compensation Committee will make all determinations with respect to LTI, in good faith, in consultation with the CEO, and consistent with the text of this Agreement and the terms of Exhibit A.
  - c. Stock Ownership Requirements. All shares of the Company’s stock distributed to Executive by the Company will be subject to the stock ownership guidelines in effect for executives from time to time, as determined by the Board of Directors. Unless the stock ownership guidelines provide otherwise: vested shares under equity grants may not be transferred during Executive’s employment with the Company unless the value of Executive’s stock holdings in the Company (including shares of restricted stock, restricted stock units and deferred stock units) after the transfer exceeds three times Executive’s Base Salary; and following the termination of Executive’s employment with the Company, vested shares of equity awards may not be transferred unless the value of Executive’s stock holdings in the Company (including shares of restricted stock, restricted stock units and deferred stock units) after the transfer exceeds three times Executive’s Base Salary as of the date that Executive’s employment with the Company terminates in accordance with the terms of this Agreement (the “Termination Date”), provided, however, that this sentence will no longer apply following the six-month anniversary of the Termination Date. For the avoidance of doubt, if the Company’s stock ownership guidelines provide for different holding requirements or terms with respect to Executive, the stock ownership guidelines shall govern. Notwithstanding the foregoing, the restrictions of this subsection (c) will not prevent Executive from selling or directing the withholding of shares of the Company stock in accordance with, and subject to, Section 21 to satisfy income tax and employment tax obligations relating to the vesting, exercise, or settlement of equity grants to which the shares relate.
  4. Employee Benefit Programs and Fringe Benefits. During the Term of Employment, Executive will be entitled to five weeks of vacation per fiscal year and will be eligible to
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## Exhibit 10.4

participate in all executive incentive and employee benefit programs of the Company now or hereafter made available to the Company's senior executives or salaried employees generally, as such programs may be in effect from time to time. The Company will reimburse Executive for any and all business expenses reasonably incurred by Executive in connection with his employment in accordance with applicable the Company policies.

### 5. Termination of Employment.

- a. Termination Due to Death or Disability. If Executive's employment with the Company is terminated by reason of Executive's death or Disability, the Term of Employment will (if it has not yet already expired) terminate automatically and the Company will have no further obligations to Executive under this Agreement except for (x) any payments and benefits described in Section 5(f) below and (y) subject to the requirements of Section 5(i) below, amounts and benefits due pursuant to clauses (i) through (iv) of this Section 5(a).
    - i. In the event Executive's employment with the Company is terminated during the Term of Employment by reason of Executive's Disability, the Company will reimburse Executive for 100% of the COBRA premiums incurred by Executive for Executive and his eligible dependents under the Company's health care plan during the 18-month period immediately following the Termination Date. Such reimbursement will be provided on the payroll date immediately following the date on which Executive remits the applicable premium payment and will commence within 60 days after the Termination Date; provided that the first payment will include any reimbursements that would have otherwise been payable during the period beginning on the Termination Date and ending on the date of the first reimbursement payment. Reimbursement payments will be treated as taxable compensation to Executive.
    - ii. Whether or not such termination of employment due to death or Disability occurs during the Term of Employment, any outstanding equity-based or other compensation that has been granted to Executive, and that vests solely on the basis of continued employment, will vest in full as of the Termination Date and, with respect to RSUs, will be paid on the dates specified in the documents governing the awards.
    - iii. Whether or not such termination of employment due to death or Disability occurs during the Term of Employment, all of Executive's outstanding PSUs and other performance-vesting awards will continue to vest, subject only to the achievement by the Company of the applicable performance goals, in each case as though such termination of employment had not occurred, and will be paid on the date specified in the documents governing the awards.
    - iv. Whether or not such termination due to death or Disability occurs during the Term of Employment, Executive will receive a Pro-Rata Annual Cash Bonus (as defined in Section 5(b)(v) below), determined and paid as provided such subsection.
  - b. Termination By the Company Without Cause or By Executive with Good Reason (Other Than in Connection with a Change in Control). In the event Executive's employment with the Company is terminated (other than for death or Disability) (x) by the Company without Cause (other than within six months before, or 24
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#### Exhibit 10.4

months after, a Change in Control), or (y) by Executive with Good Reason (other than within 24 months after a Change in Control), the Term of Employment will (if it has not already expired) terminate automatically and the Company will have no further obligations to Executive under this Agreement except for (x) any payments and benefits described in Section 5(f) below and (y) subject to the provisions of Section 5(i) below, the following payments and benefits:

- i. If such termination of employment occurs during the Term of Employment, Executive will be entitled to a cash severance amount equal to:
  1. 1.0 times his Base Salary as of the Termination Date, plus
  2. 1.0 times the greater of (x) his Target Cash Bonus (as defined in Exhibit A) or (y) the average of the Annual Cash Bonus awarded (or due to be awarded) to Executive by the Company for the three most recent calendar years that ended on or before the Termination Date; provided that in the event Executive has not been eligible for an annual cash bonus from the Company for at least three calendar years, the average will be based on the annual cash bonus awarded (or due to be awarded) to Executive by the Company for the completed calendar years of employment since the Effective Date (the "Average Cash Bonus").

The severance amount will be paid in 12 equal monthly installments commencing within 60 days following the Termination Date, subject to the requirements of Section 409A of the Code ("Section 409A"); provided, however, that the first installment will include any unpaid installments for the period prior to commencement, and the final installment will be paid on or before the date that is 12 months after the Termination Date.

- i. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, any outstanding equity-based or other compensation that has been granted to Executive, and that vests solely on the basis of continued employment, will vest (and become exercisable) in full as of the Termination Date and, with respect to RSUs, will be paid on the date(s) specified in the documents governing the awards.
  - ii. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, all of Executive's outstanding PSUs and other performance-vesting awards will continue to vest, subject only to the achievement by the Company of the applicable performance goals, as though such termination of employment had not occurred, and will be paid on the date(s) specified in the documents governing the awards.
  - iii. If such termination of employment occurs during the Term of Employment, the Company will reimburse Executive for 100% of the COBRA premiums incurred by Executive for Executive and his eligible dependents under the Company's health care plan during the 12-month period following the Termination Date. Such reimbursement will be provided on the payroll date immediately following the date on which Executive remits the applicable premium payment and will commence within 60 days after the Termination Date, subject to the requirements of Section 409A; provided that the first payment will include any
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## Exhibit 10.4

reimbursements that would have otherwise been payable during the period beginning on the Termination Date and ending on the date of the first reimbursement payment. Reimbursement payments will be treated as taxable compensation to Executive.

- iv. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, Executive will receive a portion of the Annual Cash Bonus that Executive would have earned for the calendar year in which his employment terminated, based on the degree to which the Company has attained any applicable Company-wide performance metrics for such year, with any discretionary or personal performance goals treated as having been attained at target. The portion of such Annual Cash Bonus to be received by Executive (a "Pro-Rata Annual Cash Bonus") shall be determined by multiplying the Annual Cash Bonus amount determined under the first sentence of this clause (v) by a fraction whose numerator is the number of days during the calendar year of termination that he was employed with the Company and whose denominator is 365. Any Pro-Rata Annual Cash Bonus will be paid in cash when the corresponding Annual Cash Bonus would have been paid to Executive for such year absent such termination but no later than March 15 of the immediately following year.

No termination of Executive's employment that is governed by this Section 5(b), or by Section 5(c), 5(d) or 5(m) below, will be deemed a breach of this Agreement, nor will it relieve either Party of its/his other obligations under this Agreement.

- a. Termination by the Company for Cause or Voluntary Termination by Executive. In the event that at any time Executive's employment with the Company is terminated (x) by the Company for Cause or (y) by Executive other than with Good Reason, due to Disability, or in a termination governed by Section 5(m) below, then (z) the Term of Employment will (if it has not already expired) terminate automatically and the Company will have no further obligations to Executive under this Agreement except for any payments and benefits described in Section 5(f).
  - b. Garden Leave. Executive will provide a Notice of Termination to the Company no less than 90 days prior to any termination by him of his employment with the Company effective during the Term of Employment, and the Company will provide a Notice of Termination to Executive no less than 90 days prior to terminating Executive's employment effective during the Term of Employment (other than a termination for Cause); provided that the Company may elect to terminate the Garden Leave (as defined below) early as described below. During this 90-day notice period (the "Garden Leave"), Executive will (i) continue to make himself available to provide such services as the Company may reasonably request (provided only that such services are reasonably consistent with Executive's status as a senior executive of the Company) and (ii) continue to receive all payments and benefits to which he would otherwise be entitled, except that (notwithstanding anything in this Agreement or elsewhere to the contrary) in the event of a termination (x) by Executive other than with Good Reason, for Disability, or in a termination to which Section 5(m) applies, or (y) by the Company for Cause, Executive will not be eligible to earn any Annual Cash
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#### Exhibit 10.4

Bonus with respect to any calendar year that ends after the commencement of the Garden Leave. During the Garden Leave, the Company may require Executive to resign from any position with the Company, including without limitation any position Executive then holds as an officer, director or fiduciary of the Company or any Company-related entity, and/or remove any or all of Executive's duties or responsibilities, which will not constitute Good Reason or otherwise be deemed a violation of this Agreement. Executive agrees that he will not commence employment with any entity during the Term of Employment (including the Garden Leave). During the Garden Leave, Executive will take all steps reasonably requested by the Company to effect a successful transition of client and customer relationships to the person or persons designated by the Company. Notwithstanding the foregoing, the Company in its sole discretion may waive all or any portion of the Garden Leave by providing written notice to Executive accelerating the last day of the Garden Leave period and the Termination Date (provided that, if the termination of Executive's employment is on account of termination by the Company without Cause or by Executive for Good Reason or due to Disability, pay in lieu of notice shall be paid for any remaining portion of the 90-day notice period). For the avoidance of doubt, no such shortening of the Garden Leave will be treated as a termination of Executive's employment by the Company without Cause or as giving Executive any basis for terminating his employment with Good Reason.

- c. Termination Related to Change in Control. In the event Executive's employment with the Company is terminated (x) by the Company other than for Cause or Disability, and within six months before, or 24 months after, a Change in Control, or (y) by Executive with Good Reason and within 24 months after a Change in Control, then (z) the Term of Employment (if it has not already expired) will terminate automatically and the Company will have no further obligations to Executive under this Agreement except for (x) any payments and benefits described in Section 5(f) below, and (y) subject to the requirements of Section 5(i) below, the following payments and benefits:

- i. If such termination occurs during the Term of Employment, the Company will promptly pay to Executive a cash severance amount equal to:
  1. 2.0 times his Base Salary as of the Termination Date, plus
  2. 2.0 times the greater of (x) his Target Cash Bonus (as defined in Exhibit A) or (y) the Average Cash Bonus.

Except as provided below, the severance amount shall be paid in a cash lump sum payment within 60 days following the Termination Date, subject to the requirements of Section 409A. If Executive's employment is terminated by the Company other than for Cause or Disability within six months before a Change in Control, as described above, the severance amount shall be calculated pursuant to Section 5(b)(i) and paid in the form of payment described in Section 5(b)(i) upon Executive's termination of employment before the Change in Control, and upon the Change in Control, Executive shall receive a lump sum cash payment equal to the excess of the severance amount payable under this Section 5(e)(i) over the severance amount previously paid to Executive pursuant to Section 5(b)(i), consistent with Section 409A (as defined below).

- i. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, all of Executive's outstanding equity-based and other awards that vest or become exercisable based solely on Executive's

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## Exhibit 10.4

- continued employment will vest (and become exercisable) in full as of the Termination Date. In addition, if such termination of employment occurs on or within 24 months after the Change in Control, (A) any such awards (*e.g.*, RSUs) that settle following vesting and that remain outstanding following such Change in Control will be settled within 60 days after the Termination Date, subject to the requirements of Section 409A, and (B) any such awards that are in the form of stock options or SARs and that remain outstanding following such Change in Control will remain exercisable until at least the earlier of (a) the 90<sup>th</sup> day following the Termination Date and (b) the date on which such option or SAR would have expired had Executive's employment not terminated.
- ii. Whether or not such termination of employment by the Company without Cause or by Executive with Good Reason occurs during the Term of Employment, any of Executive's outstanding PSUs or other performance-vesting equity-based grants whose continued vesting after such Change in Control is based solely on continued employment (without regard to performance after such Change in Control) will vest in full as of the Termination Date (or as of the Change in Control, if later) and will be settled within 60 days after the Termination Date (or the Change in Control, if later), subject to the requirements of Section 409A. Any outstanding performance-vesting awards whose vesting after such Change in Control remains contingent on performance will continue to vest, subject only to attainment by the Company of the applicable performance goals.
  - iii. The Company will reimburse Executive for 100% of the COBRA premiums incurred by Executive for Executive and his eligible dependents under the Company's health care plan during the 18-month period following the Termination Date. Such reimbursement will be provided on the payroll date immediately following the date on which Executive remits the applicable premium payment and will commence within 60 days after the Termination Date, subject to the requirements of Section 409A; provided that, the first payment will include any reimbursements that would have otherwise been payable during the period beginning on the Termination Date and ending on the date of the first reimbursement payment. Reimbursement payments will be treated as taxable compensation to Executive.
  - iv. Executive will receive a Pro-Rata Annual Cash Bonus, determined and paid as described in Section 5(b)(v) above.
- d. Other Payments and Benefits. Upon any termination of Executive's employment with the Company, in addition to the amounts and benefits (if any) under other sub-sections of this Section 5, Executive will be entitled to the following:
- i. prompt payment of any earned but unpaid portion of his Base Salary through the Termination Date and a prompt cash payment (determined based on Executive's per-business-day rate of Base Salary) in respect of vacation that is accrued but unused as of the Termination Date;
  - ii. any vested deferred compensation (including any interest accrued on or appreciation in value of such deferred amounts) in accordance with the documents governing such compensation;
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**Exhibit 10.4**

