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As filed with the Securities and Exchange Commission on September 26, 2013

Registration Statement No. 333-188214

United States
Securities and Exchange Commission

Washington, D.C. 20549

Amendment No. 4

to

Form S-11
FOR REGISTRATION

UNDER

THE SECURITIES ACT OF 1933

OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

Cherry Hill Mortgage Investment Corporation

(Exact Name of Registrant as Specified in Its Governing Instruments)

Cherry Hill Mortgage Investment Corporation
301 Harper Drive, Suite 110
Moorestown, NJ 08057
877.870.7005
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the registration statement becomes effective.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of this prospectus is expected to be made pursuant to Rule 434, check the following box. ☐

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

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

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), shall determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is declared effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated September 26, 2013

PRELIMINARY PROSPECTUS

6,500,000 Shares

CHMI
Cherry Hill Mortgage Investment Corporation

Common Stock

Cherry Hill Mortgage Investment Corporation is a newly formed residential real estate finance company that will acquire, invest in and manage a portfolio of excess mortgage servicing rights, agency residential mortgage backed securities, prime jumbo mortgage loans and other residential mortgage assets. We will be managed by Cherry Hill Mortgage Management, LLC, or our Manager, an affiliate of Freedom Mortgage Corporation, or Freedom Mortgage, a privately held, independent mortgage company that originates and services mortgage loans nationwide.

This is our initial public offering of our common stock and no public market currently exists for our common stock. The initial public offering price per share of our common stock will be $20.00 per share. All of the shares to be sold in this offering are being sold by Cherry Hill Mortgage Investment Corporation. Our common stock has been approved for listing on the New York Stock Exchange, or NYSE, subject to official notice of issuance, under the symbol "CHMI."

Stanley Middleman, our Chairman and the founder of Freedom Mortgage, will purchase directly from us in a concurrent private placement $20.0 million in shares of our common stock, at the public offering price. Mr. Middleman will not pay a placement fee.

We will elect and intend to qualify to be taxed as a real estate investment trust for U.S. federal income tax purposes, or a REIT. To assist us in qualifying as a REIT, among other purposes, our charter generally limits beneficial and constructive ownership of our shares by any person to no more than 9.0% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock. In addition, our charter contains various other restrictions on the ownership and transfer of shares of our common stock. See "Description of Common Stock—Restrictions on Ownership and Transfer."

We are an "emerging growth company" under the federal securities laws, and as such we have elected to comply with certain reduced public company reporting requirements in this prospectus and in future filings.

Investing in our common stock involves risk. See "Risk Factors" beginning on page 27.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discount(1)	$	$
Proceeds, before expenses, to us(2)	$	$

(1) Our Manager has agreed to pay the entire underwriting discount payable with respect to the shares of common stock sold in this offering. Our Manager will also pay certain of the underwriters a structuring fee equal to $ (% of the gross proceeds of this offering to us). See "Underwriting."

(2) See "Underwriting" for a detailed description of the compensation payable to the underwriters.

We have granted the underwriters the right to purchase up to an additional 975,000 shares of our common stock from us at the initial public offering price within 30 days after the date of this prospectus to cover over-allotments of shares. The underwriters expect to deliver the shares of common stock to investors on or about , 2013. Our Manager has agreed to pay the entire underwriting discount and structuring fee with respect to any shares issued in connection with the over-allotment option.

Barclays **Morgan Stanley**

Citigroup **UBS Investment Bank**

FBR **JMP Securities** **Sterne Agee**

The date of this prospectus is , 2013.

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You should rely only on the information contained in this prospectus or in any free writing prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any free writing prospectus prepared by us is accurate only as of their respective dates or on the date or dates which are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

GLOSSARY

This glossary defines some of the terms that we use elsewhere in this prospectus and is not a complete list of all of the defined terms used herein.

"Agency" means a U.S. Government agency, such as Ginnie Mae, or a federally chartered corporation, such as Fannie Mae or Freddie Mac, that guarantees payments of principal and interest on MBS.

"Agency RMBS" means residential mortgage-backed securities issued by an Agency or for which an Agency guarantees payments of principal and interest on the securities.

"ARM" means an adjustable-rate residential mortgage loan.

"**CFTC**" means the U.S. Commodity Futures Trading Commission.

"CMO" means a collateralized mortgage obligation. CMOs are structured instruments representing interests in specified mortgage loan collateral. CMO securitizations consist of multiple classes, or tranches, of securities, with each tranche having specified characteristics, based on the rules described in the securitization documents governing the division of the monthly principal and interest distributions, including prepayments, from the underlying mortgage collateral among the various tranches.

"conforming loan" means a residential mortgage loan that conforms to the Agency underwriting guidelines and meets the funding criteria of Fannie Mae and Freddie Mac.

"credit enhancement" means techniques to improve the credit ratings of securities, including overcollateralization, creating retained spread, creating subordinated tranches and insurance.

"Excess MSR" means an interest in an MSR, representing a portion of the interest payment collected from a pool of mortgage loans, net of a basic servicing fee paid to the mortgage servicer. An MSR is made up of two components: a basic servicing fee and an excess servicing fee. The basic servicing fee is the amount of compensation for the performance of servicing duties, and the Excess MSR is the amount that exceeds the basic servicing fee.

"Fannie Mae" means the Federal National Mortgage Association.

"FDIC" means the Federal Deposit Insurance Corporation.

"FHA" means the Federal Housing Administration.

"FHFA" means the U.S. Federal Housing Finance Agency.

"FHA mortgage loan" means a mortgage loan that is insured by FHA.

"Freddie Mac" means the Federal Home Loan Mortgage Corporation.

"FRM" means a fixed-rate residential mortgage loan.

"Ginnie Mae" means the Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States of America within HUD.

"GSE" means a government-sponsored enterprise. When we refer to GSEs, we mean Fannie Mae or Freddie Mac.

"HAMP" means the Home Affordable Modification Program.

"HARP" means the Home Affordable Refinance Program.

"HUD" means the U.S. Department of Housing and Urban Development.

"hybrid ARM" means a residential mortgage loan that has an interest rate that is fixed for a specified period of time (typically three, five, seven or ten years) and thereafter adjusts to an increment over a specified interest rate index.

"inverse IO" means an inverse interest-only security, which is a type of stripped security. These debt securities receive no principal payments and have a coupon rate which has an inverse relationship to its reference index.

"IO" means an interest-only security, which is a type of stripped security. IO strips receive a specified portion of the interest on the underlying assets.

"jumbo mortgage loan" means a residential mortgage loan with an original principal balance in excess of the statutory conforming limit for GSE mortgage loans.

"MBS" means mortgage-backed securities.

"MSR" means a mortgage servicing right. An MSR is the right to service a mortgage loan or a pool of mortgage loans. An MSR provides a mortgage servicer with the right to service a mortgage loan or a pool of mortgages in exchange for a portion of the interest payments made on the mortgage or the underlying mortgages.

"mortgage loan" means a loan secured by real estate with a right to receive the payment of principal and interest on the loan (including the servicing fee).

"non-Agency RMBS" means RMBS that are not issued or guaranteed by an Agency, including investment grade (AAA through BBB rated) and non-investment grade (BB rated through unrated) classes.

"prime jumbo mortgage loan" means a mortgage loan that generally conforms to GSE underwriting guidelines, except that the mortgage balance exceeds the statutory conforming limit for a GSE mortgage loan.

"REMIC" means a real estate mortgage investment conduit.

"residential mortgage pass-through certificate" is a security that represents an interest in a "pool" of mortgage loans secured by residential real property where payments of both interest and principal (including principal prepayments) on the underlying residential mortgage loans are made monthly to holders of the security, in effect "passing through" monthly payments made by the individual borrowers on the mortgage loans that underlie the security, net of fees paid to the issuer/guarantor and servicer.

"RMBS" means a residential mortgage-backed security.

"SIFMA" means the Securities Industry and Financial Markets Association.

"stripped security" is an RMBS structured with two or more classes that receives different distributions of principal or interest on a pool of Agency RMBS. Stripped securities include IOs and inverse IOs, each of which we may invest in subject to qualifying as a REIT.

"TBA" means a forward-settling Agency RMBS where the pool is "to-be-announced." In a TBA, a buyer will agree to purchase, for future delivery, Agency RMBS with certain principal and interest terms and certain types

of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date.

"UPB" means unpaid principal balance.

"U.S. Treasury" means the U.S. Department of Treasury.

"VA" means the Department of Veterans Affairs.

"VA mortgage loan" means a mortgage loan that is partially guaranteed by the VA in accordance with its regulations.

"whole loan" is a direct investment in a whole residential mortgage loan as opposed to an investment in RMBS, CMO or other structured product that is backed by such a loan.

SUMMARY

This summary highlights some of the information in this prospectus. It does not contain all of the information that you should consider before investing in our common stock. You should read carefully the more detailed information set forth under "Risk Factors" and the other information included in this prospectus. Except where the context suggests otherwise, the terms "company," "we," "us," and "our" refer to Cherry Hill Mortgage Investment Corporation, a Maryland corporation, and its subsidiaries, "our operating partnership" refers to Cherry Hill Operating Partnership, LP, a Delaware limited partnership, and "our Manager" refers to Cherry Hill Mortgage Management, LLC, our external manager. Unless indicated otherwise, the information in this prospectus assumes: (i) Stanley Middleman, our Chairman and the founder of Freedom Mortgage Corporation, purchases directly from us $20.0 million in shares of our common stock in the concurrent private placement, at a price per share equal to the public offering price, without the payment of a placement fee or any underwriting discount or commission on those shares; and (ii) no exercise by the underwriters of their over-allotment option, as described on the cover page of this prospectus. We consider Mr. Middleman to be our promoter.

Our Company

Cherry Hill Mortgage Investment Corporation is a newly formed residential real estate finance company that will acquire, invest in and manage residential mortgage assets in the United States. We will be externally managed and advised by Cherry Hill Mortgage Management, LLC, or our Manager, an affiliate of Freedom Mortgage Corporation, or Freedom Mortgage. Our principal objective is to generate attractive current yields and risk-adjusted total returns for our stockholders over the long term, primarily through dividend distributions and secondarily through capital appreciation. We intend to attain this objective by selectively constructing and actively managing a targeted portfolio of Excess MSRs, Agency RMBS, prime jumbo mortgage loans and other stable and cashflowing residential mortgage assets. We will have a strategic alliance with Freedom Mortgage that we believe will provide us with frequent opportunities to acquire Excess MSRs. We will elect and intend to qualify to be taxed as a REIT beginning with our short taxable year ending December 31, 2013.

Our asset acquisition strategy will focus on acquiring a diversified portfolio of residential mortgage assets that balances the risk and reward opportunities our Manager observes in the marketplace. We expect to allocate a majority of our equity capital on an unleveraged basis, to the acquisition of Excess MSRs. Upon completion of this offering and the concurrent private placement, we will invest approximately $100 million to acquire from Freedom Mortgage participation interests in two separate pools of Excess MSRs on FHA and VA mortgage loans with an anticipated UPB of approximately $20.8 billion. In addition to our Excess MSR strategy, we also intend to acquire Agency RMBS on a leveraged basis as part of our initial portfolio and our longer term strategy. While we intend to invest in both Agency RMBS backed by FRMs and hybrid ARMs, upon deployment of the net proceeds of this offering and the concurrent private placement, we expect to be invested primarily in, and a substantial portion of our total assets to consist of, Agency RMBS backed by whole pools of 30-year, 20-year and 15-year FRMs that offer favorable prepayment and duration characteristics. As the market for prime jumbo loans grows, we expect our portfolio to include this asset class as well. In addition, we may also invest opportunistically from time to time in other residential mortgage assets.

Freedom Mortgage, an affiliate of our Manager, is a privately held independent mortgage company founded in 1990 that originates and services mortgage loans nationwide. Freedom Mortgage is licensed to originate and service mortgage loans in all 50 states and the District of Columbia and has been a Fannie Mae-approved seller/servicer since April 1993 and a Ginnie Mae-approved issuer since September 1999. Freedom Mortgage was the fourth largest single-family Ginnie Mae RMBS issuer by UPB for the first six months of 2013. For the year ended December 31, 2012 and for the six month-period ended June 30, 2013, Freedom Mortgage originated over $13 billion and $9.5 billion, respectively, of mortgage loans predominantly underwritten to Agency underwriting guidelines. Freedom Mortgage typically retains the MSRs on the mortgage loans it originates and is the primary servicer of mortgage loans with an outstanding UPB of approximately $26.2 billion as of June 30, 2013.

Stanley Middleman, the founder, Chairman and Chief Executive Officer of Freedom Mortgage, serves as our Chairman. Our senior management team will be led by Jeffrey Lown II, our President and Chief Investment Officer and a nominee to our board of directors, and Martin J. Levine, our Chief Financial Officer, Secretary and Treasurer. Mr. Lown and Mr. Levine also serve as officers of our Manager and of Freedom Mortgage. Each member of our senior management team has more than 20 years of experience in the financial services industry, with a majority of that experience concentrated in the residential mortgage markets.

Our relationship with Freedom Mortgage provides us with access to Freedom Mortgage's leading origination and servicing platform and access to a predictable and proprietary source of Excess MSR acquisition opportunities, as well as other investment opportunities with respect to some of our other target assets. We believe our access to Freedom Mortgage and the deep network of relationships that our senior management team has established with other large originators, servicers and other participants in the residential mortgage industry provides us with access to an ongoing source of Excess MSRs and other asset acquisition and financing opportunities. As a result, we believe we can selectively construct and fund a diversified portfolio of high quality residential mortgage assets that generate attractive current yields and risk-adjusted total returns for our stockholders over the long-term under a variety of market conditions and economic cycles.

In addition to growth through new originations, Freedom Mortgage has made a substantial capital investment in customer retention, primarily through its retail production channel, which has allowed it to engage, when interest rates are falling, in significant levels of recapture originations—originations in which Freedom Mortgage refinances existing customers into new loans and also retains the servicing rights on these new loans post-refinancing. For the period from January 1, 2011 to June 30, 2013, Freedom Mortgage's monthly weighted average recapture rate with respect to FHA and VA mortgage loans in its servicing portfolio was 75%. In other words, approximately three out of every four Freedom Mortgage loans that were refinanced during that period, were refinanced by Freedom Mortgage. Since voluntary prepayments eliminate the MSRs, including the Excess MSRs, on the mortgage loans that have prepaid, recapture originations allow Freedom Mortgage to extend the longevity of the servicing fees paid on its MSRs and thereby replenish the MSRs and the related Excess MSRs on prepaid mortgage loans. By entering into recapture agreements with Freedom Mortgage, we will benefit from Freedom Mortgage's ability to obtain recapture originations. This will allow us to mitigate the impact of voluntary prepayments on the Excess MSRs we plan to acquire from Freedom Mortgage in a falling interest rate environment.

Upon completion of this offering and the concurrent private placement, we will enter into two separate Excess MSR acquisition and recapture agreements with Freedom Mortgage. Pursuant to the first agreement, we will acquire from Freedom Mortgage an 85% participation interest in the Excess MSRs. These Excess MSRs relate to a pool of predominantly fixed rate, Ginnie Mae-eligible FHA and VA mortgage loans, substantially all of which were originated by Freedom Mortgage after January 1, 2012. In this prospectus, we refer to this pool as Pool 1. We expect Pool 1 to have an aggregate outstanding UPB of approximately $10.1 billion as of the closing of this offering. The purchase price for our Excess MSRs in Pool 1 is approximately $60 million and will be funded with a portion of the net proceeds of this offering and the concurrent private placement. Pursuant to the second agreement, we will acquire from Freedom Mortgage a 50% participation interest in the Excess MSRs. These Excess MSRs relate to a pool of Ginnie Mae-eligible VA hybrid ARMs. Freedom Mortgage acquired the servicing rights to such pool in bulk from a third party seller on August 30, 2013. In this prospectus, we refer to this pool as Pool 2. The mortgage loans in Pool 2 were originated by the third party seller after January 1, 2011. Ginnie Mae approved the transfer of servicing rights from the seller to Freedom Mortgage. We expect Pool 2 to have an aggregate outstanding UPB of approximately $10.7 billion as of the closing of this offering. The purchase price for our Excess MSRs in Pool 2 is approximately $40 million and will be funded with a portion of the net proceeds of this offering and the concurrent private placement.

Freedom Mortgage will continue to own the MSRs on, and will be the primary servicer of, the mortgage loans in Pool 1 and Pool 2. In this prospectus, we refer to Pool 1 and Pool 2 collectively as the Initial Pools. We will not have any servicing duties, advance obligations or liabilities associated with servicing the mortgage loans in either pool.

We expect that, at the time we acquire our Excess MSRs in Pool 1, the weighted average servicing fee in Pool 1 will be 28 basis points. As the loan servicer, Freedom Mortgage will be paid a basic servicing fee of eight basis points on current mortgage loans and will be entitled to receive ancillary income from its servicing activities. Accordingly, we expect the weighted average excess servicing fee in Pool 1 to be 20 basis points, of which we will be entitled to receive 17 basis points based on our 85% participation interest. We expect that, at the time we acquire our Excess MSRs in Pool 2, the weighted average servicing fee in Pool 2 will be 44 basis points. Because all of the mortgage loans in Pool 2 are hybrid ARMs, Freedom Mortgage will be paid a basic servicing fee of 10 basis points on current hybrid ARMs and will be entitled to receive ancillary income from its servicing activities. Accordingly, we expect the weighted average excess servicing fee in Pool 2 to be 34 basis points, of which we will be entitled to receive 17 basis points based on our 50% participation interest. Freedom Mortgage will retain the remaining participation interests in the Excess MSRs in the Initial Pools.

We expect these unleveraged investments in Excess MSRs to generate positive earnings immediately following the closing of this offering. For a description of the representative characteristics of the mortgage loans expected to comprise the Initial Pools, see “Business—Our Portfolio—Our Initial Excess MSRs.”

In connection with our investments in Excess MSRs, Freedom Mortgage will agree to certain restrictions on its ability to sell, transfer or otherwise encumber the MSRs related to our Excess MSRs or its participation interest in those Excess MSRs. To the extent the mortgage loans in either pool are refinanced by Freedom Mortgage, Freedom Mortgage will also agree to replace our participation interest in the Excess MSRs on the mortgage loans that have been refinanced through its retail channel at no cost to us and will agree to certain other arrangements designed to replace our excess servicing fee revenues on an ongoing basis.

In addition to our initial investments in Excess MSRs, we expect to source and acquire a substantial portion of our Excess MSRs in partnership with Freedom Mortgage and anticipate entering into additional acquisition and recapture agreements with Freedom Mortgage. Initially, the Excess MSRs we intend to acquire from Freedom Mortgage will relate primarily to FHA and VA mortgage loans that have been pooled and sold into Ginnie Mae-guaranteed Agency RMBS, but we may also acquire Excess MSRs that relate to other Agency-backed mortgage loans. We do not intend to acquire Excess MSRs that relate to lower credit quality pools.

In connection with the completion of this offering, we will enter into a strategic alliance agreement with Freedom Mortgage, two Excess MSR acquisition agreements and a flow and bulk Excess MSR purchase agreement, which we collectively refer to as our strategic alliance agreements. Under our strategic alliance agreements:

- Freedom Mortgage will be obligated to offer us, in good faith, on a monthly flow basis, the right to co-invest at least 65% but not more than 85% in the Excess MSRs related to Freedom Mortgage’s MSRs on mortgage loans pooled and sold by Freedom Mortgage on a servicing retained basis during the previous month; and
- Freedom Mortgage will be obligated to offer us, in good faith, the right to co-invest at least 40% but not more than 85% in the Excess MSRs related to any MSRs on mortgage loans Freedom Mortgage acquires through a bulk purchase from a third-party servicer.

Under our strategic alliance agreements, the amount of each co-investment in Excess MSRs offered to us by Freedom Mortgage and the recapture terms related to the pool of loans underlying each co-investment in Excess MSRs will be determined by us and Freedom Mortgage at the time our co-investment is made based on policies and procedures approved by our independent directors. We will not be obligated to purchase any Excess MSRs

offered to us by Freedom Mortgage pursuant to our strategic alliance agreements or otherwise. We believe our strategic alliance agreements provide us with a competitive advantage in that we will be able to source, acquire and construct a sizeable portfolio of income-generating Excess MSRs without reliance on a competitive bidding process, including our investments in Excess MSRs in the Initial Pools. We also expect to benefit from Freedom Mortgage's recapture capabilities. We also intend to enter into agreements with other servicers from time to time for the acquisition of Excess MSRs on a flow or bulk basis if our Manager identifies attractive acquisition opportunities that satisfy our investment criteria. We may choose to enter into such agreements in conjunction with Freedom Mortgage or independently.