- iii. prompt reimbursement for business expenses reasonably incurred but not yet reimbursed by the Company in accordance with the Company's expense reimbursement policy as in effect from time to time;
  - iv. unless Executive's employment with the Company has been terminated by the Company for Cause, Executive will receive any earned but unpaid Annual Cash Bonus for any calendar year that ended prior to the Termination Date; and
  - v. any other payment or benefit to which Executive is, or becomes, entitled under the then-applicable terms of any then-applicable written plan, program, agreement, corporate governance document, or other arrangement of the Company or any of its affiliates (collectively, "Company Arrangements"), including (without limitation) Section 8 of this Agreement.
- e. Payments Subject to Section 409A and Other Applicable Law.
- i. The Company and Executive intend that this Agreement will be interpreted and administered so that any amount or benefit payable hereunder will be paid or provided in a manner that is either exempt from or compliant with Section 409A, and thus does not incur any income inclusion, additional tax, or interest under Section 409A.
  - ii. Notwithstanding anything in this Agreement or elsewhere to the contrary, Executive will not be entitled to any payment or benefit pursuant to this Section 5 prior to the earliest date he is permitted to receive such payment or benefit without incurring income inclusion, additional tax, or interest under Section 409A. To the extent any payment or benefit is required to be delayed six months pursuant to the special rules of Section 409A related to "specified employees," each affected payment and benefit will be delayed until the first day of the seventh month following the Termination Date or, if earlier, within ten days following the date of Executive's death.
  - iii. Any installment payments or benefits under this Agreement or any other arrangement will be treated as a series of separate payments and benefits for purposes of Section 409A. Executive shall have no duties following the Termination Date that are inconsistent with his having had a "separation from service" under Section 409A on or before the Termination Date. Notwithstanding any other provision contained herein, if a Change in Control is not a change in ownership or control as defined for purposes of Section 409A and payment of the severance amount in a lump sum would trigger "additional tax" under Section 409A, then the severance amount under Section 5(e)(i) shall be paid in the form described in Section 5(b)(i).
  - iv. If Executive is entitled to any reimbursement of expenses or in-kind benefits that are includable in Executive's federal gross taxable income, the amount of such expenses reimbursable or in-kind benefits provided in any one calendar year will not affect the expenses eligible for reimbursement or the in-kind benefits to be provided in any other calendar year. Executive's right to reimbursement of expenses or in-kind benefits under this Agreement will (x) not be subject to liquidation or exchange for another benefit and (y) be made on or before the last day of Executive's taxable year following the year in which the expense was incurred.
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## Exhibit 10.4

- v. None of the Company, its affiliates or their respective directors, officers, employees or advisors will be held liable for any taxes, interest or other amounts owed by Executive as a result of the application of Section 409A or otherwise, provided (in the case of the Company only) that the Company has complied with the provisions of this Agreement, and of any other applicable Company Arrangement, concerning the timing of payments and benefits.
  - f. No Mitigation; No Offset. In the event of any termination of Executive's employment with the Company, he will be under no obligation to seek other employment or otherwise in any way to mitigate the amount of any payment or benefit provided for in this Section 5, and there will be no offset against amounts due him under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain.
  - g. Release; Compliance with Covenants. The Company's obligation to make any payment or provide any benefit (other than the payments and benefits described in Section 5(f)) under Section 5(a), Section 5(b), Section 5(e), or Section 5(m) will be contingent upon, and is the consideration for, (A) Executive executing and delivering to the Company, within 45 days after the Termination Date, a general release (the "Release"), substantially in the form annexed hereto as Exhibit B, (B) such release becoming irrevocable in accordance with its terms and (C) Executive not having committed, prior to the date that such payment or benefit is due to be provided, a material breach of his obligations under Section 7, which breach has remained uncured for 10 days after the Company has given him written notice describing the breach in reasonable detail and requesting cure (provided that the Company shall not be required to provide an opportunity to cure if the Board of Directors determines in good faith that the breach is not curable within the 10-day cure period that would otherwise apply). In the event of a material breach of Executive's obligations under Section 7 without timely cure as described above, the Company may immediately cease all payments under Section 5(a), Section 5(b), Section 5(e), or Section 5(m), as applicable (other than the payments and benefits described in Section 5(f)), and the Company may immediately forfeit all outstanding equity awards held by Executive to the extent that such equity awards vested or would have vested pursuant to Section 5(a), Section 5(b), Section 5(e), or Section 5(m), as applicable (other than as described in Section 5(f)). In the event that either the 45-day period, or the 10-day period, referred to in the immediately preceding sentence span two calendar years, any payments or benefits that, but for clauses (A), (B) or (C), as applicable, of such sentence, would have been due to be provided during the first such calendar year will be delayed and paid to Executive on the first regular payroll date of the Company in such second calendar year (but in no event later than January 31 of such second calendar year but with respect to delays pursuant to clause (C) of the immediately preceding sentence only if then cured), if required by Section 409A, with any subsequent payments and benefits to be provided as if no such delay had occurred.
  - h. Parachute Payments.
    - i. Notwithstanding anything in this Agreement or elsewhere to the contrary, in the event that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the
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## Exhibit 10.4

benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (each, a “Payment”), would constitute an “excess parachute payment” within the meaning of Section 280G of the Code, the Company will reduce (but not below zero) the aggregate present value of the Payments under this Agreement to the Reduced Amount (as defined below), if reducing the Payments under this Agreement will provide Executive a Net After-Tax Benefit that exceeds his Net After-Tax Benefit if such reduction is not made. To the extent such Payments are required to be so reduced, they will be reduced in the following order and, to the extent applicable, in accordance with Section 409A of the Code, such that any such reduction does not result in Executive incurring any income inclusion, additional tax, or interest under Section 409A: (i) Payments that are payable in cash, with amounts that are payable last reduced first; (ii) Payments due in respect of any equity or equity derivatives included in such calculation at their full value under Section 280G (rather than their accelerated value), with amounts that are payable last reduced first; and (iii) Payments due in respect of any equity or equity derivatives included in such calculation at their accelerated value under Section 280G, with the highest per share values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24). If the same payment or benefit date applies to more than one payment or benefit within any of the foregoing categories, the reduction will apply to each such payment or benefit on a pro rata basis.

- ii. The “Reduced Amount” will be an amount expressed in present value that maximizes the expected net after-tax present value of the Payments without causing any Payment under this Agreement to be subject to the Excise Tax. The term “Excise Tax” means the excise tax imposed under Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax. The term “Net After-Tax Benefit” means the present value (as determined in accordance with Section 280G(d)(4) of the Code) of the Payments net of all taxes imposed on Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under the state and local laws that applied to Executive’s taxable income for the immediately preceding taxable year, or such other rate(s) as Executive certifies are likely to apply to him in the relevant tax year(s).
  - iii. All determinations to be made under this Section 5(j) will be made in the first instance by a nationally recognized public accounting or consulting firm, selected by the Company prior to the events that trigger the potential application of Section 280G, which firm (the “Auditor”) will provide its determinations and any supporting calculations to both the Company and Executive within ten days after the events that trigger the potential application of Section 280G. All fees and expenses of the Auditor in performing the determinations referred to in this Section 5(j) will be borne solely by the Company.
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## Exhibit 10.4

- iv. It is possible that after the Auditor makes its determinations under clause (iii) above, Executive will receive Payments that are, in the aggregate, either more or less than the Reduced Amount (hereafter referred to as an “Excess Payment” or “Underpayment”, respectively). If it is determined by the Auditor upon request by Executive or the Company, by a final determination of a court, or by an Internal Revenue Service proceeding that has been finally and conclusively resolved, that an Excess Payment has been made, then Executive will refund the Excess Payment to the Company promptly on demand, together with an additional payment in an amount equal to the product obtained by multiplying the Excess Payment times the rate that is 120% of the applicable annual federal rate (as determined in and under Section 1274(d) of the Code), times a fraction whose numerator is the number of days elapsed from the date of Executive’s receipt of such Excess Payment through the date of such refund and whose denominator is 365. If it is determined by the Auditor upon request by Executive or the Company, by arbitration under Section 19 below, or by a court of competent jurisdiction, that an Underpayment has occurred, the Company will pay an amount equal to the Underpayment to Executive within 10 days of such determination together with an additional payment in an amount equal to the product obtained by multiplying the Underpayment times the rate that is 120% of the applicable annual federal rate (as determined in and under Section 1274(d) of the Code) times a fraction whose numerator is the number of days elapsed from the date of the Underpayment through the date of such payment and whose denominator is 365.
  - i. Resignation from Positions. Upon any termination of Executive’s employment with the Company, Executive will be deemed to have resigned with immediate effect from any position he then holds as an officer, director or fiduciary of the Company or any Company-related entity. Executive will promptly execute and deliver to the Company any letters, documents and other instruments that the Company delivers to him and reasonably requests him to sign, and that are necessary or appropriate to effect such resignations.
  - j. No Duplication. For the avoidance of doubt, Executive will in no event be entitled to duplicate payments or benefits under both Section 5(e) and Section 5(b).
  - k. Terminations After Expiration of the Term of Employment Following Delivery of Notice of Nonrenewal of the Term of Employment by the Company.
    - i. Termination by the Company. The provisions of this Section 5(m)(i) shall apply in the event that (A) the Company provides Executive written notice of nonrenewal of the Term of Employment in accordance with Section 1(b) (other than for Cause), and (B) Executive’s employment is terminated (other than for death or Disability) by the Company without Cause after the last day of the Term of Employment. In that event, subject to the provisions of Section 5(i), Executive will be entitled to a cash severance amount equal to 12 months of his Base Salary as of the Termination Date, in addition to the payments and benefits set forth in Sections 5(b)(ii), (iii) and (v) and Section 5(f). Such severance amount will be paid in 12 equal monthly installments commencing within 60 days following the
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## Exhibit 10.4

Termination Date, subject to the requirements of Section 409A; provided, however, that the first payment will include any unpaid installments for the period prior to commencement, and the final installment will be paid on or before the date that is 12 months after the Termination Date. Notwithstanding the foregoing, if Executive's employment is terminated as described in this Section 5(m)(i) within 24 months following a Change in Control, such Base Salary amount will be payable to Executive in a cash lump sum instead of installments. Such lump sum shall be paid within 60 days following the Termination Date, subject to the requirements of Section 409A. If Executive's employment is terminated as described in this Section 5(m)(i) within six months before a Change in Control, when the Change in Control occurs, the excess of the severance amount payable under this Section 5(m)(i) over the severance amount previously paid to Executive pursuant to this Section 5(m)(i) shall be paid in a lump sum upon the Change in Control, consistent with Section 409A. The Company may require that Executive be on Garden Leave as described in Section 5(d) during the 90-day period following the Company's notice of termination. For the avoidance of doubt, in the event that the circumstances described in this Section 5(m)(i) occur, the Company shall have no further obligations to Executive other than as set forth in this Section 5(m)(i).

- ii. Termination by Executive. The provisions of this Section 5(m)(ii) shall apply in the event that (A) the Company provides Executive written notice of nonrenewal of the Term of Employment in accordance with Section 1(b) (other than for Cause), (B) the Company does not offer Executive a successor employment agreement that is substantially equivalent to, or more favorable than, this Agreement (viewed in the aggregate) at least 10 days before the last day of the Term of Employment, and (C) Executive provides written notice of his resignation under this Section 5(m)(ii) no later than the seventh day after the last day of the Term of Employment. If Executive provides such notice, the Company shall have a 30-day period during which to cure Executive's grounds for termination, by offering Executive a successor employment agreement that is substantially equivalent to, or more favorable than, this Agreement (viewed in the aggregate). If the Company fails to cure, Executive's termination shall be effective 90 days after the date of Executive's written notice of such resignation, unless the Company designates an earlier termination date. The Company may require that Executive be on Garden Leave as described in Section 5(d) during the 90-day period following the date of Executive's written notice of resignation. In the event of a termination of employment under this Section 5(m)(ii), the Company will provide (x) any payments and benefits described in Section 5(f) above, and (y) subject to the provisions of Section 5(i) above, the payments and benefits set forth in Sections 5(b)(ii), (iii) and (v). For the avoidance of doubt, in the event that the circumstances described in this Section 5(m)(ii) occur, the Company shall have no further obligations to Executive other than as set forth in this Section 5(m)(ii).
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## Exhibit 10.4

- l. Qualifying Retirements. Notwithstanding anything in this Agreement or elsewhere to the contrary, if Executive terminates his employment with the Company (with or without Good Reason) or the Company terminates his employment without Cause, in each case, at any time after Executive has attained age 55 and the sum of his age plus his years of service with the Company and its predecessors (including, without limitation, Fixed Income Discount Advisory Company (“FIDAC”) during the time that FIDAC was the external manager of the Company) (including, in each case, fractional years) equals or exceeds 65 as of the Termination Date, and he has at least five years of service with the Company and its predecessors as of the Termination Date, then the Company will provide (without duplication and without limiting the benefits provided under the foregoing Sections, if applicable) (x) any payments and benefits described in Section 5(f) above and (y) subject to the provisions of Section 5(i) above, the payments and benefits described in Sections 5(b)(ii), (iii), and (v).
  6. Definitions. For purposes of this Agreement, the following terms will be defined as set forth below:

    - a. “Cause” means Executive’s (i) conviction, or entry of a guilty plea or a plea of nolo contendere with respect to, a felony, a crime of moral turpitude or any crime committed against the Company, other than traffic violations; (ii) engagement in willful misconduct, gross negligence, or fraud, embezzlement, or misappropriation relating to significant amounts occurs in connection with the performance of his duties under this Agreement; (iii) failure to follow any lawful directive of the Board of Directors or the CEO; (iv) material breach of Section 7 of this Agreement; (v) chronic or persistent substance abuse that materially and adversely affects his performance of his duties under this Agreement; or (vi) material breach of this Agreement (other than Section 7) resulting in material and demonstrable economic injury to the Company. No act or omission to act by Executive will be deemed “willful” if conducted in good faith or with a reasonable belief that such act or omission was in, or not opposed to, the best interests of the Company. No termination of Executive’s employment for Cause shall be effective as a termination for Cause unless the following provisions of this Section 6(a) have first been complied with. The Board of Directors shall give Executive written notice of its intention to terminate his employment for Cause, such notice (the “Cause Notice”) (x) to state in reasonable detail the circumstances that constitute the grounds on which the proposed termination for Cause is based and (y) to be given no later than the later of (i) the 90<sup>th</sup> day after the Board of Directors first becomes aware of such circumstances or (ii) the 10<sup>th</sup> day after the Board of Directors completes (with reasonable diligence) its investigation as to whether Cause exists. If the Board of Directors determines that the grounds on which the proposed termination for Cause is based are subject to cure, Executive shall have 10 days after receiving such Cause Notice in which to fully cure such grounds. If he fails to timely and fully cure such grounds, Executive shall then be entitled to a hearing before the Board of Directors. Such hearing shall be held and completed within 25 days after he received such Cause Notice, provided that he requests such hearing within 10 days after receiving such Cause Notice. If, within 10 days following such hearing (if timely requested), and otherwise within 20 days after he received such Cause Notice, the Board of Directors gives written notice to Executive confirming that, in the judgment of at
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## Exhibit 10.4

least a majority of the members of the Board of Directors, Cause for terminating his employment on the basis set forth in the original Cause Notice still exists, his employment shall thereupon be terminated for Cause. During the period between the delivery of a Cause Notice and expiration of the time within which the Board of Directors is required to confirm that “Cause” as set forth in such notice exists, the Board of Directors may suspend some or all of Executive’s duties, responsibilities and positions with the Company and Company-related entities, and such suspension will not constitute Good Reason or otherwise be deemed a violation of this Agreement.