See "Business—Our Company" for additional information regarding the terms of the purchase of our investments in Excess MSRs and our strategic alliance agreements with Freedom Mortgage.

Our Market Opportunity

We believe that the U.S. mortgage finance system is undergoing historic change. Significant increases in regulation and public policy are influencing which investors will have the inclination and the financial ability to hold residential mortgage assets. We believe that capital from non-bank servicers and investors in mortgage servicing assets will represent an increasing share of ownership of servicing assets in the years to come. We also believe that as banks pull back from the mortgage finance business, non-bank originators such as Freedom Mortgage are poised to continue to increase production and capture market share. Non-bank mortgage originators will require efficient funding for MSR production. In addition, we believe that investors will continue to seek incremental spreads relative to U.S. Treasury Notes in a low yield environment and that mortgages represent an attractive total return investment opportunity.

We intend to capitalize on this opportunity by creating a tax-efficient entity through which public investors will be able to invest primarily in Excess MSRs, Agency RMBS and, over time, prime jumbo mortgage loans, as well as other residential mortgage assets depending on how market conditions evolve. We expect to benefit from Freedom Mortgage's origination and servicing abilities, operating and financial expertise and ability to engage in recapture originations by co-investing with Freedom Mortgage in Excess MSRs that we expect to generate attractive and consistent risk-adjusted returns for investors.

Excess MSRs

Over the past two years, MSRs related to over $750 billion, of the approximately $10 trillion UPB of residential mortgages were sold or transferred. We believe that there are a number of factors in the current mortgage finance market that make servicing an increasingly unattractive asset class to banks, including higher operational requirements as well as a limit upon MSRs as part of bank regulatory capital. We expect these factors will continue to drive a shift in servicing from banks to independent mortgage companies through increases in market share of originations and the purchase of additional servicing assets. We further believe this will result in an increasing volume of MSR sales for some period of time. We believe that MSRs on more than $2 trillion of UPB of mortgage loans could be sold over the next several years.

We expect that non-bank servicers such as Freedom Mortgage will need companies such as ours to co-invest in the Excess MSR portion of these investments. We therefore believe there are market opportunities for us to provide liquidity to Freedom Mortgage and other non-bank servicers that may seek to finance their MSRs by selling an interest in Excess MSRs. In addition to our initial investments in Excess MSRs, we expect to acquire additional Excess MSRs through (i) co-investments with Freedom Mortgage in Excess MSRs related to MSRs on mortgage loans pooled and sold by Freedom Mortgage on a servicing retained basis, (ii) co-investments with Freedom Mortgage in Excess MSRs related to MSRs that have been acquired opportunistically by Freedom Mortgage in bulk purchases and (iii) co-investments with other third-party servicers in Excess MSRs on a flow or

bulk basis. In the future, subject to the receipt of appropriate licensing and Agency approvals, we may pursue flow and bulk acquisitions of MSRs through our wholly-owned taxable REIT subsidiary, or TRS.

We believe investing in Excess MSRs on an unleveraged basis could provide us with attractive risk-adjusted returns. We also believe our relationship with Freedom Mortgage will allow us to mitigate the negative impact of voluntary prepayments on our investments in Excess MSRs through Freedom Mortgage's ability to engage in recapture originations. In addition, we intend to try to structure similar types of recapture agreements with other servicers to the extent we enter into Excess MSR acquisition agreements with them.

Agency RMBS

We believe that the Agency RMBS market presents opportunities for earning attractive risk-adjusted returns due to several factors, including attractive financing spreads and a steady demand for Agency RMBS. The spread between the cost of funding for, and the yield on, Agency RMBS assets continues to create attractive investment opportunities in this asset class. On December 12, 2012, the Federal Open Market Committee released a statement indicating that it would maintain the target range for the federal funds rate at 0% to 0.25% and that it continues to anticipate that economic conditions, including low rates of resource utilization and a subdued outlook for inflation over the medium term, are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014. Our Agency RMBS acquisition strategy targets pools with favorable prepayment characteristics. As a result, we expect our Agency RMBS to display attractive spread characteristics and returns even in a more normalized spread environment after the U.S. Federal Reserve tapers its quantitative easing programs.

In addition, investors continue to seek incremental spreads relative to U.S. Treasury Notes in a low yield environment, and financial institutions continue to prefer high quality, liquid Agency RMBS. Though recent economic data suggests an improvement in U.S. economic growth, we believe that there is still uncertainty primarily because of high unemployment, low levels of capacity utilization, the shadow inventory of real estate owned, or REO, assets, stagnant home prices in most markets and continued stress in the housing and construction markets, which all point to a muted recovery. As a result, we expect these factors should keep the yield curve relatively steep and promote continued demand for Agency RMBS.

Prime Jumbo Mortgage Loans

Currently, the primary residential mortgage market is being supported by the U.S. Government's deep involvement through its conservatorship with Fannie Mae and Freddie Mac, and an indirect subsidization of the FHA. The housing finance reform report issued by the U.S. Treasury and HUD in February 2011 indicates an intent to reduce the U.S. Government's role in the residential mortgage market from current levels. The options outlined in the report all share a common objective of significantly increasing the role of private sector capital in bearing credit risk in the residential mortgage market. The October 2011 proposal by the Obama administration to have Fannie Mae and Freddie Mac sell tranches of RMBS that would not carry such entities' guaranty is another example of this trend. In addition, one of HUD's key budgetary principles for 2013 is to bring private capital back into the mortgage market. Recently, bills were introduced in the U.S. Congress that, among other things, address the wind down of the conservatorships of Fannie Mae and Freddie Mac. It is not yet possible to determine whether or when any of such proposals may be enacted, what form any final legislation or policies might take and how proposals, legislation or policies emanating from this report may impact our business, operations and financial condition.

We expect this process of privatizing mortgage credit risk will create investment opportunities consistent with our investment objectives. We believe our senior management team's capabilities in evaluating, acquiring and managing the risk associated with residential mortgage whole loans will provide us with an important advantage as this new market opportunity evolves and opportunities to acquire prime jumbo mortgage loans

present themselves. We expect to take advantage of the network of relationships of our senior management team in the residential mortgage industry to identify opportunities for us to acquire prime jumbo mortgage loans. In the future, we expect to enter into a sourcing agreement with Freedom Mortgage in order to obtain access to a pipeline of prime jumbo mortgage loans originated by Freedom Mortgage and through which we can further diversify our portfolio of residential mortgage assets, grow our business and increase value for our stockholders.

Our Manager and Freedom Mortgage

Our Manager

We will be externally managed by Cherry Hill Mortgage Management, LLC, a newly organized Delaware limited liability company formed in November 2012 and an affiliate of Freedom Mortgage. We have entered into a management agreement with our Manager, pursuant to which our Manager has agreed to conduct our day-to-day operations. As an externally managed company, we will depend on the diligence, experience and skill of our Manager for the selection, acquisition, structuring, interest rate risk mitigation and monitoring of our target assets and associated borrowings. The management agreement requires our Manager to manage our business affairs in conformity with the policies and the investment guidelines that are approved and monitored by our board of directors. Pursuant to the terms of our management agreement, our Manager provides us with our senior management team, including a President and Chief Investment Officer, a Chief Financial Officer and a Senior Portfolio Manager. Our Manager and Freedom Mortgage are parties to a services agreement. We do not have any employees whom we compensate directly with salaries or other compensation; however, we expect to reimburse our Manager for the costs of wages, salaries and benefits incurred by our Manager with respect to certain of our officers to the extent they are dedicated to us. See “Our Manager and the Management Agreement” for a discussion of our management agreement and the services agreement.

The members of our senior management team also serve as officers of our Manager. This senior management team has substantial experience in the financial services industry, with a particular focus on the residential mortgage markets. Mr. Middleman, our Chairman, is the sole member of our Manager and the sole stockholder, sole director and chief executive officer of Freedom Mortgage. Mr. Middleman founded Freedom Mortgage in 1990 and has over 27 years of mortgage industry expertise. His business vision, asset management approach and marketing strategy have resulted in Freedom Mortgage’s growth from a regionally-based mortgage business to a leading national private mortgage origination and servicing business. In addition to Mr. Middleman, the members of our and our Manager’s team that are responsible for implementing our asset acquisition and financing strategies include: Mr. Lown, our President and Chief Investment Officer, who has over 20 years of combined experience in the financial services industry and the residential mortgage markets; Mr. Levine, our Chief Financial Officer, Secretary and Treasurer, who has over 30 years of combined experience in the financial services industry and the residential mortgage markets; and Julian Evans, our Senior Portfolio Manager, who has more than 14 years of combined experience in the financial services industry and the residential mortgage markets.

Prior to joining Freedom Mortgage in 2012, Mr. Lown built an extensive career in the residential mortgage sector where he held senior roles in mortgage trading, banking and risk management at UBS Securities LLC and Citigroup, including management of a mortgage origination business at UBS Securities LLC from 2006 to 2008. In addition, Mr. Lown has served as a senior advisor to the Office of Thrift Supervision. Mr. Levine joined Freedom Mortgage in 2012 as an Executive Vice President in charge of servicing oversight and financial reporting. Over the past 20 years, Mr. Levine has held various senior executive positions for both privately held and publicly traded residential and commercial real estate-related investment companies. Mr. Levine is a member of the American Institute of Certified Public Accountants. Mr. Evans joined Freedom Mortgage in April 2013 as a Senior Vice President and as our Manager’s Senior Portfolio Manager. Mr. Evans most recently served as Head of the MBS Sector Team and Senior Portfolio Manager for Deutsche Asset Management where he led a team that managed RMBS assets for institutional, insurance and retail clients.

Freedom Mortgage

Founded in 1990 by Mr. Middleman, our Chairman, and headquartered in Mount Laurel, New Jersey, Freedom Mortgage is a privately held, full-service, residential mortgage originator and servicer licensed in all 50 states and the District of Columbia with over 2,000 employees as of June 30, 2013. Freedom Mortgage typically retains the MSRs on the mortgage loans it originates and is the primary servicer of mortgage loans with an outstanding UPB of approximately $26.2 billion as of June 30, 2013. Freedom Mortgage maintains a national footprint to support lending activities across all 50 states and the District of Columbia through its wholesale, retail and correspondent channels.