- b. “Change in Control” means the occurrence of any one of the following events to the extent such event also constitutes a “change in control event” for purposes of Section 409A:
- i. any “person,” as such term is used in Sections 13(d) and 14(d) of the Act (other than the Company, any of its subsidiaries, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its subsidiaries) together with all affiliates and “associates” (as such term is currently defined in Rule 12b-2 under the Act) of such person, becomes the “beneficial owner” (as such term is currently defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 40% or more of the combined voting power of the Company’s then outstanding securities having the right to vote in an election of the Board of Directors (“voting securities”); or
  - ii. persons who, as of the Effective Date, are members of the Board of Directors (the “Incumbent Directors”) cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board of Directors, provided that any person becoming a member of the Board of Directors subsequent to the Effective Date whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors will, for purposes of this Agreement, be considered an Incumbent Director; or
  - iii. there occurs (A) any consolidation or merger of the Company or any subsidiary where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, and in substantially the same proportions that they beneficially owned shares of the Company immediately prior to the consolidation or merger, securities representing in the aggregate 60% or more of the combined voting power of the then outstanding securities of the entity issuing cash or securities in the consolidation or merger (or of its ultimate parent entity, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the business or assets of the Company (other than to an entity 60% or more of whose voting power is represented by securities beneficially owned, in substantially the same proportions that they beneficially owned shares of the Company immediately before such transfer, by the persons or entities that
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## Exhibit 10.4

beneficially owned shares of the Company immediately before such transfer) or (C) any liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change in Control" will not be deemed to have occurred for purposes of the foregoing clause solely as the result of an acquisition of its own voting securities by the Company which, by reducing the number of voting securities outstanding, increases the proportionate voting power represented by the voting securities beneficially owned by any person or entity to 40% or more of the combined voting power of all then outstanding voting securities, provided that any subsequent acquisition of additional voting securities by such person or entity, when such person or entity beneficially owns voting securities representing 40% or more of the combined voting power of all then outstanding voting securities, shall by itself constitute a Change in Control.

- a. "Code" means the Internal Revenue Code of 1986, as amended.
- b. "Disability" means Executive's inability, for a period of six consecutive months, to render substantially the services provided for in this Agreement by reason of mental or physical disability, whether resulting from illness, accident or otherwise, provided that such inability also constitutes "disability" for purposes of Section 409A.
- c. "Good Reason" means the occurrence of any of the following events without Executive's prior written consent:
  - i. any material diminution in Executive's duties or responsibilities, provided that any changes to Executive's duties or responsibilities resulting from Executive ceasing to be a Chief Investment Officer or Co-Chief Investment Officer will not constitute Good Reason;
  - ii. any relocation of Executive's principal place of employment to a place other than New York City (or, following a Change in Control, the Borough of Manhattan);
  - iii. any failure of the Company to pay or provide to Executive, when due, any material payment or benefit owed to him; or
  - iv. any material failure by the Company to honor any of its material obligations to Executive.

For Good Reason to exist on the basis of an event, Executive must have provided written notice of such event to the Company within 90 days after he first learned of its occurrence; the Company must have failed to fully cure such event within 30 days after it received such notice; and Executive must have provided to the Company, within 30 days following the expiration of such cure period, written notice of his decision to terminate his employment, which termination shall be effective 90 days after the date of Executive's initial written notice of the Good Reason event, unless the Company agrees to an earlier termination date. The Company may require that Executive be on Garden Leave as described in Section 5(d) during the 90-day period following the date of Executive's initial written notice of the Good Reason event.

- a. "Notice of Termination" means any written notice, delivered by either Party to the other, that Executive's employment with the Company will terminate.

### 7. Covenants.

- a. Confidentiality Restrictions. Executive agrees at all times during his employment with the Company and thereafter, to hold in strictest confidence, and not to use, or disclose to any person, firm or corporation, any confidential or proprietary information of the Company ("Confidential Information"), except as otherwise provided in this Section 7. Confidential Information includes, without limitation:

#### Exhibit 10.4

client or customer lists, identities, contacts, business and financial information; investment strategies; pricing information or policies, fees or commission arrangements of the Company; marketing plans, projections, presentations or strategies of the Company; financial and budget information of the Company; personnel information, personnel lists, resumes, personnel data, organizational structure, compensation and performance evaluations; information regarding the existence or terms of any agreement or relationship between the Company and any other party; information developed by Executive during his employment with the Company; and any other information of whatever nature that gives to the Company an opportunity to obtain an advantage over its competitors who or which do not have access to such information, in each case to the extent that such information is confidential or proprietary. Confidential Information developed by Executive during his employment with the Company will be subject to the terms and conditions of this Agreement as if the Company had furnished such Confidential Information to Executive in the first instance. Confidential Information does not include any of the foregoing items that have become publicly known and through no wrongful act of Executive or a third party.

b. Exceptions.

- i. Nothing in this Agreement or elsewhere shall prevent Executive from: (i) using and disclosing documents and information in connection with the good faith performance of his duties for the Company or any of its affiliates; (ii) cooperating with, or participating in, any investigation conducted by any governmental agency; (iii) making truthful statements, or disclosing documents and information, (x) to the extent reasonably necessary in connection with any litigation, arbitration or mediation involving Executive's rights or obligations under this Agreement or otherwise in connection with his employment with the Company (or the termination of such employment) or (y) when required by law, by legal process or by any court, arbitrator, mediator or legislative body (including any committee thereof) with actual or apparent jurisdiction to order Executive to make such statements or to disclose such documents and information, provided that Executive both gives the Company advance notice of any such disclosure to the extent legally allowable and cooperates (at the Company's sole expense) in good faith with any effort the Company may make to seek a protective order concerning the confidentiality of any such disclosure; (iv) retaining, and using appropriately (*e.g.*, not in connection with violating any non-competition or non-solicitation restriction), documents and information relating to his personal rights and obligations and his rolodex (and electronic equivalents); (v) disclosing his post-employment restrictions in confidence in connection with any potential new employment or business venture; (vi) disclosing documents and information in confidence to any attorney, financial advisor, tax preparer, or other professional for the purpose of securing professional advice; or (vii) using and disclosing documents and information at the request of the Company or its attorneys or agents.
  - ii. Nothing in this Agreement or elsewhere shall prohibit or restrict Executive from initiating communications directly with, responding to any inquiry from, providing testimony before, providing confidential information to,
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## Exhibit 10.4

reporting possible violations of law or regulation to, or filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, any agency Inspector General or any other federal, state or local regulatory authority, or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. Executive does not need the prior authorization of the Company to engage in conduct protected by this subsection, and Executive does not need to notify the Company that Executive has engaged in such conduct. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose trade secrets to their attorneys, courts, or government officials in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

- c. Former Employer Information. Subject to Section 7(b), Executive agrees that he will not, during and in connection with his employment with the Company, use or disclose any proprietary information or trade secrets of any former or concurrent employer or other person or entity and that he will not bring into the premises of the Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.
  - d. Third Party Information. Subject to Section 7(b), Executive recognizes that the Company has received, and in the future will receive, from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Executive agrees to treat all such information as Confidential Information.
  - e. Mutual Non-Disparagement. Executive acknowledges that any disparaging comments by him against the Company are likely to substantially depreciate the business reputation of the Company. Subject to Section 7(b), Executive therefore agrees that he will not directly or indirectly defame, disparage, or publicly criticize the services, business, integrity, veracity or reputation of the Company or its officers, directors, or employees in any forum or through any medium of communication. The Company agrees that, upon termination of Executive's employment, the Company will direct its senior management team and the members of the Board of Directors not to, directly or indirectly, defame, disparage, or publicly criticize the integrity, veracity, or reputation of Executive.
  - f. Restrictive Covenants.
    - i. Conflicting Employment. Executive agrees that, during his employment with the Company, he will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during such
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## Exhibit 10.4

employment, nor will he engage in any other activities that conflict with his obligations or responsibilities to the Company.

- ii. Returning Company Documents and Property. Executive agrees that, at the time he leaves the employ of the Company, or at any other time at the Company's reasonable request, he will deliver to the Company (and will not keep in his possession, recreate or deliver to anyone else) any and all software, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, Confidential Information, other documents or property, or reproductions of any aforementioned items developed by him pursuant to his employment with the Company or otherwise belonging to the Company. To the extent Executive has retained any Company property or Confidential Information on any electronic or computer equipment belonging to him or under his control, Executive agrees to so advise the Company and to permanently delete all such property or Confidential Information and all copies, and to allow the Company reasonable access to such equipment for purposes of permanently deleting all such property or Confidential Information. In the event of any termination of Executive's employment with the Company, Executive agrees to provide such written assurances of his compliance with this Section 7(f)(ii) as the Company may reasonably request.
  - iii. Notification to New Employer. During Executive's employment with the Company and for 12 months thereafter, Executive will advise the Company of any new employer of his, or any other person or entity for whom he may perform services, either before or within three (3) days after accepting an offer to work for such employer or other person or entity. Executive hereby agrees to notify, and grants consent to notification by the Company to, any new employer, or other person or entity for whom he may perform services, of his obligations under this Section 7 and under Section 5(d) above (relating to "Garden Leave").
  - iv. Solicitation of Employees. During his employment with the Company and for 12 months thereafter, Executive will not, either directly or indirectly, for himself or for any other person or entity:
    1. solicit, induce, recruit or encourage any of the Company's employees, consultants, independent contractors or any person who provides services to the Company to terminate or reduce their employment or other relationship with the Company,
    2. hire any individual who is (or was within the six (6) months immediately preceding such hiring) an employee, exclusive consultant, or exclusive independent contractor of the Company, or
    3. attempt to do any of the foregoing.
  - v. Solicitation of Customers. During his employment with the Company and for 12 months thereafter, Executive will not, either directly or indirectly, (i) solicit, entice, or induce any Customer for the purpose of providing, or provide, products or services that are competitive with the products or services provided by the Company, or (ii) solicit, entice, or induce any Customer to terminate or reduce its business with (or refrain from increasing its business with) the Company. As used in this subsection
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**Exhibit 10.4**

(f)(v) of this Section 7, "Customer" means any person or entity to which the Company provided products or services (or was invested in products offered by the Company), and with which Executive had contact on behalf of the Company or about whom Executive possesses Confidential Information, within the last 12 months of his employment with the Company.

- vi. Noncompetition. During his employment with the Company and for 12 months thereafter, Executive will not, either directly or indirectly:
1. have any ownership interest in, or participate in the financing, operation, management or control of, any Competitor (as defined below); or
  2. engage in or perform services (whether as an employee, consultant, proprietor, partner, director or otherwise) for any Competitor, if such services either (i) are the same as or similar to (individually or in the aggregate) the services Executive performed for the Company during his employment with the Company, or (ii) are performed with respect to products or services of the Competitor that are competitive with the products or services provided by the Company with which Executive was involved during his employment with the Company or about which Executive received or possessed Confidential Information during his employment with the Company.
- vii. As used in subsection (f)(vi) of Section 7, "Competitor" means any person or entity that competes with the Company and that is (i) a mortgage REIT, (ii) an entity or person engaged in any element of acquiring mortgage backed securities, including any private or public investment firm or broker dealer whose business strategy is based on or who engages in the trading, sales, investment or management of mortgage backed securities, or (iii) an entity or person that manages or advises (including as an external advisor) either a mortgage REIT or an entity or person engaged in any element of acquiring mortgage backed securities, including any private or public investment firm or broker dealer whose business strategy is based on or who engages in the trading, sales, investment or management of mortgage backed securities. The restrictions set forth in subsection (f)(vi) of this Section 7 will apply within or with respect to the United States and any other country in which the Company is then engaged in business. Executive acknowledges that the Company's technology and products have worldwide application, including without limitation over the Internet and that such geographic scope is therefore reasonable. It is agreed that ownership of no more than 2% of the outstanding voting stock of a publicly traded entity will not constitute a violation of subsection (f)(vi) of this Section 7.
- viii. Corporate Opportunities. Executive agrees that, during his employment with the Company and for 12 months thereafter, Executive will not use, for his own personal gain or benefit, opportunities discovered in the course of his employment. In addition, if during his employment with the Company Executive is approached about or otherwise become aware of a potential investment or other business transaction that may be appropriate
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#### Exhibit 10.4

for the Company, Executive will not take that opportunity for himself, will (if warranted) bring it to the Board of Directors' attention, and will not share or disclose it to any third party, without either (x) the Board of Directors' permission or (y) a good faith belief that sharing or disclosing it is in, or not opposed to, the Company's best interests.