- *Wholesale Production Channel*. Mortgage loans originated through its wholesale production channel are sourced and submitted to Freedom Mortgage through a network of over 2,400 independent mortgage brokers. Mortgage loans originated through Freedom Mortgage's wholesale channel are underwritten by Freedom Mortgage employees and according to Freedom Mortgage's underwriting guidelines, which adhere to the Agency guidelines. As of June 30, 2013, Freedom Mortgage had six regional offices, 99 account executives and over 650 employees dedicated to underwriting and closing mortgage loans originated through its wholesale production channel. Freedom Mortgage prohibits the independent mortgage brokers in its wholesale production channel from soliciting existing customers for a period of time after origination. For the year ended December 31, 2012 and the six-month period ended June 30, 2013, wholesale originations represented the largest percentage of its originations at approximately 58% and 53%, respectively, of Freedom Mortgage's total origination volume.
- *Retail Production Channel.* Retail originations represent mortgage loans originated directly to the borrower, which Freedom Mortgage sources mainly from its centralized call centers, the largest of which is housed at its corporate headquarters in New Jersey. Freedom Mortgage utilizes its retail call centers as its first line of defense in customer retention through recapture originations. As of June 30, 2013, Freedom Mortgage's retail production channel employed over 650 employees throughout three call centers located in New Jersey, Indiana and California. For the year ended December 31, 2012 and the six-month period ended June 30, 2013, retail originations represented approximately 29% and 34%, respectively, of Freedom Mortgage's total origination volume.
- *Correspondent Production Channel*. Freedom Mortgage purchases mortgage loans from third-party independent mortgage originators. The mortgage loans are underwritten to Freedom Mortgage's guidelines and acquired at an agreed upon price subject to Freedom Mortgage's satisfactory review and approval. As of June 30, 2013, Freedom Mortgage maintained active relationships with 36 different banks and mortgage originators for sourcing loan originations through its correspondent channel. Freedom Mortgage's correspondent production channel predominantly targets loans used for the purchase of a home. For the year ended December 31, 2012 and the six-month period ended June 30, 2013, correspondent originations represented approximately 13% and 13%, respectively, of Freedom Mortgage's total origination volume.

The following table sets forth certain information regarding Freedom Mortgage's loan production for the periods indicated:

	Six Months Ended June 30,	Year Ended December 31,				
	2013	2012	2011	2010	2009	2008
Origination volume (dollars in millions):						
Wholesale	$ 5,271	$ 7,865	$ 2,214	$ 2,191	$ 4,377	$ 3,962
Retail	3,320	3,980	1,103	1,017	1,241	551
Correspondent	1,300	1,811	266	85	179	185
Total(1)	$ 9,891	$ 13,657	$ 3,583	$ 3,294	$ 5,798	$ 4,697
Weighted average FICO score(2)	715	720	718	707	668	660
Weighted average LTV (%)(3)	78.8	79.1	78.8	84.7	87.4	87.7
Streamline Refinance Loans (%)(4)(5)	67.7	64.0	50.2	66.0	55.9	5.1

(1) Totals may not add up due to rounding.
(2) Reflects a non-zero weighted average.
(3) Reflects the weighted average LTV for loans that are not Streamline Refinance Loans.
(4) "Streamline Refinance Loans" are mortgage loans that are underwritten to Agency guidelines but do not require updated appraisals.
(5) As a percentage of origination volume.

Freedom Mortgage has experienced substantial growth in its servicing portfolio in 2012. Freedom Mortgage retained MSRs on mortgage loans originated and sold with an ending UPB of approximately $26.2 billion as of June 30, 2013, an approximate 147% increase compared to mortgage loans originated and sold with an ending UPB of approximately $10.6 billion as of December 31, 2011. The recent growth in Freedom Mortgage's servicing portfolio is primarily attributable to the increase in Freedom Mortgage's origination volumes and its retention of MSRs on newly originated mortgage loans.

As the primary servicer, Freedom Mortgage services loans in accordance with Agency requirements and is responsible for performing all servicing functions, such as collecting payments, handling customer service requests, remitting monies to investors, maintaining escrow accounts, paying hazard insurance and property taxes and administering defaulted loans. For a variety of business reasons, Freedom Mortgage has elected to have sub-servicers perform the servicing functions specified above. The performance of these servicing functions by the sub-servicers is subject to Freedom Mortgage's oversight, and Freedom Mortgage, as the primary servicer, remains contractually responsible for servicing loans in accordance with Agency requirements.

Freedom Mortgage has a long-standing relationship with LoanCare Servicing Center, Inc., or LoanCare, the sub-servicer for the mortgage loans in Freedom Mortgage's existing servicing portfolio other than the mortgage loans in Pool 2. LoanCare will sub-service the mortgage loans in Pool 1. LoanCare is a division of FNF Servicing, Inc., a subsidiary of Fidelity National Financial, Inc. (NYSE: FNF). LoanCare is licensed to service mortgage loans in all 50 states and the District of Columbia.

The mortgage loans in Pool 2 are currently being sub-serviced by Ocwen Loan Servicing, LLC, or Ocwen. In order to minimize the potential for disruptions in the servicing from the transfer of such a large pool, Ocwen will sub-service the mortgage loans in Pool 2 for Freedom Mortgage. Ocwen is licensed to service mortgage loans in all 50 states and the District of Columbia.

The sub-servicing fees and any expense reimbursement to the applicable sub-servicer are borne solely by Freedom Mortgage and will have no impact on us. Subject to our prior approval with respect to the MSRs in Pool 1 and Pool 2, Freedom Mortgage has the right to terminate its agreements with its sub-servicers and to engage other sub-servicers or to service the mortgage loans in its servicing portfolio directly.

The following table provides certain information regarding Ginnie Mae-eligible FHA and VA mortgage loans originated by Freedom Mortgage after January 1, 2011, which underlie a portion of the MSRs in Freedom Mortgage's servicing portfolio and which we believe are representative of the mortgage loans underlying the initial Excess MSRs in Pool 1 we intend to acquire from Freedom Mortgage:

	As of June 30, 2013	As of December 31, 2012	As of December 31, 2011
Aggregate UPB	$ 15.9 billion	$ 9.6 billion	$ 1.6 billion
Average UPB	$ 192,606	$ 194,276	$ 192,270
Weighted average coupon	3.56%	3.76%	4.34%
30-59 days delinquent (1)	2.0%	1.9%	1.6%
60-89 days delinquent(1)	0.3%	0.5%	0.3%
90+ days delinquent(1)	0.7%	0.7%	0.3%
Weighted average servicing fee	28 basis points	29 basis points	26 basis points

(1) Percentage of aggregate UPB.

Currently, we believe Freedom Mortgage is in good standing with Ginnie Mae and Fannie Mae, as well as state and federal regulators. Freedom Mortgage has complied in all material respects with specific program requirements for HUD-assisted programs and has been well in excess of HUD's adjusted net worth requirements for each of the last five years.

Our Competitive Strengths

We believe the following competitive strengths uniquely position us to implement our business strategy:

- *Initial Portfolio of Income-Generating Excess MSRs.* Upon completion of this offering and the concurrent private placement, we intend to acquire from Freedom Mortgage Excess MSRs on a notional amount of approximately $20.8 billion for a purchase price of approximately $100 million. We expect our initial investments in these Excess MSRs to generate positive earnings immediately after the completion of this offering. See "Business—Our Portfolio—Our Initial Excess MSRs."
- *Proprietary Source of Excess MSRs*. We intend to capitalize on our relationship with Freedom Mortgage to source additional opportunities to acquire Excess MSRs on a monthly flow basis as well as on a bulk basis. The ability to source attractively priced Excess MSRs for our portfolio through our relationship with Freedom Mortgage reduces our reliance on purchasing these assets through a competitive bidding process, which we believe allows us to acquire these assets on a more cost-effective and consistent basis than we would through a competitive bidding process.
- *Ability to Mitigate Excess MSRs Prepayment Risk with Recaptured Loans.* Freedom Mortgage has a proven ability to engage in recapture originations when interest rates are falling. For the period from January 1, 2011 to June 30, 2013, Freedom Mortgage's monthly weighted average recapture rate (based on the numbers of loans) with respect to FHA and VA mortgage loans in its servicing portfolio was 75%. Recapture originations allow Freedom Mortgage to extend the longevity of its servicing-related cash flows, including the excess servicing spreads on the Excess MSRs we plan to acquire from Freedom Mortgage. As part of our strategic alliance, we will capitalize on Freedom Mortgage's recapture origination capabilities by entering into recapture agreements with Freedom Mortgage with respect to our flow and bulk purchases from Freedom Mortgage, which will help us to mitigate the negative impact of voluntary prepayments on our Excess MSRs in a falling interest rate environment, and thus increase the returns we are able to provide to our stockholders. We believe Freedom Mortgage's retention of MSRs and its co-investment with us in Excess MSRs will align its interest with ours to try to maximize recapture.
- *Access to Freedom Mortgage's Existing Servicing Platform*. We believe our relationship with Freedom Mortgage will provide us with unique, real-time insights into and access to residential mortgage market information, particularly with respect to Excess MSRs, that will enhance our ability to make investment decisions related to our target assets. In addition, non-servicers such as our company cannot

own the basic servicing fee component of an MSR directly and would therefore need to co-invest with a servicer such as Freedom Mortgage in order to invest in the Excess MSR component. We believe that the number of strong, scalable non-bank servicers such as Freedom Mortgage is limited and that non-servicers will face difficulties in investing in Excess MSRs without having a relationship or partnership with a quality servicer.