- g. Cooperation with Respect to Litigation. During the Term of Employment and at all times thereafter, Executive agrees to give written notice to the Company of any third-party claim against the Company promptly after becoming aware of such claim, and cooperate with the Company, in good faith and upon reasonable request by the Company, in connection with any pending, potential or future claim, investigation or action that directly or indirectly relates to any action, event or activity about which Executive may have knowledge in connection with or as a result of his employment by the Company. Such cooperation will include all assistance that the Company, its counsel or representatives may reasonably request, including reviewing documents, meeting with counsel, providing factual information and material, and appearing or testifying as a witness, in each case consistent with Executive's other obligations under this Agreement and with his other personal and professional commitments after the Termination Date; provided, however, that the Company will promptly pay, or reimburse Executive for, any reasonable expense that he incurs in connection with any cooperation under this Section 7(g).
- h. Remedies.
- i. Executive acknowledges and agrees that the restrictions set forth in this Section 7 are critical and necessary to protect the Company's legitimate business interests; are reasonably drawn to this end with respect to duration, scope, and otherwise; are not unduly burdensome; are not injurious to the public interest; and are supported by adequate consideration. Executive agrees that it would be impossible or inadequate to measure and calculate the Company's damages from any breach of the restrictions set forth in this Section 7. Accordingly, Executive agrees that if he breaches or threatens to breach any such restriction, the Company will have available, in addition to any other right or remedy available, the right to seek an injunction from a court of competent jurisdiction restraining such breach or threatened breach and to specific performance of such restriction. Executive further agrees that no bond or other security will be required in obtaining such equitable relief. Executive further acknowledges and agrees that (x) any claim he may have against the Company, whether under this Agreement or otherwise, will not (except as otherwise expressly provided in Section 7(h)(v) below) be a defense to enforcement of the restrictions set forth in this Section 7, (y) the circumstances of the termination of his employment with the Company will have no impact on his obligations under this Section 7, and (z) this Section 7 is enforceable by the Company, and its subsidiaries, its affiliates, and its permitted successors and assigns.
  - ii. Executive, and the Company, agree and intend that Executive's obligations under any subsection of this Section 7 (to the extent not perpetual) be tolled during any period that Executive is in material breach of any of the obligations in such subsection, so that the Company is
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## Exhibit 10.4

provided with the full benefit of the restrictive period set forth in such subsection; provided that the extension by tolling for any subsection shall not exceed 12 months in the aggregate.

- iii. Executive also agrees that, in addition to any other remedies available to the Company, in the event Executive breaches, in any material respect and without timely cure, any of his obligations under this Section 7, the Company shall also be entitled to the remedy described in Section 5(i) above.
  - iv. Executive and the Company further agree that, in the event that any provision of this Section 7 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, that provision will be deemed to be modified to permit its enforcement to the maximum extent permitted by law. The prevailing party in any action or proceeding under Section 7(h)(i) will be entitled to prompt reimbursement of all expenses (including, without limitation, attorney fees) that such party reasonably incurred in connection with such action or proceeding. It is also agreed that each of the Company's affiliates will have the right to enforce all of Executive's obligations to that affiliate under this Agreement, including without limitation pursuant to this Section 7.
  - v. In the event that (A) the Company or any of its affiliates is, on or after the Termination Date, in material breach of any of its material obligations to Executive under this Agreement, (B) Executive provides written notice to the Company describing such breach in reasonable detail and requesting cure, within 30 days after he learns of the occurrence of such breach, (C) the Company does not cure such breach within 30 days after receipt of such notice, then (z) the restrictions (relating to competition and solicitation of customers) that are set forth in Sections 7(f)(v) and 7(f)(vi) will immediately become null and void. For the avoidance of doubt, the Company and its affiliates will not be considered in breach of their obligations under this Agreement for purposes of this Section 7(h)(v) by reason of the Company or an affiliate exercising its rights under this Agreement in the event of a breach of this Agreement by Executive.
8. Indemnification. The Company will indemnify Executive, to the fullest extent permitted by Maryland law as amended from time to time, against any and all costs, expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines, penalties, ERISA excise taxes and amounts paid in settlement) actually and reasonably incurred by Executive in connection with any action, suit or proceeding, whether civil, criminal, administration, investigative, formal, informal or other (each, a "Proceeding"), provided that Executive's involvement in such Proceeding relates to his positions with, or services for, the Company or any of its affiliates. Expenses incurred by Executive in connection with any such Proceeding will be paid, or reimbursed by the Company, promptly upon receipt by the Company of (i) a written affirmation of Executive's good faith belief that Executive is entitled to indemnification by the Company pursuant to this Section 8 with respect to such expenses and proceeding, (ii) a written undertaking by Executive, or on Executive's behalf, to and in favor of the Company, wherein Executive agrees to repay the amount if Executive is determined not to have been entitled to
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#### Exhibit 10.4

indemnification under this Section 8 and (iii) reasonable supporting documentation demonstrating that the expenses have been incurred. While Executive is an officer of the Company, and for six years thereafter, the Company (or any successor thereto) will provide comprehensive coverage under its officers and directors insurance policy (or policies) on substantially the same terms and levels that it then provides coverage to its senior executive officers and/or to members of the Board of Directors, at the Company's sole cost. Nothing in this Agreement shall limit any right that Executive may have in respect of indemnification, advancement, or liability insurance coverage under any other Company Arrangement. Notwithstanding the foregoing, in no event shall the foregoing indemnification apply to any costs, expenses, liabilities or losses resulting from Executive's engaging in conduct that constitutes Cause.

9. Clawback Policy. Executive agrees that all bonuses, equity compensation and other incentive compensation provided by the Company will be subject to any clawback policy applying to senior executives of the Company generally that is implemented by the Board of Directors from time to time.
  10. Inventions.
    - a. Assignment of Inventions. Executive acknowledges that, during his employment by the Company, Executive may be expected to undertake creative work, either alone or jointly with others, which may lead to inventions, ideas, original works of authorship, developments, concepts, improvements, trade secrets or other intellectual property rights, in each case, whether or not patentable or registrable under patent, copyright or similar laws and including, in each case, tangible embodiment of any of the foregoing ("Inventions"). Executive hereby agrees that any Invention that is created by him during his employment by the Company and that is related to the actual or prospective business of the Company or that results from work performed by Executive for the Company (whether or not on the Company's premises or using the Company's equipment and materials or during regular business hours) ("Company Inventions") will be a work-for-hire and will be the sole and exclusive property of the Company and, to the extent such Company Inventions are not a work-for-hire, Executive hereby assigns to the Company Investment Corporation all of his right, title and interest in and to any and all such Company Inventions. In addition, any Inventions created within three years after the termination of Executive's employment by the Company which are based upon or derived from Confidential Information or Company Inventions will be the sole and exclusive property of the Company and Executive hereby assigns to the Company all of his right, title and interest in and to any and all such Company Inventions. Nothing in the preceding sentence will be construed to limit Executive's obligations under Section 10 of this Agreement.
    - b. Further Assistance. Executive agrees to assist the Company, or its designee, upon reasonable request and at the sole expense of the Company or its designee, whether during his employment with the Company or thereafter, in every proper way to secure the Company's, or designee's, rights in the Company Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including disclosing to the Company or designee all pertinent information and data with respect thereto, executing, or causing to be executed, all applications, specifications, oaths, assignments and other instruments which the Company or designee reasonably deems necessary in order to apply for and obtain such rights and in order to assign and convey to the
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## Exhibit 10.4

Company or designee the sole and exclusive rights, title and interest in and to such Company Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. If the Company, or its designee, is unable because of Executive's mental or physical incapacity or for any other reason to secure Executive's signature to apply for or to pursue any application for any United States or foreign patents, copyright registrations or other registrations covering Company Inventions, then Executive hereby irrevocably designates and appoints the Company, or its designee, and its duly authorized officers and agents as his agent and attorney in fact, to act for and in his behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by him, in each case at no expense to Executive. Executive understands and acknowledges that this appointment is coupled with an interest and survives his death or incompetence.

- c. Moral Rights. To the extent not assignable, Executive hereby waives, to the extent permitted by applicable law, any and all claims he may now or hereafter have in any jurisdiction to all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as "moral rights" with respect to all Company Inventions.
  - d. No License. Executive understands and acknowledges that this Agreement does not grant him, and will not be construed to grant him, any license or right of any nature with respect to any Company Inventions or Confidential Information, other than as expressly set forth in this Agreement.
11. Assignability; Binding Nature. This Agreement will inure to the benefit of the Company and Executive and their respective successors, heirs (in the case of Executive) and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that any such rights or obligations may be assigned or transferred by the Company pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company, provided that in each case the assignee or transferee is the successor to all or substantially all of the business and assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. This Agreement will not be assignable by Executive; provided however that, in the event of Executive's death or a judicial determination of his incapacity, references to Executive in this Agreement will be deemed, where appropriate, to be references to his heirs, estate, beneficiaries, executor or other legal representative.
  12. Representation. The Company and Executive each represent and warrant that it or he is fully authorized and empowered to enter into this Agreement and that its or his entering into this Agreement, and the performance of its or his obligations under this Agreement, will not violate any document to which it or he is a party or by which it or he is bound.
  13. Entire Agreement; Inconsistency. This Agreement contains the entire agreement between the Company and Executive concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between them with respect thereto (including, without limitation, the Prior Letter Agreement). In the event of any inconsistency between this Agreement and any other Company Arrangement, whether applicable on the date of this Agreement or at any time
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#### Exhibit 10.4

thereafter, this Agreement will, to the extent more favorable to Executive, control unless Executive otherwise agrees in a signed writing that specifically identifies the provisions of this Agreement whose control he is waiving.

14. Amendment or Waiver. This Agreement can only be changed, modified or amended in a writing that is signed by both Executive and the Company and that specifically identifies the provision(s) of this Agreement that are being changed, modified or amended. No waiver by either the Company or Executive at any time of any breach by the other Party of any condition or provision of this Agreement will be deemed a waiver of a similar or dissimilar condition or provision at the same or at any prior or subsequent time. Any waiver must be in writing and signed by Executive or a specifically authorized officer of the Company, as the case may be.
  15. Severability. In the event that any provision or portion of this Agreement is determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement will be unaffected thereby and will remain in full force and effect to the fullest extent permitted by law.
  16. Reasonableness. To the extent that any provision or portion of this Agreement is determined to be unenforceable by a court of law or equity, or by any arbitration panel, that provision or portion of this Agreement will nevertheless be enforceable to the extent that such court or panel determines is reasonable.
  17. Survivorship. The respective rights and obligations of the Parties will survive any termination of the Term of Employment, or of Executive's employment with the Company, to the extent necessary to the intended preservation of such rights and obligations. For the avoidance of doubt, the covenants in Section 7 and the indemnification and insurance provisions of Section 8 of this Agreement will survive any termination of the Term of Employment or of Executive's employment with the Company.
  18. Governing Law. This Agreement, the rights and obligations of the Parties under it, and any claims or disputes relating thereto will be governed by and construed in accordance with the laws of the State of New York (without regard to its choice of law provisions), other than rights and obligations (and related claims and disputes) under Section 8 (Indemnification), which will be governed by Maryland law.
  19. Resolution of Disputes. Any claim arising out of or relating to this Agreement, any other agreement between the Parties, Executive's employment with the Company, or any termination thereof will (except to the extent otherwise provided in Section 7(h)(i) with respect to certain requests for injunctive relief) be resolved by binding confidential arbitration, to be held in the Borough of Manhattan in New York City, before a panel of three arbitrators, in accordance with the employment dispute rules of the American Arbitration Association and this Section 19. Any award rendered by the panel will be accompanied by a written opinion setting forth in reasonable detail the basis for the award, and any such award may be entered in a court having jurisdiction thereof.
  20. Notices. Any notice, consent, demand, request, or other communication given to any person or entity in connection with this Agreement shall be in writing and will be deemed to have been given to such person or entity (i) when delivered personally to such person or entity, (ii) five days after being sent by prepaid certified or registered mail, or two days after being sent by a nationally recognized overnight courier, to the address specified below for such person or entity (or to such other address as such person or entity shall have specified by 10 days advance notice given in accordance with this Section 20), or (iii) in the case of the Company only, on the first business day after it is sent by facsimile
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**Exhibit 10.4**

to the facsimile number set forth below (or to such other facsimile number as has been specified on 10 days' advance notice given in accordance with this Section 20), with a confirmatory copy sent by certified or registered mail or by overnight courier in accordance with this Section 20.

If to the Company: Chimera Investment Corporation  
630 Fifth Ave., Ste 2400  
New York, NY 10111  
Attn: Corporate Secretary  
Fax #: (212) 918-3459  
Email: fei.wang@chimerareit.com

If to Executive: The address of his principal residence as it appears in the Company records, with a copy to him (during his employment with the Company) at his principal office at the Company

If to a beneficiary of Executive: The address most recently specified by Executive or his beneficiary.

1. Withholding. The Company will be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company reasonably determines to be required to be withheld pursuant to applicable law. The Company will use commercially reasonable efforts to establish a relationship with a broker-dealer to facilitate the sale of shares acquired on the vesting or exercise of any equity or equity-based compensation granted to Executive by the Company to enable Executive to satisfy all applicable withholding taxes due in connection with such vesting or exercise; provided that if the Company does not establish any such relationship, Executive may satisfy such withholding obligations by instructing the Company to retain shares otherwise deliverable to Executive upon the vesting or exercise of any such equity or equity-based award with a fair market value not exceeding the minimum amount required to be withheld by applicable law.
2. Headings. The headings of the Sections and sub-sections contained in this Agreement are for convenience only and will not be deemed to control or affect the meaning or construction of any provision of this Agreement.
3. Counterparts. This Agreement may be executed in two or more counterparts. Signatures delivered by facsimile (including, without limitation, by "pdf") will be deemed effective for all purposes.

*[Signature page(s) follow]*

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**Exhibit 10.4**

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Chimera Investment Corporation

By: /s/ Gerard Creagh

Name: Gerard Creagh

Title: Chairman of the Compensation Committee

Executive

By: /s/ Dan Sudhanshu Thakkar

Name: Dan Sudhanshu Thakkar

Title: Co-Chief Investment Officer

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Exhibit A

2023 Incentive Compensation

I. 2023 Annual Cash Bonus.

The following summarizes the material terms of the Annual Cash Bonus set forth in Section 3(b)(i) of the Agreement to which this Exhibit A is attached (the “Agreement”) in respect of the 2023 calendar year. Unless otherwise specified in this Exhibit A, all defined terms have the meanings set forth in the Agreement. The Annual Cash Bonus metrics and terms for subsequent years will be determined by the Compensation Committee, in good faith, in consultation with the CEO.

1. 2023 Performance Period. The Annual Cash Bonus will be payable for the calendar year commencing January 1, 2023 and ending December 31, 2023 (the “2023 Annual Cash Bonus Performance Period”) if the metrics and other requirements described below are met.

Except as otherwise provided in the Agreement, Executive will be eligible to receive the 2023 Annual Cash Bonus only if Executive remains employed by the Company through the last day of the 2023 Annual Cash Bonus Performance Period. In no event will Executive receive any unpaid 2023 Annual Cash Bonus in the event Executive’s employment is terminated by the Company for Cause. For the avoidance of doubt, Executive will not be entitled to an Annual Cash Bonus for any performance period beginning on or after termination of Executive’s employment for any reason.

Except as otherwise provided in the Agreement, any 2023 Annual Cash Bonus will be subject to achievement of the performance goals described in this Exhibit A.

1. Target Cash Bonus. For the 2023 Annual Cash Bonus Performance Period, Executive’s target Annual Cash Bonus (the “Target Cash Bonus”) will be equal to the target Annual Cash Bonus set forth in Section 3(b)(i) of the Agreement. Executive is entitled to receive an Annual Cash Bonus from 0% to 200% of the Target Cash Bonus for the 2023 Annual Cash Bonus Performance Period, based on performance as described below and continued employment as described above.
  2. 2023 Performance Components: Annual Cash Bonus Measurement Period. The 2023 Annual Cash Bonus will be payable based on the following metrics and continued employment through December 31, 2023 (subject to the terms of the Agreement). The Relative ROE and Relative TSR metrics will be measured based on the measurement period beginning at the end of the third fiscal quarter of the calendar year immediately preceding the beginning of the 2023 Annual Cash Bonus Performance Period through the end of the third fiscal quarter of the 2023 Annual Cash Bonus Performance Period (*i.e.*, Q3 to Q3 measurement period, which is October 1, 2022 through September 30, 2023) (the “Annual Cash Bonus Measurement Period”). The Strategic Goals metrics will be measured based on the 2023 calendar year.
    - a. 35% based on the Company’s Relative ROE, subject to adjustment based on Company ROE (as defined below), for the Annual Cash Bonus Measurement Period
    - b. 35% based on the Company’s Relative TSR (as defined below), subject to adjustment based on Company TSR (as defined below), for the Annual Cash Bonus Measurement Period
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## Exhibit 10.4

c. 30% based on achievement of the Strategic Goals (as defined below) during the 2023 calendar year

1. Definitions. For purposes of this Exhibit A:

“Company Average Equity” means, for purposes of calculating Company ROE and Relative ROE, the stockholders’ equity of the Company (based on the Company’s common stock) as determined in accordance with GAAP and shown on the Company’s quarterly and annual financial statements as filed with the Securities and Exchange Commission, but excluding accumulated other comprehensive income or loss (which, among other things, reflects unrealized gains or losses in the Company’s portfolio), stockholders’ equity attributable to preferred stock and other items as determined by the Compensation Committee in its sole discretion. For purposes of calculating Relative ROE, Company Average Equity will be determined based on the average of the Company’s stockholders’ equity calculated as described in the preceding sentence as of the last day of each fiscal quarter during the Annual Cash Bonus Measurement Period. Notwithstanding the foregoing, stockholder’s equity attributable to an issuance of common stock of the Company during the Annual Cash Bonus Measurement Period shall be excluded from the calculation of “Company Average Equity” for a period of six months from such issuance.

“Company TSR” means, for the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable, the percentage change in the value of a share of the Company’s common stock from the closing price on the last trading day before the beginning of the applicable measurement period to the closing price on the last trading day of the applicable measurement period (plus common stock dividends paid during the applicable measurement period, assuming immediate reinvestment of such dividends in additional common shares), as determined by the Compensation Committee in its sole discretion. For example, for the Annual Cash Bonus Measurement Period, Company TSR will be measured based on the closing price of the Company’s common stock on September 30, 2022 and the closing price on September 29, 2023 (plus common stock dividends as described above), and, for the LTI Measurement Period, Company TSR will be measured based on the closing price on September 30, 2022 and the closing price on September 30, 2025 (plus common stock dividends as described above).

“Company Return” means, for purposes of calculating Company ROE, the Company’s net income as determined in accordance with GAAP and shown on the Company’s quarterly and annual financial statements as filed with the Securities and Exchange Commission, but excluding non-cash, non-operating expense items such as depreciation expense, amortization of goodwill and other non-cash, non-operating expense items as determined by the Compensation Committee in its sole discretion for the Annual Cash Bonus Measurement Period. For the avoidance of doubt, any realized and/or unrealized gains or losses from hedging instruments shall not be excluded from the calculation of Company Return.

“Company ROE” means (i) Company Return for the Annual Cash Bonus Measurement Period, divided by (ii) Company Average Equity for the Annual Cash Bonus Measurement Period.

“Peer Group” means the entities (other than the Company) included in the iShares Mortgage Real Estate ETF as of the beginning of the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable. Any entity (other than the Company) that ceases to be included in the iShares Mortgage Real Estate ETF during the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable, shall be treated as performing at the lowest level in the Peer Group for such Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable.

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**Exhibit 10.4**

“**Relative ROE**” means Company ROE as such amount stands in relation to the return on average equity (determined in the same way that the Company ROE is determined) for the Annual Cash Bonus Measurement Period of the entities (other than the Company) included in the Peer Group.

“**Relative TSR**” means the Company TSR as such amount stands in relation to the total shareholder return (determined in the same way that the Company TSR is determined) for the Annual Cash Bonus Measurement Period or LTI Measurement Period, as applicable, of the entities (other than the Company) included in the Peer Group, as determined by the Compensation Committee in its sole discretion.

“**Strategic Goals**” means such individual or strategic objectives as may be determined by the Compensation Committee, in consultation with the CEO, and communicated to Executive, including any new objectives arising during the 2023 Annual Cash Bonus Performance Period based on emerging or developing business needs.

1. **Annual Cash Bonus Earned.**

Executive will be entitled to receive, as Executive’s 2023 Annual Cash Bonus, an amount ranging from 0% to 200% of Executive’s Target Cash Bonus, based (i) 35% on the level of Relative ROE achievement during the Annual Cash Bonus Measurement Period, subject to adjustment based on Company ROE (the “**ROE Component**”), (ii) 35% on the level of Relative TSR achievement during the Annual Cash Bonus Measurement Period, subject to adjustment based on Company TSR (the “**TSR Component**”), and (iii) 30% on the level of achievement of the Strategic Goals during the 2023 calendar year (the “**Strategic Goals Component**”), as described herein, and subject to continued employment through December 31, 2023 (subject to the terms of the Agreement).

The total amount of the 2023 Annual Cash Bonus payable to Executive will be equal to Executive’s Target Cash Bonus amount multiplied by the sum of (x) 35% multiplied by the percentage of the ROE Component payable based on the table below, subject to adjustment based on Company ROE, (y) 35% multiplied by the percentage of the TSR Component payable based on the table below, subject to adjustment based on Company TSR, and (z) 30% multiplied by the Strategic Goals achievement percentage based on the Compensation Committee’s determination as described in more detail below. The 2023 Annual Cash Bonus shall not exceed 200% of the Target Cash Bonus.

a. **ROE Component.**

The amount of Executive’s 2023 Annual Cash Bonus payable to Executive in respect of the ROE Component (35% of the Target Cash Bonus) will be based on the Company ROE compared to that of the Peer Group (measured as a percentile) for the Annual Cash Bonus Measurement Period, as follows, subject to adjustment based on Company ROE as described below:

<b>Relative ROE</b>	<b>Percentage of the ROE Component Payable</b>
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“**Threshold**” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 52 weeks in the Annual Cash Bonus Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative ROE.

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## Exhibit 10.4

The percentage of the ROE Component payable for Relative ROE achieved between the percentiles set forth in the above table (if performance is above the Threshold) will be determined by linear interpolation. If the achieved Relative ROE is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative ROE will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company ROE for the Annual Cash Bonus Measurement Period is at or below zero, achievement of the ROE Component shall be deemed to not exceed 100%.

**a. TSR Component.**

The amount of Executive's 2023 Annual Cash Bonus payable to Executive in respect of the TSR Component (35% of the Target Cash Bonus) will be based on the level of Relative TSR achievement for the Annual Cash Bonus Measurement Period, as follows, subject to adjustment based on Company TSR as described below:

Relative TSR	Percentage of the TSR Component Payable
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“Threshold” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 52 weeks in the Annual Cash Bonus Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative TSR.

The percentage of the TSR Component payable for Relative TSR achieved between the percentiles set forth in the above table (if performance is above the Threshold) will be determined by linear interpolation. If the achieved Relative TSR is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative TSR will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company TSR for the Annual Cash Bonus Measurement Period is at or below zero, achievement of the TSR Component shall be deemed to not exceed 100%.

**a. Strategic Goals Component.**

The amount of Executive's 2023 Annual Cash Bonus payable to Executive in respect of the Strategic Goals Component (30% of the Target Cash Bonus) will range from 0% to 200% of the portion of the Target Cash Bonus attributable to the Strategic Goals Component, as determined in the discretion of the Compensation Committee based on its determination of Executive's level of achievement of the Strategic Goals during the 2023 calendar year.

1. Payment of Annual Cash Bonus. Any Annual Cash Bonus will be paid in cash between December 1, 2023 and January 30, 2024, subject (except as otherwise provided in the Agreement) to continued employment through December 31, 2023.

## **II. 2023 Long-Term Incentive Compensation.**

The following summarizes the material terms of the long-term incentive compensation (“LTI”) in the form of RSUs and PSUs that are to be granted under Section 3(b)(ii) of the Agreement in 2023. The metrics and terms for LTI to be granted in subsequent years will be determined by the Compensation Committee, in good faith, in consultation with the CEO.

1. 2023 LTI; LTI Measurement Period. The metrics and terms described below will apply to RSUs and PSUs granted in 2023.

Except as otherwise provided in the Agreement or this Exhibit A, Executive will be eligible to receive payout on LTI only if Executive remains employed by the Company through

## Exhibit 10.4

the applicable vesting date (in the case of RSUs) and through the last day of the PSU Performance Period (in the case of PSUs). In no event will Executive receive any unpaid LTI in the event Executive's employment is terminated by the Company for Cause. For the avoidance of doubt, Executive will not be entitled to LTI for any performance or vesting period beginning on or after termination of Executive's employment for any reason. Except as otherwise provided in the Agreement, any LTI will be subject to the vesting conditions and achievement of the performance goals described below.

For purposes of the PSUs, Relative Economic Return, Company Economic Return, Relative TSR and Company TSR will be based on the "LTI Measurement Period," which is the period beginning on the first day of the fourth fiscal quarter of the calendar year immediately preceding the beginning of the PSU Performance Period through the last day of the third fiscal quarter of the last calendar year in the PSU Performance Period (*i.e.*, Q3 to Q3 measurement period, which is October 1, 2022 through September 30, 2025).

1. Target LTI. For the LTI to be granted in 2023, Executive's target LTI will be equal to the target annual LTI amount set forth in Section 3(b)(ii) of the Agreement (the "Target LTI").
2. Performance Components. The LTI to be granted in 2023 will consist of two components:
  - a. RSUs. Executive will be granted a number of RSUs having an aggregate fair value, based on the volume weighted average closing price of the Company's common stock during the 20 trading day period ending on December 30, 2022, equal to 50% of the Target LTI. Subject (except as otherwise provided in the Agreement) to Executive remaining employed by the Company through the applicable vesting date and meeting all applicable requirements set forth in the Agreement and this Exhibit A, the RSUs will vest in three equal installments on each of the first three anniversaries of December 31, 2022. Unless otherwise provided in the Agreement or this Exhibit A, the vested portion of the RSUs will be paid in common stock of the Company within 60 days after the applicable vesting date, or such other date as may be specified in the documents governing the award.
  - b. PSUs. Executive will be granted a target number of PSUs having an aggregate fair value, based on the volume weighted average closing price of the Company's common stock during the 20 trading day period ending on December 30, 2022, equal to 50% of the Target LTI (the "Target PSUs"). The performance period for the PSUs (which applies for purposes of time-based vesting) shall be the period from January 1, 2023 through December 31, 2025 (the "PSU Performance Period").

Of the Target PSUs:

- a. 50% will be subject to performance metrics tied to Relative Economic Return, subject to adjustment based on Company Economic Return as described below, for the LTI Measurement Period (the "Economic Return PSUs")
- b. 50% will be subject to performance metrics tied to Relative TSR, subject to adjustment based on Company TSR as described below, for the LTI Measurement Period (the "TSR PSUs")

Subject (except as otherwise provided in the Agreement or this Exhibit A) to Executive's continuing employment through the last day of the PSU Performance Period, between 0% and 200% of the Target PSUs will vest as of the last day of the PSU Performance Period and be paid in common stock of the Company between December 1, 2025 and January 30, 2026 (or such other date as may be specified in the documents governing the awards), based on achievement of the Economic Return and TSR metrics described below.