- *Flexibility Across Asset Classes.* Our asset acquisition strategy is opportunistic and flexible, which will enable us to adapt to shifts in economic, real estate and capital market conditions and to exploit inefficiencies in the residential mortgage market as attractive investment opportunities arise. Consistent with this strategy, our investment decisions will depend on prevailing market conditions and may change over time in response to opportunities available in different economic and capital market conditions. We believe this approach will allow us to identify undervalued opportunities in different market cycles across our target assets.
- *Experienced Management Team with Extensive Knowledge of the Mortgage Industry.* Our Manager has assembled a senior management team, each with more than 20 years of experience in the financial services industry, with a majority of that experience concentrated in the residential mortgage markets. This experience includes evaluating and acquiring mortgage servicing rights, originating mortgage loans, performing asset valuation analysis and trading and managing portfolios of mortgage assets, including RMBS, through a variety of economic cycles. Our senior management team also has significant experience in financing and hedging mortgage-related assets and liabilities. See “Management” and “Our Manager and the Management Agreement” for additional information regarding the experience of our senior management team.
- *Disciplined Security Selection Process*. In order to generate balanced returns on our investments, we intend to construct a portfolio with a focus on managing the various associated risks, such as duration and cash flow risk, by selecting securities that have favorable prepayment characteristics and through the liability hedging strategy we will employ.
- *Alignment of Interests Between Our Stockholders, Mr. Middleman, Freedom Mortgage and Our Manager*. Mr. Middleman, our Chairman and the founder of Freedom Mortgage, will purchase directly from us in the concurrent private placement $20.0 million in shares of our common stock, at a price per share equal to the public offering price. These shares and any other shares of our common stock Mr. Middleman and his affiliates may acquire during the lock-up period will be subject to a lock-up agreement between Mr. Middleman and the underwriters for one year after the closing of this offering. As a result, the economic interests of Mr. Middleman and his affiliates, including Freedom Mortgage and our Manager, will be significantly aligned with those of our stockholders. In addition, through its retention of MSRs to which our Excess MSRs relate and its co-investment in Excess MSRs with us, Freedom Mortgage’s economic interest will be further aligned with the interests of our stockholders.

Our Strategy

We intend to utilize an opportunistic strategy to seek to provide investors with attractive current yields and risk-adjusted total returns by:

- allocating a majority of our equity capital on an unleveraged basis, to the acquisition of Excess MSRs through:
  - flow purchases from or bulk purchases with Freedom Mortgage pursuant to the terms of our strategic alliance agreements; and
  - flow purchases from or bulk purchases with third-party servicers other than Freedom Mortgage;
- taking advantage of opportunities in the Agency RMBS market by acquiring Agency RMBS on a leveraged basis;

- over time, as the market for prime jumbo mortgage loans grows, taking advantage of opportunities in this market by purchasing these assets from, or potentially in partnership with, Freedom Mortgage; and
- opportunistically mitigating our prepayment, interest rate and, to a lesser extent, credit risk by using recapture agreements and a variety of hedging instruments.

Our strategy is adaptable to changing market environments, subject to compliance with the income and other tests that we must satisfy to qualify as a REIT and maintain our exclusion from regulation as an investment company under the Investment Company Act of 1940, as amended, or the Investment Company Act. As a result, although we intend initially to focus on the acquisition and management of Excess MSR assets on an unleveraged basis and Agency RMBS on a leveraged basis, our acquisition and management decisions will depend on prevailing market conditions and our targeted asset classes may vary over time in response to market conditions.

Our Targeted Asset Classes

Our targeted asset classes currently include:

- Excess MSRs;
- Agency RMBS, including residential mortgage pass-through certificates, CMOs and TBAs;
- prime jumbo mortgage loans; and
- other residential mortgage assets, including non-Agency RMBS.

Our Portfolio

Our Initial Excess MSRs

Upon completion of this offering and the concurrent private placement, we will enter into two separate Excess MSR acquisition and recapture agreements with Freedom Mortgage. Pursuant to the first agreement, we will acquire from Freedom Mortgage an 85% participation interest in the Excess MSRs in Pool 1. These Excess MSRs relate to a pool of predominantly fixed rate, Ginnie Mae-eligible FHA and VA mortgage loans, substantially all of which were originated by Freedom Mortgage after January 1, 2012. We expect Pool 1 to have an aggregate outstanding UPB of approximately $10.1 billion as of the closing of this offering. The purchase price for our Excess MSRs in Pool 1 is approximately $60 million and will be funded with a portion of the net proceeds of this offering and the concurrent private placement.

Pursuant to the second agreement, we will acquire from Freedom Mortgage a 50% participation interest in the Excess MSRs in Pool 2. These Excess MSRs relate to a pool of Ginnie Mae-eligible VA hybrid ARMs. Freedom Mortgage acquired the servicing rights to Pool 2 in bulk from a third party seller on August 30, 2013. The mortgage loans in Pool 2 were originated by the third party seller after January 1, 2011. Ginnie Mae approved the transfer of servicing rights from the seller to Freedom Mortgage. We expect Pool 2 to have an aggregate outstanding UPB of approximately $10.7 billion as of the closing of this offering. The purchase price for our Excess MSRs in Pool 2 is approximately $40 million and will be funded with a portion of the net proceeds of this offering and the concurrent private placement.

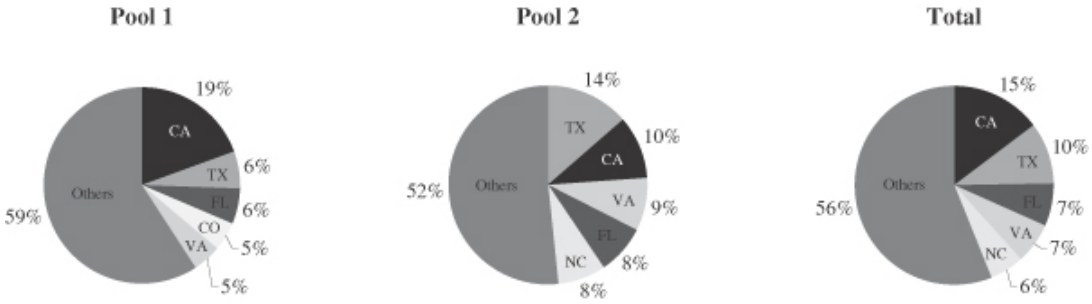
Freedom Mortgage will continue to own the MSRs on, and will be the primary servicer of, the mortgage loans in the Initial Pools. Freedom Mortgage will also retain the remaining participation interests in the Excess MSRs in the Initial Pools. We will not have any servicing duties, advance obligations or liabilities associated with servicing the mortgage loans in either pool, and Freedom Mortgage will be responsible for the duties, advance obligations and liabilities associated with servicing the mortgage loans in the Initial Pools.

Set forth below are certain summary characteristics, for the mortgage loans in each of the Initial Pools. We believe the characteristics set forth in the table and charts below are representative of the characteristics of each of the Initial Pools as it will be constituted at the closing of this offering, although the Aggregate UPB and certain weighted averages may vary due to prepayments and defaults.

	As of June 30, 2013 Pool 1	As of July 20, 2013 Pool 2	Total
Aggregate UPB	$ 10.1 billion	$ 10.7 billion	$ 20.8 billion
Average UPB	$ 202,289	$ 167,667	$ 182,832
Fully Amortizing FRMs(1)	99%	0%	48%
Fully Amortizing ARMs(1)	1%	100%	52%
Weighted average note rate	3.50%	2.67%	3.07%
Weighted average gross servicing fee	28 basis points	44 basis points	36 basis points
Weighted average remaining term	340 months	345 months	343 months
Weighted average seasoning	7 months	13 months	10 months
Weighted average FICO(2)	707	665	688
Weighted average LTV(3)	94%	N/A	94%
Streamline Refinance Loans(1)	85%	100%	93%
Delinquency (30+ days)(1)	2%	6%	4%
Aggregate UPB of mortgage loans in foreclosure	$ 21.8 million	$ 65.0 million	$ 86.8 million
Loan Type			
FHA(1)(4)	43%	—	21%
VA(1)(4)	57%	100%	79%
Other			
FICO >= 650(1)	84%	50%	67%
LTV >= 90%(5)	12%	N/A	6%

(1) As a percentage of Aggregate UPB.
(2) Reflects a non-zero weighted average.
(3) Reflects the non-zero weighted average LTV for loans that are non-Streamline Refinance Loans.
(4) All FHA and VA mortgage loans are insured by FHA or partially guaranteed by VA, respectively.
(5) As a percentage of Aggregate UPB of non-Streamline Refinance Loans.

The following charts illustrate the top-five state concentrations for the underlying mortgage loans in Pool 1, Pool 2 and the Initial Pools as of June 30, 2013:



To the extent the aggregate UPB of the mortgage loans in Pool 1 is less than $10.1 billion prior to our acquisition of the initial Excess MSRs in Pool 1, Freedom Mortgage will augment Pool 1 with a sufficient amount of additional mortgage loans so that Pool 1, in combination with such additional loans, has an aggregate UPB of approximately $10.1 billion. Any such additional mortgage loans will have been originated by Freedom Mortgage and will have characteristics substantially similar to the mortgage loans set forth in the table above.

Agency RMBS

In addition to our initial investments in Excess MSRs, we plan to invest the remainder of the net proceeds of this offering and the concurrent private placement in Agency RMBS, primarily through the acquisition of Agency whole-pools, on a leveraged basis. While we intend to invest in both Agency RMBS backed by FRMs and hybrid ARMs, we expect to be initially invested primarily in Agency whole-pools backed by 30-year, 20-year and 15-year FRMs that offer favorable prepayment and duration characteristics. We believe these types of Agency RMBS are readily available in the market. We believe seasoned pools, low loan balance pools and HARP loan pools have strong call protection characteristics. We also believe new production, unseasoned, current coupon pools are attractive due to low initial prepayment characteristics.

Our Asset Acquisition Process

Our asset acquisition process benefits from the resources and professionals of our Manager and Freedom Mortgage. The process will be managed by our Manager's Investment Committee, which will include, among others: Mr. Middleman, the founder, Chairman and Chief Executive Officer of Freedom Mortgage, who also serves as our Chairman; Mr. Lown, our President and Chief Investment Officer; and Mr. Levine, our Chief Financial Officer, Secretary and Treasurer. Mr. Lown and Mr. Levine also serve as officers of our Manager and of Freedom Mortgage. The Investment Committee will operate under investment guidelines and meet periodically to develop a set of preferences for the composition of our portfolio. The primary focus of our Manager's Investment Committee will be to review and approve our investment policies and our portfolio composition and related compliance with our guidelines. Our Manager's Investment Committee will have authority delegated by our board of directors to authorize transactions consistent with our investment guidelines. Any transactions deviating in a material way from these guidelines must be approved by our board of directors.

Interest Rate Hedging and Risk Management

We intend to opportunistically manage our interest rate risk by using various hedging strategies. Subject to qualifying and maintaining our qualification as a REIT and maintaining our exclusion from regulation as an investment company under the Investment Company Act, we may utilize certain derivative financial instruments and other hedging instruments to mitigate interest rate risk we expect to arise from our repurchase agreement financings associated with our Agency RMBS. The interest rate hedging instruments that we intend to use include, without limitation: interest rate swaps (floating-to-fixed, fixed-to-floating, or more complex swaps such as floating-to-inverse floating, callable or non-callable); CMOs; TBAs; U.S. treasury securities; swaptions, caps, floors and other derivatives on interest rates; futures and forward contracts; and options on any of the foregoing.