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**Exhibit 10.4**Economic Return

The Economic Return PSUs will vest as of the last day of the PSU Performance Period based on the Company Economic Return compared to that of the Peer Group (measured as a percentile) for the LTI Measurement Period, as follows, subject to adjustment based on Company Economic Return as described below:

Relative Economic Return	Percentage of Economic Return PSUs
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“**Threshold**” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 156 weeks in the LTI Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative Economic Return.

For any Relative Economic Return achieved between the percentiles specified in the above table (if performance is above the Threshold), the percentage of the Target PSUs that will vest for the PSU Performance Period will be determined by linear interpolation. If the achieved Relative Economic Return is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative Economic Return will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company Economic Return for the LTI Measurement Period is at or below zero, achievement of the Economic Return metric shall be deemed to not exceed 100%.

Relative TSR

The TSR PSUs may vest as of the last day of the PSU Performance Period based on the Company TSR compared to that of the Peer Group (measured as a percentile) for the LTI Measurement Period, subject to adjustment based on Company TSR as described below:

Relative TSR	Percentage of TSR PSUs
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“**Threshold**” means the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 156 weeks in the LTI Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative TSR.

For any Relative TSR achieved between the percentiles specified in the above table (if performance is above the Threshold), the percentage of the TSR PSUs that may vest for the PSU Performance Period will be determined by linear interpolation. If the achieved Relative TSR is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative TSR will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company TSR for the LTI Measurement Period is at or below zero, achievement of the TSR metric shall be deemed to not exceed 100%.

Change in Control

Notwithstanding anything in the Agreement or this Exhibit A to the contrary, upon the consummation of a Change in Control, (i) the percentage of the Target PSUs that would have vested in accordance with the paragraphs based on the Relative Economic Return,

## Exhibit 10.4

Company Economic Return, Relative TSR and Company TSR, as applicable, measured from the first day of the LTI Measurement Period through the end of the most recent fiscal quarter prior to such Change in Control for which data is available (or the last day of the LTI Measurement Period, if earlier) will be eligible to vest on the last day of the PSU Performance Period, subject only to Executive's continuing employment with the Company through the last day of the PSU Performance Period (except as otherwise provided in the Agreement), and (ii) any portion of the Target PSUs that would not have vested in accordance with the preceding paragraphs based on actual performance as described in clause (i) above will be forfeited as of such Change in Control with no compensation due therefor. For the avoidance of doubt, any PSUs that would continue to be eligible to vest following a Change in Control in accordance with clause (i) above may be substituted with awards payable in cash amounts tied to the consideration paid in connection with the Change in Control, as determined by the Compensation Committee in its sole discretion.

The RSUs and PSUs will be granted to Executive under the Company's current Equity Incentive Plan (or a successor).

1. **Definitions.** For purposes of the PSUs:

"**Company Economic Return**" means (x) the Company's change in book value per share ("**BVPS**"), plus (y) common stock dividends, for the LTI Measurement Period.

"**Relative Economic Return**" means (i) the Company Economic Return for the LTI Measurement Period, divided by (ii) BVPS at the beginning of the LTI Measurement Period, as such amount stands in relation to the economic return (measured in the same way that the Company Economic Return is measured) during the LTI Measurement Period of the entities in the Peer Group.

### **III. Dividend Equivalents**

Dividend equivalents will accrue on RSUs and PSUs granted hereunder as and when dividends are paid to the Company's shareholders and, to the extent that the RSUs and PSUs become vested, will be paid to Executive in cash, shares or a combination thereof, as determined by the Compensation Committee in its sole discretion, at the time such RSUs or PSUs are settled.

### **IV. Committee Determinations**

All determinations with respect to the Annual Cash Bonus and the LTI, including, without limitation, the amount, if any, that is payable to Executive or vests for each performance period, will be made by the Compensation Committee, in good faith, and in compliance with the Agreement and this Exhibit A. All such determinations will be final and binding on Executive and the Company.

The Compensation Committee may adjust any of the performance metrics set forth herein to exclude the impact of any acquisitions or dispositions of businesses or business segments by the Company, one-time non-operating charges, unusual or nonrecurring items, accounting changes (including the early adoption of any accounting change mandated by any governing body, organization or authority), changes in tax laws, impact of discontinued operations, restatements of prior period financial results, and any other events or transactions that may result in distortion of the performance metrics or the value of the awards. In addition, if the Compensation Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render any of the performance metrics set forth herein unsuitable, the Compensation Committee may modify any such performance metrics, in whole or in part, as the Compensation Committee deems appropriate and equitable.

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**Exhibit B**

**General Release**

IN CONSIDERATION OF good and valuable consideration, the receipt of which is hereby acknowledged, and in consideration of the terms and conditions contained in the Employment Agreement, dated as of March 24, 2023 and effective as of January 1, 2023 (the "Agreement") by and between Dan Thakkar (the "Executive") and Chimera Investment Corporation (the "Company"), the Executive on behalf of himself and any person or entity claiming by, through, or under him (including without limitation his heirs, executors, administrators, spouse, personal representatives and assigns), releases and discharges the Company and its past, present and future subsidiaries, divisions, affiliates and parents, and their respective current and former officers, directors, employees, attorneys, agents, benefit plans, and/or owners, and their respective successors and assigns, and any other person or entity claimed to be jointly or severally liable with the Company or any of the aforementioned persons or entities (collectively, the "Released Parties") from any and all manner of actions and causes of action, suits, debts, dues, accounts, bonds, covenants, contracts, agreements, judgments, charges, claims, attorneys' fees and costs, and demands whatsoever ("Claims") which the Executive (or any person or entity claiming by, through, or under him) have, had, or may have, against the Released Parties or any of them arising at any time from the beginning of the world to the date Executive executes this General Release, whether known or unknown, accrued or unaccrued, contingent or noncontingent. The Claims described in this paragraph include without limitation, (i) any and all Claims relating to the Executive's employment with the Company and the cessation thereof, (ii) any and all Claims for discrimination based on age, sex, race, color, disability status, national origin, religion, or any other protected characteristic, including but not limited to, Claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. §§ 2000 et seq., the Age Discrimination in Employment Act of 1967, 29 U.S.C. §§ 621 et seq., the Americans with Disabilities Act of 1990, 42 U.S.C. §§ 12101 et seq., the New York State and New York City Human Rights Laws, and all state and local analogues of such statutes, each as amended, (iii) any and all Claims under all federal, state, and local statutes, rules, regulations, or ordinances, each as amended, including but not limited to, the Family and Medical Leave Act of 1993, 29 U.S.C. §§ 2601 et seq., the Worker Adjustment and Retraining Notification Act of 1988, 29 U.S.C. §§2101 et seq., the Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1001 et seq., the New York Labor Laws, the New York Whistleblower Protection Law (to the fullest extent they may be released under applicable law), the New York Civil Rights Law (N.Y. Civ. Rts. § 1, et seq.), the New York AIDS/HIV confidentiality law (N.Y. Public Health Law §2780), the New York Equal Pay Law, New York State Labor Relations Act, Article 23-A of the New York State Corrections Law, New York Family Leave Law, New York Minimum Wage Act, New York Wage and Hour Law, New York Wage Payment Law, New York State Worker Adjustment and Retraining Notification Act, and retaliation provisions of New York Workers' Compensation Law,<sup>[1]</sup> and (iv) any and all Claims under the common law of any jurisdiction, including but not limited to, breach of contract, defamation, interference with contractual/prospective contractual relations, invasion of privacy, promissory estoppel, negligence, breach of the covenant of good faith and fair dealing, fraud, infliction of emotional distress, and wrongful discharge; provided, however, that the Executive does not release or discharge the Released Parties from: any of the obligations that arise under, or are preserved by, Section 5 of the Agreement; any Claim for unemployment or workers' compensation benefits; any Claim that arises after the date on which

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#### Exhibit 10.4

the Executive signs this General Release; or any Claim that is not waivable under applicable law. It is the intention of the Executive that the language relating to the description of Claims in this paragraph will be given the broadest possible interpretation permitted by law. It is understood that nothing in this General Release is to be construed as an admission on behalf of the Released Parties of any wrongdoing with respect to the Executive, any such wrongdoing being expressly denied. The Executive represents and warrants that he fully understands the terms of this General Release, that he has been encouraged to seek, and has sought, the benefit of advice of legal counsel, and that he knowingly and voluntarily, of his own free will, without any duress, being fully informed, and after due deliberation, accepts its terms and signs below as his own free act. Except as otherwise provided in this Release, the Executive understands that as a result of executing this General Release, he will not have the right to assert any Claims that the Company or any other of the Released Parties unlawfully terminated his employment or violated any of his rights in connection with his employment or otherwise.

The Executive agrees and covenants not to file, initiate, or join any lawsuit (either individually, with others, or as part of a class), in any forum, pleading, raising, or asserting any Claim(s) barred or released by this General Release. If he does so, and the action is found to be barred in whole or in part by this General Release, the Executive agrees to pay the attorneys' fees and costs, or the proportions thereof, incurred by the applicable Released Party in defending against those Claims that are found to be barred by this General Release. Nothing in this General Release precludes the Executive from challenging the validity of this General Release under the requirements of the Age Discrimination in Employment Act, and the Executive will not be responsible for reimbursing the attorneys' fees and costs of the Released Parties in connection with such a challenge to the validity of the release. The Executive, however, acknowledges that this General Release applies to all Claims that he has under the Age Discrimination in Employment Act, and that, unless the release is held to be invalid, all of the Executive's Claims under that Act will be extinguished by execution of this General Release. The Executive further agrees that nothing in this General Release will preclude or prevent the Executive from filing a charge with, providing information to, or cooperating with the U.S. Equal Employment Opportunity Commission, the U.S. Securities and Exchange Commission, or other government agency, and the Executive understands that he does not need the prior authorization of any of the Released Parties prior to taking any such action. The Executive will not seek or accept any relief obtained on his behalf by any government agency, private party, class, or otherwise with respect to any Claims released in this General Release, and, in the event the Executive receives such monetary relief, the Company will be entitled to an offset for the payments made pursuant to the Agreement and this General Release. This General Release does not limit the Executive's right to receive an award from any government agency that provides awards for providing information relating to a potential violation of law.

Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

The Company hereby advises the Executive to consult with counsel before executing this General Release. The Executive may take twenty-one (21) days to consider whether to execute this General Release and discuss it with counsel of his own choosing. The Executive agrees that changes made to this General Release, whether material or immaterial, do not restart the twenty-one (21) day period. Upon the Executive's execution of this General Release, the Executive will

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**Exhibit 10.4**

have seven (7) days after such execution in which he may revoke such execution. In the event of revocation, the Executive must present written notice of such revocation to the office of the Company's Corporate Secretary. If seven (7) days pass without receipt of such notice of revocation, this General Release will become binding and effective on the eighth (8th) day after the execution hereof. Signatures delivered by facsimile (including, without limitation, by "pdf") will be effective for all purposes.

INTENDING TO BE LEGALLY BOUND, I hereby set my hand below:

\_\_\_\_\_

Dated: \_\_\_\_\_

[1] To be updated at time of separation to include applicable state law references

**Restricted Stock Unit Award Agreement**

This Restricted Stock Unit Award Agreement (this “**Agreement**”) is made and entered into as of March 27, 2023 (the “**Grant Date**”) by and between Chimera Investment Corporation, a Maryland corporation (the “**Company**”), and [Name] (the “**Participant**”).

**WHEREAS**, the Company sponsors the 2007 Equity Incentive Plan, as amended and restated as of December 10, 2015 and as may be further amended, restated or otherwise modified from time to time (the “**Plan**”), pursuant to which awards of Restricted Stock Units (as defined below) may be granted;

**WHEREAS**, the Company and the Participant entered into an employment agreement effective as of January 1, 2023 (the “**Employment Agreement**”), which provides for a portion of the Participant’s compensation to be awarded in the form of Restricted Stock Units; and

**WHEREAS**, the Committee has determined that it is in the best interests of the Company and its shareholders to grant the award of Restricted Stock Units provided for herein.

**NOW, THEREFORE**, the parties hereto, intending to be legally bound, agree as follows:

1. Grant of Restricted Stock Units.
  - a. Pursuant to Section 9 of the Plan, the Company hereby issues to the Participant on the Grant Date a Restricted Stock Unit Award consisting of, in the aggregate, [●] restricted stock units (the “**Restricted Stock Units**”), on the terms and conditions and subject to the restrictions set forth in this Agreement and the Plan. Capitalized terms that are used but not defined herein have the meaning ascribed to them in the Plan.
  - b. Each Restricted Stock Unit represents the right to receive one Share, subject to the vesting and other terms and conditions of this Agreement. The Restricted Stock Units (including any related Dividend Equivalent Units as provided in Section 5.3 below) shall be credited to a separate account maintained for the Participant on the books and records of the Company (the “**Account**”). All amounts credited to the Account shall continue for all purposes to be part of the general assets of the Company and shall be an unfunded and unsecured obligation of the Company.
2. Consideration. The grant of the Restricted Stock Units is made in consideration of the services to be rendered by the Participant to the Company.
3. Vesting.
  - a. Except as otherwise provided herein, provided that the Participant remains in service with the Company through the applicable vesting date, the Restricted Stock Units will vest in accordance with the following schedule:

<b>Vesting Date</b>	<b>Percentage Vesting</b>
December 31, 2023	One-Third
December 31, 2024	One-Third
December 31, 2025	One-Third

If the number of Restricted Stock Units vesting as of a vesting date is a fractional number, the number vesting will be rounded up to the nearest whole number with any fractional portion carried forward.

- a. The foregoing vesting schedule notwithstanding, and except as provided in Section 3.3 hereof, if the Participant’s service with the Company terminates for

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## Exhibit 10.5

any reason at any time before all of his or her Restricted Stock Units have vested, the Participant's unvested Restricted Stock Units shall be automatically forfeited upon such termination of service and neither the Company nor any Affiliate shall have any further obligations to the Participant under this Agreement.