Our Financing Strategies and Use of Leverage

We do not currently intend to leverage our investments in Excess MSRs. We intend to finance our Agency RMBS with what we believe to be a prudent amount of leverage, which will vary from time to time based upon the particular characteristics of our portfolio, availability of financing and market conditions. Our borrowings will primarily consist of repurchase transactions under master repurchase agreements. Our repurchase transactions will be collateralized by our Agency RMBS, and we may be required to post additional collateral with our counterparties from time to time in the event of a margin call. See "Risk Factors—Risks Related to Our Business—Adverse market developments could cause our lenders to require us to pledge additional assets as collateral. If our assets were insufficient to meet these collateral requirements, we might be compelled to liquidate particular assets at inopportune times and at unfavorable prices."

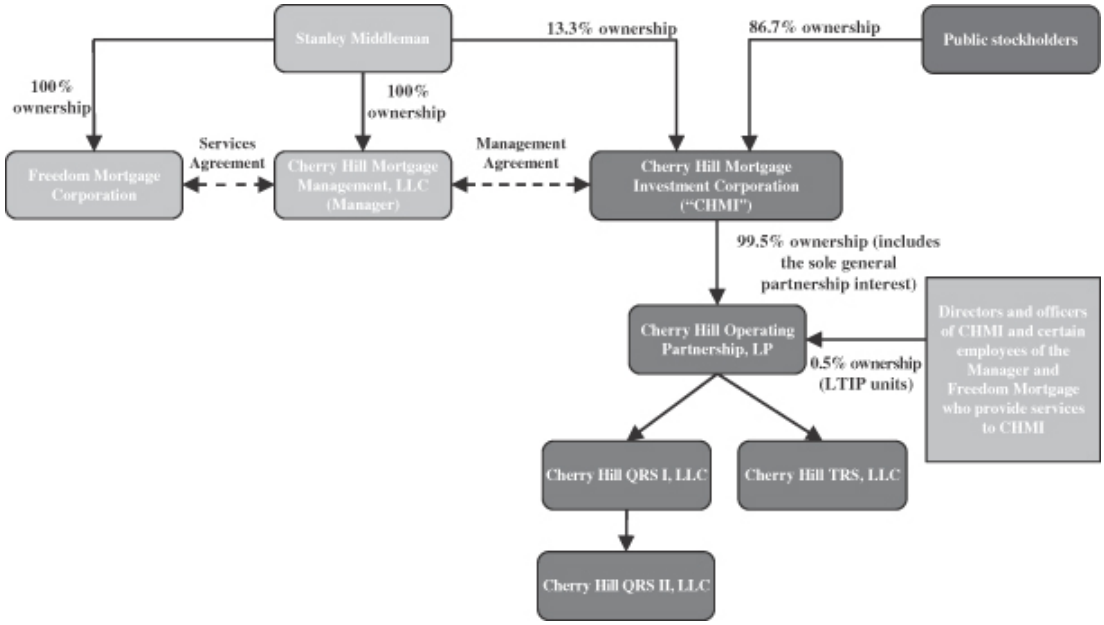
As of the date of this prospectus, we have entered into repurchase agreements with multiple counterparties, including affiliates of certain of the underwriters, and we are also in the process of negotiating additional repurchase agreements with various other counterparties, which we intend to use for the purchase of Agency RMBS. This financing is uncommitted and continuation of such financing cannot be assured. These agreements are subject to the successful completion of this offering.

Although we are not required to maintain any particular minimum or maximum target debt-to-equity leverage ratio with respect to our Agency RMBS assets, the amount of leverage we may employ for this asset class will depend upon the availability of particular types of financing and our Manager's assessment of the credit, liquidity, price volatility, financing counterparty risk and other factors. Our Manager's Investment Committee will have discretion, without the need for further approval by our board of directors, to change the amount of leverage we utilize for our Agency RMBS. We do not have a targeted debt-to-equity ratio for our Agency RMBS, although currently we expect that our debt-to-equity ratio initially will be approximately 8:1 for our Agency RMBS assets and could be as high as 10:1 depending on market conditions. We intend to use leverage for the primary purpose of financing our Agency RMBS portfolio and not for the purpose of speculating on changes in interest rates. We may, however, be limited or restricted in the amount of leverage we may employ by the terms and provisions of any financing or other agreements that we may enter into in the future, and we may be subject to margin calls as a result of our financing activity. In the future, we expect to acquire prime jumbo mortgage loans. We anticipate evaluating leverage policies for prime jumbo mortgage loans at such time. Currently, we do not intend to acquire non-Agency RMBS, but we may do so in the future, and we anticipate evaluating leverage policies for this asset class if and when we begin to acquire this asset class.

Our Formation and Structure

We were incorporated in Maryland on October 31, 2012. We will elect and intend to qualify to be taxed as a REIT beginning with our short taxable year ending December 31, 2013. We will conduct substantially all of our business through our operating partnership, Cherry Hill Operating Partnership, LP, a Delaware limited partnership, and its subsidiaries. We are the sole general partner of our operating partnership. As of the date of this prospectus, we have not commenced any operations other than organizing our company. We currently have no assets and will not commence operations until we have completed this offering.

The following chart illustrates our organizational structure immediately following completion of this offering (assuming no exercise by the underwriters of their over-allotment option):



Our Management Agreement

We have entered into a management agreement with our Manager pursuant to which our Manager has agreed to manage our business affairs in conformity with policies and investment guidelines that are approved and monitored by our board of directors. Our Manager is subject to the direction and oversight of our board of directors. Our Manager is responsible for, among other things:

- the identification, selection, purchase and sale of our portfolio investments;
- our financing and risk management activities;
- providing us with investment advisory services; and
- providing us with a management team and appropriate personnel.

In addition, our Manager is responsible for our day-to-day operations and will perform (or cause to be performed) such services and activities relating to our assets and operations as may be necessary or appropriate.

The initial term of the management agreement will expire on the third anniversary of the closing of this offering and will be automatically renewed for a one-year term on such date and on each anniversary of such date thereafter unless terminated by us for cause or by us or our Manager upon at least 180 days' notice prior to the end of the initial term of the agreement or any automatic renewal term.

Either we or our Manager may elect not to renew the management agreement upon expiration of its initial term or any renewal term by providing written notice of non-renewal at least 180 days, but not more than 270 days, before expiration. In the event we elect not to renew the term, we will be required to pay our Manager a termination fee equal to three times the average annual management fee earned by our Manager during the two four-quarter periods ending as of the end of the fiscal quarter preceding the date of termination.

We may terminate the management agreement at any time for cause effective upon 30 days prior written notice of termination from us to our Manager, in which case no termination fee would be due, for the following reasons:

- our Manager's continued material breach of any provision of the management agreement (including the failure of our Manager to use commercially reasonable efforts to comply with our investment guidelines) following a period of 30 days after written notice thereof;
- our Manager's fraud, misappropriation of funds, or embezzlement against us;
- our Manager's gross negligence in the performance of its duties under the management agreement;
- our Manager, Freedom Mortgage or any of their affiliates who provide services to us under the management agreement is convicted of, or pleads nolo contendere to, a felony violation of any U.S. federal securities laws;
- the occurrence of certain events with respect to the bankruptcy or insolvency of our Manager or Freedom Mortgage;
- upon a change of control (as defined in the management agreement) of our Manager; or
- our Manager's failure to provide or procure adequate or appropriate personnel necessary to source for us investment opportunities and to manage and develop our portfolio following a period of 60 days after written notice thereof.

Following the completion of this offering, our board of directors will review our Manager's performance annually and, as a result of such review, upon the affirmative vote of at least two-thirds of the members of our board of directors or of the holders of a majority of our outstanding common stock, we may terminate the

management agreement based upon unsatisfactory performance by our Manager that is materially detrimental to us or a determination by our independent directors that the management fees payable to our Manager are not fair, subject to the right of our Manager to prevent such a termination by agreeing to a reduction of the management fees payable to our Manager. Upon any termination of the management agreement based on unsatisfactory performance or unfair management fees, we are required to pay our Manager the termination fee described above.

Our Manager may terminate the management agreement, without payment of the termination fee, in the event we become regulated as an investment company under the Investment Company Act. Our Manager may also terminate the management agreement upon 60 days' written notice if we default in the performance of any material term of the management agreement and the default continues for a period of 30 days after written notice to us, whereupon we would be required to pay our Manager the termination fee described above.

The following table summarizes the fees and expense reimbursements that we are required to pay to our Manager. Our Manager is not entitled to receive any incentive fee under the management agreement. We will not pay any fees to our Manager or reimburse our Manager for any expenses incurred on our behalf prior to the completion of this offering and the commencement of our operations.

Type	Description
Management fee	The management fee is payable quarterly in arrears in cash in the amount equal to 1.50% per annum of our stockholders' equity, with stockholders' equity being calculated, as of the end of any fiscal quarter, as (a) the sum of (1) the net proceeds from any issuances of common stock or other equity securities issued by us or our operating partnership (without double counting) since inception, plus (2) our and our operating partnership's (without double counting) retained earnings calculated in accordance with the U.S. generally accepted accounting principles, or GAAP, at the end of the most recently completed fiscal quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less (b) any amount that we or our operating partnership have paid to repurchase shares of our common stock or other equity securities issued by us or our operating partnership since inception. For purposes of the management agreement, "stockholders' equity" excludes (1) any unrealized gains, losses or other non-cash items that have impacted stockholders' equity as reported in our financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income, and (2) one-time events pursuant to changes in GAAP, and certain non-cash items not otherwise described above in each case, after discussions between our Manager and our independent directors and approval by a majority of our independent directors. Our stockholders' equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown on our financial statements. Assuming (i) the sale of 6,500,000 shares of our common stock in this offering (which assumes no exercise of the underwriters' over-allotment option) and 1,000,000 shares

Type	Description
	of our common stock in the concurrent private placement, (ii) the issuance of 37,500 long-term incentive plan units, or LTIP units, a special class of partnership interest in our operating partnership, to be granted to our executive officers and directors and to certain employees of our Manager and Freedom Mortgage who provide services to us upon completion of this offering pursuant to our 2013 Equity Incentive Plan and (iii) no additional equity is issued by us or our operating partnership during the year ending December 31, 2013, the management fee payable to our Manager for the remainder of the year ending December 31, 2013 will be approximately $520,000.
Expense reimbursement	We will generally pay or reimburse our Manager, monthly in cash, for all of our direct operating expenses, including but not limited to legal, accounting, due diligence and investment costs, except for costs specifically required to be borne by our Manager under the management agreement. Our Manager will be responsible for all costs incident to the performance of its duties under the management agreement, including compensation of our Manager's employees and other related expenses. In some instances, our Manager will be entitled to be reimbursed for the costs of the wages, salaries and benefits incurred by our Manager with respect to certain personnel provided to us.
Termination fee	Upon any termination of the management agreement by us, other than for cause, any non-renewal of the management agreement by us or any termination of the management agreement by our Manager due to our material breach of the management agreement, our Manager will be paid a termination fee equal to three times the average annual management fee earned by our Manager during the two four-quarter periods ending as of the end of the fiscal quarter preceding the date of termination. If we have not completed two full four-quarter periods as of the date of termination, the second partial four-quarter period will be annualized for purposes of the termination fee calculation.