- b. The foregoing vesting schedule notwithstanding, if the Participant's service with the Company is terminated (i) by reason of the Participant's death or "Disability," (ii) by the Company or an Affiliate without "Cause," (iii) by the Participant for "Good Reason," (iv) by reason of the Participant's "Retirement," or (v) by reason of a termination of employment after the Company's nonrenewal of the Term of Employment that meets all of the conditions of Section 5(m)(i) or Section 5(m)(ii) of the Participant's Employment Agreement, in effect as of the date of this grant, 100% of the unvested Restricted Stock Units shall vest as of the date of such termination (which shall be treated as the "vesting date" for purposes of Section 6.1), in each case, provided that the Participant complies with Section 5(i) of the Employment Agreement, in effect at the time of this grant. For purposes of this Agreement, "Disability," "Cause," "Good Reason" and "Term of Employment" are as defined under the Employment Agreement. For purposes of this Agreement, "Retirement" means the termination of service with the Company by the Participant with or without Good Reason or by the Company without Cause, in each case, after the Participant has attained age 55 and the sum of his age plus his years of service with the Company and its predecessors (including, in each case, fractional years) equals or exceeds 65 as of such termination date, and the Participant has at least five years of service with the Company and its predecessors as of such termination date, provided that the Participant complies with Section 5(i) of the Employment Agreement, in effect at the time of this grant. Years of service for this purpose will be based on all periods of employment with the Company and its predecessors as determined by the Company in accordance with such rules and procedures as it may establish from time to time, provided that years of service shall include employment by Fixed Income Discount Advisory Company ("FIDAC") during the time FIDAC was the external manager of the Company.
  - c. Vested Restricted Stock Units shall be payable at such time or times as specified in Section 6 below.
4. Restrictions. Subject to any exceptions set forth in this Agreement or the Plan, prior to settlement in accordance with Section 6 below, the Restricted Stock Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Restricted Stock Units or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Restricted Stock Units will be forfeited by the Participant and all of the Participant's rights to such units shall immediately terminate without any payment or consideration by the Company.
  5. Rights as Shareholder; Dividend Equivalents.
    - a. The Participant shall not have any rights of a shareholder with respect to the Shares underlying the Restricted Stock Units unless and until the Restricted Stock Units vest and are settled by the issuance of such Shares.
    - b. Upon and following the settlement of the Restricted Stock Units, the Participant shall be the record owner of the Shares issued upon settlement unless and until
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## Exhibit 10.5

such Shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a shareholder of the Company (including voting rights).

- c. If a cash dividend is paid with respect to the Shares, the Participant shall be credited as of the applicable dividend payment date with an additional number of whole and fractional Restricted Stock Units (the “**Dividend Equivalent Units**”) equal to (i) the total cash dividend the Participant would have received had the Restricted Stock Units (and any previously credited Dividend Equivalent Units with respect thereto) been actual Shares divided by (ii) the Fair Market Value of a Share as of the applicable dividend payment date. Such Dividend Equivalent Units shall be added to the Account and shall be subject to the same vesting and payment provisions otherwise applicable to the Restricted Stock Units. Any fractional Dividend Equivalent Units shall be carried forward to the final vesting and payment date, and on such final date any remaining fractional Dividend Equivalent Units then payable shall be settled in cash.
6. Settlement of Restricted Stock Units.
- a. Subject to Section 9 hereof, as of the applicable vesting date set forth in Section 3, the Company shall cause to be issued and delivered to the Participant one Share for each such vested Restricted Stock Unit, such payment to be made on or as soon as administratively practicable (not more than 60 days) after the applicable vesting date.
  - b. Notwithstanding Section 6.1, the Committee may, but is not required to, prescribe rules pursuant to which the Participant may elect to defer settlement of the Restricted Stock Units. Any deferral election must be made in compliance with such rules and procedures as the Committee deems advisable, including Section 409A of the Code to the extent applicable.
  - c. If the Participant is deemed a “specified employee” within the meaning of Section 409A of the Code, as determined by the Committee, at a time when the Participant becomes eligible for settlement of the Restricted Stock Units upon his “separation from service” within the meaning of Section 409A of the Code, then to the extent necessary to prevent any accelerated or additional tax under Section 409A of the Code, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant’s separation from service and (b) the Participant’s death.
7. No Right to Continued Service. Neither the Plan nor this Agreement shall confer upon the Participant any right to be retained in any position, as an employee, consultant or director of the Company. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the Participant’s service with the Company at any time, with or without Cause.
8. Adjustments. The Restricted Stock Units are subject to the provisions of Section 11 of the Plan, regarding certain potential adjustments to the units in the event of specified changes in the capital of the Company or other transactions. The existence of this Award shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company’s capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or convertible into, or otherwise affecting the units or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its
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## Exhibit 10.5

assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

### 9. Tax Liability and Withholding.

- a. The Participant shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Participant pursuant to the Plan or otherwise, the amount of any required payroll or withholding taxes in respect of the Restricted Stock Units and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such payroll or withholding taxes. The Committee may permit the Participant to satisfy any federal, state or local payroll tax or tax withholding obligation by any of the following means, or by a combination of such means:
  - i. tendering a cash payment;
  - ii. authorizing the Company to withhold Shares from the Shares otherwise issuable or deliverable to the Participant as a result of the vesting of the Restricted Stock Units; provided, however, that no Shares shall be withheld with a value exceeding the amount of tax required to be withheld by law (to the extent necessary under applicable accounting principles); and
  - iii. delivering to the Company previously owned and unencumbered Shares.
- b. Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding (“**Tax-Related Items**”), the ultimate liability for all Tax-Related Items is and remains the Participant’s responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant or vesting of the Restricted Stock Units or the subsequent sale of any Shares; and (b) does not commit to structure the Restricted Stock Units to reduce or eliminate the Participant’s liability for Tax-Related Items.

10. Compliance with Law. The issuance and transfer of Shares upon settlement of vested Restricted Stock Units shall be subject to compliance by the Company and the Participant with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Shares may be listed. No Shares shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Participant understands that the Company is under no obligation to register the Shares issued upon vesting or settlement with the Securities and Exchange Commission, any state securities commission or any stock exchange to effect such compliance.

11. Legends. A legend may be placed on any certificate(s) or other document(s) delivered to the Participant indicating restrictions on transferability of the Shares issued upon vesting or settlement of the Restricted Stock Units pursuant to this Agreement or any other restrictions that the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any applicable federal or state securities laws or any stock exchange on which the Shares are then listed or quoted.

12. Notices. Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Participant from time to time; and to the Participant at the Participant’s electronic

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## Exhibit 10.5

mail or postal address as shown on the records of the Company from time to time, or at such other electronic mail or postal address as the Participant, by notice to the Company, may designate in writing from time to time.

13. Governing Law. This Agreement will be construed and interpreted in accordance with the laws of the State of New York without regard to conflict of law principles.
  14. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. The resolution of such dispute by the Committee shall be final and binding on the Participant and the Company.
  15. Restricted Stock Units Subject to Plan. This Agreement is subject to the Plan as approved by the Company's shareholders. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.
  16. Employment Agreement Satisfaction. The Participant agrees and acknowledges that this grant of Restricted Stock Units satisfies the Company's obligation under the Participant's Employment Agreement, in effect as of the date of this grant, to grant to the Participant Restricted Stock Units in 2023.
  17. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Participant and the Participant's beneficiaries, executors, administrators and the person(s) to whom the Restricted Stock Units may be transferred by will or the laws of descent or distribution.
  18. Severability. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.
  19. Discretionary Nature of Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in its discretion. The grant of the Restricted Stock Units in this Agreement does not create any contractual right or other right to receive any Restricted Stock Units or other Awards in the future. Future Awards, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Participant's employment with the Company.
  20. Amendment. The Committee has the right to amend, alter, suspend, discontinue or cancel the Restricted Stock Units, prospectively or retroactively; provided, that, no such amendment shall adversely affect the Participant's material rights under this Agreement without the Participant's consent.
  21. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.
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**Exhibit 10.5**

22. No Impact on Other Benefits. The value of the Participant's Restricted Stock Units is not part of his normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit.
23. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.
24. Acceptance. The Participant hereby acknowledges receipt of a copy of the Plan and this Agreement. The Participant has read and understands the terms and provisions thereof, and accepts the Restricted Stock Units subject to all of the terms and conditions of the Plan and this Agreement. The Participant acknowledges that there may be adverse tax consequences upon the grant, vesting or settlement of the Restricted Stock Units or disposition of the underlying Shares and that the Participant has been advised to consult a tax advisor prior to such grant, vesting, settlement or disposition.

[signature page follows]

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**Exhibit 10.5**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CHIMERA INVESTMENT CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

[Name of Participant]

By: \_\_\_\_\_

## Performance Share Unit Agreement

This Performance Share Unit Agreement (this “**Agreement**”) is made and entered into as of March 27, 2023 (the “**Grant Date**”) by and between Chimera Investment Corporation, a Maryland corporation (the “**Company**”), and [Name] (the “**Participant**”).

**WHEREAS**, the Company sponsors the 2007 Equity Incentive Plan, as amended and restated as of December 10, 2015 and as may be further amended, restated or otherwise modified from time to time (the “**Plan**”), pursuant to which awards of Performance Share Units (as defined below) may be granted;

**WHEREAS**, the Company and the Participant entered into an employment agreement effective as of January 1, 2023 (the “**Employment Agreement**”), which provides for a portion of the Participant’s compensation to be awarded in the form of Performance Share Units; and

**WHEREAS**, the Committee has determined that it is in the best interests of the Company and its shareholders to grant the award of Performance Share Units provided for herein.

**NOW, THEREFORE**, the parties hereto, intending to be legally bound, agree as follows:

1. Grant of Performance Share Units. Pursuant to Section 9 of the Plan, the Company hereby grants to the Participant an Award for a target number of [●] Performance Share Units (the “Target PSUs”). Each Performance Share Unit (“PSU”) represents the right to receive one share of common stock, subject to the terms and conditions set forth in this Agreement and the Plan. The number of PSUs that the Participant actually earns for the Performance Period (up to a maximum of [●] PSUs) will be determined by the level of achievement of the performance goals as described in Exhibit I attached hereto, subject to the additional service requirements set forth in this Agreement. Capitalized terms that are used but not defined herein have the meanings ascribed to them in the Plan.
  2. Performance Period. For purposes of this Agreement, the term “**Performance Period**” shall be the period commencing on January 1, 2023 and ending on December 31, 2025.
  3. Performance-Vesting Requirements.
    - a. The number of PSUs earned by Participant for the Performance Period will be determined at the end of the LTI Measurement Period based on the level of achievement of the performance goals as described in Exhibit I. All determinations of whether the applicable performance goals have been achieved, the number of PSUs earned by the Participant, and all other matters related to this Section 3 shall be made by the Committee in its sole discretion.
    - b. Promptly following completion of the LTI Measurement Period, the Committee will review and certify in writing (a) whether, and to what extent, the performance goals for the LTI Measurement Period have been achieved, and (b) the number of PSUs that the Participant shall earn, if any, based on such performance and subject to the service-vesting requirements of Section 4. Such certification shall be final, conclusive and binding on the Participant, and on all other persons, to the maximum extent permitted by law.
  4. Service-Vesting Requirements. Except as otherwise provided herein, provided that the Participant remains in service with the Company through the last day of the Performance Period (the “**Vesting Date**”), the number of PSUs determined after adjustment for performance under Section 3 above (together any related Dividend Equivalent Units determined under Section 9.2 below) will vest as of the Vesting Date.
  5. Termination of Service.
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## Exhibit 10.6

- a. Except as otherwise expressly provided in this Agreement, if the Participant's service with the Company terminates for any reason at any time before the Vesting Date, the Participant's unvested PSUs shall be automatically forfeited upon such termination of service with the Company and neither the Company nor any Affiliate shall have any further obligations to the Participant under this Agreement.
  - b. Section 5.1 notwithstanding, if the Participant's service with the Company is terminated before the Vesting Date (i) by reason of the Participant's death or "Disability," (ii) by the Company or an Affiliate without "Cause," (iii) by the Participant for "Good Reason," (iv) by reason of the Participant's "Retirement," or (v) by reason of a termination of employment after the Company's nonrenewal of the Term of Employment that meets all of the conditions of Section 5(m)(i) or Section 5(m)(ii) of the Participant's Employment Agreement, in effect as of the Grant Date, the PSUs, after adjustment for performance under Section 3 above, shall vest as of the Vesting Date as though termination of service had not occurred, in each case, provided that the Participant complies with Section 5(i) of the Employment Agreement, in effect at the time of this grant. For purposes of this Agreement, "Disability," "Cause," "Good Reason" and "Term of Employment" are as defined under the Employment Agreement. For purposes of this Agreement, "Retirement" means the termination of service with the Company by the Participant with or without Good Reason or by the Company without Cause, in each case, after the Participant has attained age 55 and the sum of his age plus his years of service with the Company and its predecessors (including, in each case, fractional years) equals or exceeds 65 as of such termination date, and the Participant has at least five years of service with the Company and its predecessors as of such termination date, provided that the Participant complies with Section 5(i) of the Employment Agreement, in effect at the time of this grant. Years of service for this purpose will be based on all periods of employment with the Company and its predecessors as determined by the Company in accordance with such rules and procedures as it may establish from time to time, provided that years of service shall include employment by Fixed Income Discount Advisory Company ("FIDAC") during the time FIDAC was the external manager of the Company.
6. Effect of a Change in Control. Notwithstanding anything herein to the contrary, upon the consummation of a Change in Control, (i) the percentage of the Target PSUs that would have vested in accordance with the performance-vesting provisions of Section 3 based on the Relative Economic Return, Company Economic Return, Relative TSR and Company TSR (each, as defined in Exhibit I), as applicable, from the first day of the applicable LTI Measurement Period through the end of the most recent fiscal quarter prior to such Change in Control for which data is available (or the last day of the applicable LTI Measurement Period, if earlier) will be eligible to vest on the Vesting Date, subject only to the Participant's continuing employment with the Company (except as otherwise provided in Sections 5(a), 5(b) or 5(e) of the Employment Agreement), and (ii) any portion of the Target PSUs that would not have vested in accordance with the performance-vesting provisions of Section 3 based on actual performance as described in clause (i) above will be forfeited as of such Change in Control with no compensation due therefor. For the avoidance of doubt, any PSUs that would continue to be eligible to vest following a Change in Control in accordance with clause (i) above may be substituted
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## Exhibit 10.6

with awards payable in cash amounts tied to the consideration paid in connection with the Change in Control, as determined by the Committee in its sole discretion.