In addition to the management fee payable to our Manager, our Manager's and Freedom Mortgage's personnel who provide services to us are eligible to receive equity-based awards under our 2013 Equity Incentive Plan in order to attract and retain these individuals and align their interests with the interests of our stockholders. See "Management—2013 Equity Incentive Plan."

See "Our Manager and the Management Agreement—The Management Agreement" for a more detailed description of the terms of the Management Agreement.

Services Agreement

Our Manager is a party to a services agreement with Freedom Mortgage, pursuant to which Freedom Mortgage will provide to our Manager the personnel, services and resources as needed by our Manager to enable our Manager to carry out its obligations and responsibilities under the management agreement. We are a named

third-party beneficiary to the services agreement and, as a result, have, as a non-exclusive remedy, a direct right of action against Freedom Mortgage in the event of any breach by our Manager of any of its duties, obligations or agreements under the management agreement that arise out of or result from any breach by Freedom Mortgage of its obligations under the services agreement. The term of the services agreement is one year from the closing of this offering, subject to renewal for successive annual periods by our Manager and Freedom Mortgage. In addition, the services agreement will terminate upon the termination of the management agreement. Pursuant to the services agreement, our Manager will make certain payments to Freedom Mortgage in connection with the services provided. Our Manager and Freedom Mortgage are under the common ownership and control of Mr. Middleman, our Chairman. As a result, all management fee compensation earned by our Manager and all service agreement fees paid by our Manager to Freedom Mortgage accrue to the benefit of Mr. Middleman.

Conflicts of Interest

Our Manager is an affiliate of Freedom Mortgage. Both our Manager and Freedom Mortgage are wholly owned and controlled by Mr. Middleman. Prior to the completion of this offering, we had no independent directors and Mr. Middleman was our sole director.

We are dependent on our Manager for our day-to-day management, and we do not have any employees. Our executive officers and the officers and employees of our Manager are also officers or employees of Freedom Mortgage and, with the exception of those officers that are dedicated to us, we compete with Freedom Mortgage for access to those individuals. The ability of our Manager's officers and personnel, with the exception of those officers that are dedicated to us, to engage in other business activities, including the management of Freedom Mortgage, may reduce the time our Manager and certain of its officers and personnel spend managing us.

Our management agreement with our Manager, our strategic alliance agreements between us and Freedom Mortgage and the Excess MSR acquisition and recapture agreements and any other agreements that we may enter into with Freedom Mortgage in the future, whether pursuant to our strategic alliance agreements or otherwise, have been or will be negotiated between related parties and their respective terms, including the purchase price we will pay to Freedom Mortgage for Excess MSRs, including our investments in Excess MSRs, and the fees and other amounts payable, may not be as favorable to us as if they were negotiated on an arm's-length basis with unaffiliated third parties. Furthermore, we may choose not to enforce, or to enforce less vigorously, our rights under such agreements because of our desire to maintain our ongoing relationships with Freedom Mortgage and our Manager. In order to help minimize conflicts of interest with Freedom Mortgage, prior to entering into any transaction with Freedom Mortgage, our independent directors will review the material terms of any such transaction, including any pricing terms, to determine if the terms of the transaction are fair and reasonable. In particular, prior to entering into any such transaction, our independent directors will review and approve the parameters and agreements related to flow purchases of Excess MSRs from, and bulk purchases of Excess MSR we may make with, Freedom Mortgage, as well as any parameters and agreements pursuant to which we may acquire from Freedom Mortgage prime jumbo mortgage loans or other loans or assets in the future. We expect to also retain an independent valuation service to assist our management and our independent directors in making pricing determinations on Excess MSR assets we purchase from Freedom Mortgage.

Our business strategy is highly dependent upon the services provided by our Manager under the terms of our management agreement and our strategic alliance agreements with Freedom Mortgage. Although our independent directors have the ability to terminate our management agreement in the case of a material breach of a term of the agreement by our Manager, because the termination of our management agreement would result in the loss of personnel key to running our business, our independent directors may be less willing to enforce vigorously the provisions of our management agreement against our Manager. Furthermore, the termination of our strategic alliance agreements with Freedom Mortgage, primarily the flow and bulk Excess MSR purchase agreement, would have a material adverse effect on certain aspects of our business.

Although we believe that our co-investment strategy under our strategic alliance agreements generally aligns our and Freedom Mortgage's economic interests with respect to Excess MSRs, Freedom Mortgage is a separate and distinct company with its own business interests and will be under no obligation to maintain its current business strategy. In addition, to the extent we seek to leverage Freedom Mortgage's relationships with third parties to generate future investment opportunities, Freedom Mortgage will be under no obligation to co-invest with us in the future or assist us in generating such opportunities, other than pursuant to the terms of our strategic alliance agreements. Freedom Mortgage will be under no obligation, under the terms of our strategic alliance agreements or otherwise, to offer prime jumbo mortgage loans or residential mortgage assets other than Excess MSRs and Freedom Mortgage may offer those assets to third parties without offering such assets to us.

In addition, there may be conflicts of interest inherent in our relationship with our Manager and its affiliates to the extent Freedom Mortgage or our Manager invests in or creates new vehicles to invest in Excess MSRs or other assets in which we may invest or whose investment objectives overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. Members of our board of directors and employees of our Manager who are our officers may serve as officers and/or directors of these other entities. In addition, in the future our Manager or its affiliates may have investments in and/or earn fees from such other investment vehicles that are higher than their economic interests in us and which may therefore create an incentive to allocate investments to such other investment vehicles.

Our management agreement with our Manager generally does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that invest in investments that meet our investment objectives, except that under our management agreement neither our Manager nor any entity controlled by or under common control with our Manager is permitted to raise or sponsor any new pooled investment vehicle whose investment policies, guidelines or plans target as its primary investment category investments in Excess MSRs.

We have not adopted a policy that expressly prohibits our directors, officers, security holders or affiliates from having a direct or indirect pecuniary interest in any asset to be acquired or disposed of by us or any of our subsidiaries or in any transaction to which we or any of our subsidiaries is a party or has an interest, nor do we have a policy that expressly prohibits any such persons from engaging for their own account in business activities of the types conducted by us. However, our code of business conduct and ethics will contain a conflicts of interest policy that will prohibit our directors, officers and employees, as well as employees of our Manager and Freedom Mortgage who provide services to us, from engaging in any transaction that involves an actual or apparent conflict of interest with us, absent approval by our board of directors or except as provided in our management agreement with our Manager or in our strategic alliance agreements with Freedom Mortgage. In addition, nothing in our management agreement with our Manager binds or restricts our Manager or any of its affiliates, officers or employees from buying, selling or trading any securities or commodities for their own accounts or for the accounts of others for whom our Manager or any of its affiliates, officers or employees may be acting.

Our Manager is authorized to follow very broad investment guidelines. Our independent directors will periodically review our investment guidelines and our portfolio. However, our independent directors generally will not review our proposed asset acquisitions (other than pursuant to the protocols established for asset acquisitions with Freedom Mortgage, including in accordance with our strategic alliance agreements or otherwise), dispositions or other management decisions. In addition, in conducting periodic reviews, the independent directors will rely primarily on information provided to them by our Manager. Furthermore, our Manager may arrange for us to use complex strategies or to enter into complex transactions that may be difficult or impossible to unwind by the time they are reviewed by our board of directors. Our Manager has great latitude within our broad investment guidelines to determine the types of assets it may decide are proper for purchase by us. The management agreement with our Manager does not restrict the ability of its officers and employees from engaging in other business ventures of any nature, whether or not such ventures are competitive with our business.

Our Tax Status

We will elect and intend to qualify to be taxed as a REIT commencing with our short taxable year ending December 31, 2013. Provided that we qualify and maintain our qualification as a REIT, we generally will not be subject to U.S. federal income tax on our REIT taxable income that is currently distributed to our stockholders. REITs are subject to a number of organizational and operational requirements, including a requirement that they currently distribute at least 90% of their annual REIT taxable income excluding net capital gains. We cannot assure you that we will be able to comply with such requirements in the future. Failure to qualify as a REIT in any taxable year would cause us to be subject to U.S. federal income tax on our taxable income at regular corporate rates (and any applicable state and local taxes). Even if we qualify for taxation as a REIT, we may be subject to certain federal, state, local and non-U.S. taxes on our income. For example, if we form a TRS, the income generated by that subsidiary will be subject to U.S. federal, state and local income tax.

Our Exclusion from Regulation as an Investment Company

We intend to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act.

Section 3(a)(1)(A) of the Investment Company Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis, which we refer to as the 40% test. Excluded from the term ''investment securities,'' among other things, are U.S. Government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exclusion from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

We will be organized as a holding company and will conduct business primarily through our subsidiaries. We and our operating partnership intend to conduct our operations so that we do not come within the definition of an investment company by ensuring that less than 40% of the value of our total assets on an unconsolidated basis consist of "investment securities" as defined by the Investment Company Act, or the 40% Test. In addition, we believe neither we nor our operating partnership is considered an investment company under Section 3(a)(1)(A) of the Investment Company Act because neither we nor our operating partnership will engage primarily or hold ourselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, through our operating partnership's wholly-owned or majority-owned subsidiaries, we and our operating partnership will be primarily engaged in the non-investment company businesses of these subsidiaries, namely the business of purchasing or otherwise acquiring mortgages and other interests in real estate.