7. Payment of PSUs. Payment in respect of the PSUs earned for the Performance Period shall be made in shares of common stock and shall be issued to the Participant as soon as practicable following the Vesting Date and in any event no later than March 15, 2026. The Company shall (a) issue and deliver to the Participant the number of shares of common stock equal to the number of vested PSUs, and (b) enter the Participant's name on the books of the Company as the shareholder of record with respect to the shares of common stock delivered to the Participant.
  8. Transferability. Subject to any exceptions set forth in this Agreement or the Plan, the PSUs or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant, except by will or the laws of descent and distribution, and upon any such transfer by will or the laws of descent and distribution, the transferee shall hold such PSUs subject to all of the terms and conditions that were applicable to the Participant immediately prior to such transfer.
  9. Rights as Shareholder: Dividend Equivalents.
    - a. The Participant shall not have any rights of a shareholder with respect to the shares of common stock underlying the PSUs, including, but not limited to, voting rights.
    - b. If a cash dividend is paid with respect to the shares of the Company's common stock, the Participant shall be credited with additional PSUs ("**Dividend Equivalent Units**") equal to (i) the total cash dividend the Participant would have received had PSUs that vest in accordance with this Agreement (and any previously credited Dividend Equivalent Units with respect thereto), after taking into account the performance adjustment under Section 3 above, been actual shares of common stock of the Company divided by (ii) the Fair Market Value of a share of common stock of the Company as of the applicable dividend payment date. Such Dividend Equivalent Units shall be subject to the same vesting and payment provisions otherwise applicable to the PSUs. Any fractional Dividend Equivalent Units shall payable shall be settled in cash.
    - c. Upon and following the vesting of the PSUs and the issuance of shares, the Participant shall be the record owner of the shares of common stock underlying the PSUs unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a shareholder of the Company (including voting and dividend rights).
  10. No Right to Employment. Neither the Plan nor this Agreement shall confer upon the Participant any right to be retained in any position, as an Employee, Consultant or Director of the Company. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the Participant's Service with the Company at any time, with or without Cause.
  11. Adjustments. If any change is made to the outstanding common stock or the capital structure of the Company, if required, the PSUs shall be adjusted or terminated in any manner as contemplated by Section 11 of the Plan.
  12. Tax Liability and Withholding.
    - a. The Participant shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Participant pursuant to the Plan, the amount of any required withholding taxes in respect of the PSUs and to take all such other action as the Committee deems necessary to satisfy all
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## Exhibit 10.6

obligations for the payment of such withholding taxes. The Committee may permit the Participant to satisfy any federal, state or local tax withholding obligation by any of the following means, or by a combination of such means:

- i. tendering a cash payment;
  - ii. authorizing the Company to withhold shares of common stock from the shares of common stock otherwise issuable or deliverable to the Participant as a result of the vesting of the PSUs; *provided, however*, that no shares of common stock shall be withheld with a value exceeding the amount of tax required to be withheld by law; or
  - iii. delivering to the Company previously owned and unencumbered shares of common stock.
- b. Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding (“Tax-Related Items”), the ultimate liability for all Tax-Related Items is and remains the Participant’s responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting or settlement of the PSUs or the subsequent sale of any shares, and (b) does not commit to structure the PSUs to reduce or eliminate the Participant’s liability for Tax-Related Items.
13. Compliance with Law. The issuance and transfer of shares of common stock in connection with the PSUs shall be subject to compliance by the Company and the Participant with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company’s shares of common stock may be listed. No shares of common stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.
14. Notices. Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Secretary of the Company at the Company’s principal corporate offices. Any notice required to be delivered to the Participant under this Agreement shall be in writing and addressed to the Participant at the Participant’s address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.
15. Governing Law. This Agreement will be construed and interpreted in accordance with the laws of the State of New York without regard to conflict of law principles.
16. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. The resolution of such dispute by the Committee shall be final and binding on the Participant and the Company.
17. PSUs Subject to Plan. This Agreement is subject to the Plan as approved by the Company’s shareholders. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.
18. Employment Agreement Satisfaction. The Participant agrees and acknowledges that this grant of PSUs satisfies the Company’s obligation under the Participant’s Employment Agreement, in effect as of the Grant Date, to grant to the Participant PSUs for the PSU Performance Period commencing on January 1, 2023 and ending on December 31, 2025.
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**Exhibit 10.6**

19. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Participant and the Participant's beneficiaries, executors, administrators and the person(s) to whom the PSUs may be transferred by will or the laws of descent or distribution.
20. Severability. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.
21. Discretionary Nature of Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in its discretion. The grant of the PSUs in this Agreement does not create any contractual right or other right to receive any PSUs or other Awards in the future. Future Awards, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Participant's employment with the Company.
22. Amendment. The Committee has the right to amend, alter, suspend, discontinue or cancel the PSUs, prospectively or retroactively; *provided, that*, no such amendment shall adversely affect the Participant's material rights under this Agreement without the Participant's consent.
23. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.
24. No Impact on Other Benefits. The value of the Participant's PSUs is not part of his or her normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit.
25. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.
26. Acceptance. The Participant hereby acknowledges receipt of a copy of the Plan and this Agreement. The Participant has read and understands the terms and provisions thereof, and accepts the PSUs subject to all of the terms and conditions of the Plan and this Agreement. The Participant acknowledges that there may be adverse tax consequences upon the vesting or settlement of the PSUs or disposition of the underlying shares and that the Participant has been advised to consult a tax advisor prior to such vesting, settlement or disposition.

[SIGNATURE PAGE FOLLOWS]

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**Exhibit 10.6**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CHIMERA INVESTMENT CORPORATION

By: \_\_\_\_\_

Name:

Title:

[Name of Participant]

By: \_\_\_\_\_

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**Exhibit I**

**Performance Period:** The Performance Period shall commence on January 1, 2023 and end on December 31, 2025.

**Performance Measures:**

For purposes of the PSUs, Relative Economic Return, Company Economic Return, Relative TSR and Company TSR will be based on the “**LTI Measurement Period**,” which is the period beginning on the first day of the fourth fiscal quarter of the calendar year immediately preceding the beginning of the PSU Performance Period through the last day of the third fiscal quarter of the last calendar year in the PSU Performance Period (*i.e.*, Q3 to Q3 measurement period, which is October 1, 2022 through September 30, 2025).

Of the Target PSUs:

- 50% will be subject to performance metrics tied to Relative Economic Return, subject to adjustment based on Company Economic Return as described below, for the LTI Measurement Period (the “**Economic Return PSUs**”)
- 50% will be subject to performance metrics tied to Relative TSR, subject to adjustment based on Company TSR as described below, for the LTI Measurement Period (the “**TSR PSUs**”)

Subject (except as otherwise provided in the Employment Agreement, this Agreement or this Exhibit I) to the Participant’s continuing employment through the last day of the PSU Performance Period, between 0% and 200% of the Target PSUs will vest as of the last day of the PSU Performance, based on achievement of the Economic Return and TSR metrics described below.

Economic Return

The Economic Return PSUs may vest as of the last day of the PSU Performance Period based on the Company Economic Return compared to that of the Peer Group (measured as a percentile) for the LTI Measurement Period, as follows, subject to adjustment based on Company Economic Return as described below:

Relative Economic Return	Percentage of Economic Return PSUs
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“**Threshold**” means, for purposes of Relative Economic Return, the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 156 weeks in the LTI Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative Economic Return.

For any Relative Economic Return achieved between the percentiles specified in the above table (if performance is above the Threshold), the percentage of the Target PSUs that will vest for the PSU Performance Period will be determined by linear interpolation. If the achieved Relative Economic Return is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative Economic Return will be used when applying such linear interpolation.

## Exhibit 10.6

Notwithstanding the foregoing, in the event that the Company Economic Return for the LTI Measurement Period is at or below zero, achievement of the Economic Return metric shall be deemed to not exceed 100%.

### Relative TSR

The TSR PSUs may vest as of the last day of the PSU Performance Period based on the Company TSR compared to that of the Peer Group (measured as a percentile) for the LTI Measurement Period, subject to adjustment based on Company TSR as described below:

Relative TSR	Percentage of TSR PSUs
Less than the Threshold	0%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150%
100 <sup>th</sup> Percentile	200%

“**Threshold**” means, for purposes of Relative TSR, the lesser of (x) the average of the weekly 2-year Treasury note rates published in the U.S. Reserve H.15 Report for the 156 weeks in the LTI Measurement Period plus 100 basis points or (y) the 25<sup>th</sup> percentile of Relative TSR.

For any Relative TSR achieved between the percentiles specified in the above table (if performance is above the Threshold), the percentage of the TSR PSUs that may vest for the PSU Performance Period will be determined by linear interpolation. If the achieved Relative TSR is at or above the Threshold but below the 50<sup>th</sup> percentile, the percentile corresponding to the achieved Relative TSR will be used when applying such linear interpolation.

Notwithstanding the foregoing, in the event that the Company TSR for the LTI Measurement Period is at or below zero, achievement of the TSR metric shall be deemed to not exceed 100%.

**Additional Definitions:** For purposes of the PSUs, the following terms shall have the following meanings:

- “**Company Economic Return**” means (x) the Company’s change in book value per share (“BVPS”), plus (y) common stock dividends, for the LTI Measurement Period.
  - “**Company TSR**” means, for the LTI Measurement Period, the percentage change in the value of a share of the Company’s common stock from the closing price on the last trading day before the beginning of the applicable measurement period to the closing price on the last trading day of the LTI Measurement Period (plus common stock dividends paid during the LTI Measurement Period, assuming immediate reinvestment of such dividends in additional common shares), as determined by the Committee in its sole discretion. Accordingly, for the LTI Measurement Period, Company TSR will be measured based on the closing price on September 30, 2022 and the closing price on September 30, 2025 (plus common stock dividends as described above).
  - “**Peer Group**” means the entities (other than the Company) included in the iShares Mortgage Real Estate ETF as of the beginning of the LTI Measurement Period. Any entity (other than the Company) that ceases to be included in the iShares Mortgage Real Estate ETF during the LTI Measurement Period shall be treated as performing at the lowest level in the Peer Group for the LTI Measurement Period.
  - “**Relative Economic Return**” means (i) the Company Economic Return for the LTI Measurement Period, divided by (ii) BVPS at the beginning of the LTI Measurement Period, as such amount stands in relation to the economic return (measured in the same way that the Company Economic Return is measured) during the LTI Measurement Period of the entities in the Peer Group.
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## Exhibit 10.6

- “**Relative TSR**” means the Company TSR as such amount stands in relation to the total shareholder return (determined in the same way that the Company TSR is determined) for the LTI Measurement Period of the entities (other than the Company) included in the Peer Group, as determined by the Committee in its sole discretion.

**Committee Determinations:** All determinations with respect to the PSUs, including, without limitation, the amount, if any, that vests or is payable to the Participant, will be made by the Committee, in good faith, and in compliance with the Agreement and this Exhibit I. All such determinations will be final and binding on the Participant and the Company. The Committee may adjust any of the performance metrics set forth herein to exclude the impact of any acquisitions or dispositions of businesses or business segments by the Company, one-time non-operating charges, unusual or nonrecurring items, accounting changes (including the early adoption of any accounting change mandated by any governing body, organization or authority), changes in tax laws, impact of discontinued operations, restatements of prior period financial results, and any other events or transactions that may result in distortion of the performance metrics or the value of the PSUs. In addition, if the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render any of the performance metrics set forth herein unsuitable, the Committee may modify any such performance metrics, in whole or in part, as the Committee deems appropriate and equitable.

## CERTIFICATIONS

Exhibit 31.1

I, Phillip J. Kardis II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chimera Investment Corporation;
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 consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal 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: May 4, 2023

/s/ Phillip J. Kardis II

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Phillip J. Kardis II

Chief Executive Officer and Principal Executive Officer

## CERTIFICATIONS

Exhibit 31.2

I, Subramaniam Viswanathan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chimera Investment Corporation;
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 consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal 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: May 4, 2023

/s/ Subramaniam Viswanathan

Subramaniam Viswanathan

Chief Financial Officer and Principal Financial Officer

CHIMERA INVESTMENT CORPORATION  
630 FIFTH AVE SUITE 2400  
NEW YORK, NEW YORK 10111

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

In connection with the quarterly report on Form 10-Q of Chimera Investment Corporation (the "Company") for the period ended March 31, 2023 to be filed with Securities and Exchange Commission on or about the date hereof (the "Report"), I, Phillip J. Kardis II, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

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

/s/ Phillip J. Kardis II

Phillip J. Kardis II  
Chief Executive Officer and Principal Executive Officer  
Date: May 4, 2023

CHIMERA INVESTMENT CORPORATION  
630 FIFTH AVE SUITE 2400  
NEW YORK, NEW YORK 10111

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

In connection with the quarterly report on Form 10-Q of Chimera Investment Corporation (the "Company") for the period ended March 31, 2023 to be filed with Securities and Exchange Commission on or about the date hereof (the "Report"), I, Subramaniam Viswanathan, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

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

/s/ Subramaniam Viswanathan

Subramaniam Viswanathan

Chief Financial Officer and Principal Financial Officer

Date: May 4, 2023