We will rely upon certain exemptions from registration as an investment company under the Investment Company Act including, in the case of our subsidiary, Cherry Hill QRS I, LLC, Section 3(c)(5)(C) of the Investment Company Act. Section 3(c)(5)(C), as interpreted by the staff of the SEC, requires an entity to invest at least 55% of its assets in "mortgages and other liens on and interests in real estate," which we refer to as "qualifying real estate interests," and at least 80% of its assets in qualifying real estate interests plus "real estate-related assets." In satisfying the 55% requirement, the entity may treat securities issued with respect to an underlying pool of mortgage loans in which it holds all of the certificates issued by the pool as qualifying real estate interests. We will treat the Agency whole-pool pass-through securities in which we intend to invest as qualifying real estate interests for purposes of the 55% requirement. The Excess MSRs we intend to acquire and the Agency CMOs we may acquire will not be treated as qualifying real estate interests for purposes of the 55% requirement, but will be treated as real estate-related assets that qualify for the 80% test. In addition, Cherry Hill

QRS I, LLC will treat its investment in Cherry Hill QRS II, LLC as a real estate-related asset because substantially all of the assets held by Cherry Hill QRS II, LLC will be real estate-related assets.

We may form certain other subsidiaries of our operating partnership that will invest in residential mortgage assets. These subsidiaries will rely upon the exemption from registration as an investment company under the Investment Company Act pursuant to Section 3(c)(1) or 3(c)(7) of the Investment Company Act. The securities issued by any subsidiary of our operating partnership that we may form in the future and that are exempted from the definition of "investment company" based on Section 3(c)(1) or 3(c)(7) of the Investment Company Act, together with any other investment securities we may own, may not have a value in excess of 40% of the value of our total assets on an unconsolidated basis.

We will monitor our compliance with the 40% Test and the holdings of our subsidiaries to ensure that each of our subsidiaries is in compliance with an applicable exemption or exclusion from registration as an investment company under the Investment Company Act. In the event that we, or our operating partnership, were to acquire assets that could make either entity fall within the definition of investment company under Section 3(a)(1)(A) or Section 3(a)(1)(C) of the Investment Company Act, we believe that we would still qualify for an exclusion from registration pursuant to Section 3(c)(5)(C).

Qualification for exclusion from registration under the Investment Company Act will limit our ability to make certain investments. In addition, complying with the tests for exclusion from registration could restrict the time at which we can acquire and sell assets. To the extent that the SEC or its staff provides more specific guidance regarding any of the matters bearing upon such exclusions, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC or its staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen.

On August 31, 2011, the SEC published a concept release entitled "Companies Engaged in the Business of Acquiring Mortgages and Mortgage Related Instruments" (Investment Company Act Rel. No. 29778). This release notes that the SEC is reviewing the 3(c)(5)(C) exemption relied upon by companies similar to us that invest in mortgage loans and mortgage-backed securities. There can be no assurance that the laws and regulations governing the Investment Company Act status of companies similar to ours, or the guidance from the SEC or its staff regarding the treatment of assets as qualifying real estate assets or real estate-related assets, will not change in a manner that adversely affects our operations as a result of this review. To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon our exclusion from the need to register under the Investment Company Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies that we have chosen. Furthermore, although we intend to monitor the assets of Cherry Hill QRS I, LLC, there can be no assurance that Cherry Hill QRS I, LLC will be able to maintain this exclusion from registration. In that case, our investment in Cherry Hill QRS I, LLC would be classified as an investment security, and we might not be able to maintain our overall exclusion from registering as an investment company under the Investment Company Act.

The loss of our exemption from regulation pursuant to the Investment Company Act could require us to restructure our operations, sell certain of our assets or abstain from the purchase of certain assets, which could have an adverse effect on our financial condition and results of operations. See "Risk Factors—Maintenance of our exclusion from registration under the Investment Company Act imposes significant limitations on our operations."

Registration of our Manager as an Investment Adviser

Our Manager is registered as an investment adviser under the Investment Advisers Act of 1940, as amended, or the Advisers Act, and is subject to the regulatory oversight of the Investment Management Division of the SEC.

Implications of Being an Emerging Growth Company

We qualify as an "emerging growth company," as defined in the Jumpstart our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements and are relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company, among other things:

- we are exempt from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- we are permitted to provide less extensive disclosure about our executive compensation arrangements;
- we are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements; and
- we have elected to use an extended transition period for complying with new or revised accounting standards.

We may take advantage of these provisions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1.0 billion in annual revenues, have more than $700 million in market value of our common stock held by non-affiliates, or issue more than $1.0 billion of non-convertible debt securities over a three-year period. We may choose to take advantage of some but not all of these reduced burdens.

Summary Risk Factors

An investment in our common stock involves risks. You should consider carefully the risks discussed below and described more fully along with other risks under "Risk Factors" in this prospectus before investing in our common stock.

- We have no operating history and may not be able to operate our business successfully or generate sufficient revenue to make or sustain distributions to our stockholders.
- Difficult conditions in the mortgage and residential real estate markets as well as general market concerns may adversely affect the value of the assets in which we invest and these conditions may persist for the foreseeable future.
- We will be dependent on mortgage servicers to service the mortgage loans underlying the Excess MSRs that we acquire.
- Governmental investigations or examinations, or private lawsuits, including purported class action lawsuits, involving Freedom Mortgage could have a material adverse effect on Freedom Mortgage and its ability to perform its obligations under our strategic alliance agreements.
- Our ability to invest in, and dispose of our investments in Excess MSRs may be subject to the receipt of third-party consents.
- Acknowledgement agreements with Ginnie Mae, Fannie Mae or Freddie Mac could expose us to potential liability in the event of a payment default.
- Our investments in Excess MSRs may involve complex or novel structures.
- Our assumptions in determining the purchase price for Excess MSRs, including our Excess MSRs in each of the Initial Pools, may be inaccurate or the basis for such assumptions may change, which could adversely affect our results of operations.
- Prepayment rates can change, adversely affecting the performance of our assets.

- The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between Fannie Mae, Freddie Mac and Ginnie Mae and the U.S. Government, may materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.
- We cannot predict the impact future actions by regulators or U.S. government bodies, including the U.S. Federal Reserve, will have on our business, and such actions may negatively impact us.
- Mortgage loan modification programs and future legislative action may adversely affect the value of, and the returns on, our targeted assets.
- The lack of liquidity of our assets may adversely affect our business, including our ability to sell our assets.
- We intend to use leverage in executing our business strategy, which may adversely affect the return on our assets and may reduce cash available for distribution to our stockholders, as well as increase losses when economic conditions are unfavorable.
- Adverse market developments could cause our lenders to require us to pledge additional assets as collateral. If our assets were insufficient to meet these collateral requirements, we might be compelled to liquidate particular assets at inopportune times and at unfavorable prices.
- Hedging against interest rate changes and other risks may materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.
- Changes in regulations relating to swaps activities may cause us to limit our swaps activity or subject us and our Manager to additional disclosure, recordkeeping and other regulatory requirements.
- We may change our investment strategy, investment guidelines and asset allocation without notice or stockholder consent, which may result in riskier investments. In addition, our charter provides that our board of directors may authorize us to revoke or otherwise terminate our REIT election, without the approval of our stockholders.
- We operate in a highly competitive market.
- Our Manager has no experience operating a REIT and we cannot assure you that our Manager’s past experience will be sufficient to successfully manage our business as a REIT.
- Our Manager has no prior experience operating a public company and therefore may have difficulty in successfully and profitably operating our business or complying with regulatory requirements, including the Sarbanes-Oxley Act, which may hinder their ability to achieve our objectives.
- We are dependent on our Manager and certain key personnel of Freedom Mortgage that are or will be provided to us through our Manager and may not find a suitable replacement if our Manager terminates the management agreement or such key personnel are no longer available to us.
- Our business strategy heavily relies on our strategic alliance with Freedom Mortgage, particularly with respect to our continuing investment in Excess MSRs, and to the extent the anticipated benefits of our strategic alliance do not materialize, our ability to successfully execute our strategy may be materially adversely affected.
- There will be conflicts of interest in our relationships with our Manager and Freedom Mortgage, which could result in decisions that are not in the best interests of our stockholders.
- The management agreement that we have entered into with our Manager was not negotiated on an arm’s-length basis and may not be as favorable to us as if it had been negotiated with an unaffiliated third party and may be costly and difficult to terminate.

- Maintenance of our exclusion from regulation as an investment company under the Investment Company Act imposes significant limitations on our operations.
- There is currently no public market for our common stock, a trading market for our common stock may never develop following this offering and our common share price may be volatile and could decline substantially following this offering.
- For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies.
- Our failure to qualify as a REIT would subject us to U.S. federal, state and local income taxes, which could adversely affect the value of our common stock and would substantially reduce the cash available for distribution to our stockholders.

Our Offices

Our principal executive offices are located at 301 Harper Drive, Suite 110, Moorestown, New Jersey, 08057. Our telephone number is (877) 870-7005 and our website is *www.chmireit.com*. The offices of our Manager are located at the same address. Information available on or accessible through our website and Freedom Mortgage's website is not incorporated into this prospectus.

THE OFFERING

Common stock offered by us	6,500,000 shares (plus up to an additional 975,000 shares of our common stock issuable upon the exercise of the underwriters' over-allotment option).
Common stock offered by us in the concurrent private placement	1,000,000 shares
Common stock to be outstanding after this offering and the concurrent private placement	7,500,000 shares(1)
Use of proceeds	We estimate that the net proceeds we will receive from this offering and the concurrent private placement will be approximately $148 million (or approximately $167.5 million if the underwriters fully exercise their over-allotment option), after deducting the estimated offering expenses payable by us. Our Manager has agreed to pay the entire underwriting discount and structuring fee payable with respect to each share sold in this offering. We intend to contribute the net proceeds of this offering and the concurrent private placement to our operating partnership in exchange for common units of limited partnership interest in our operating partnership, or OP units. We intend to deploy the net proceeds of this offering and the concurrent private placement as follows: • approximately $100 million to the acquisition of our Excess MSRs in the Initial Pools from Freedom Mortgage; and • approximately $38 million to investments in Agency RMBS backed by 30-year, 20-year and 15-year FRMs. The remainder of the net proceeds will be used for general corporate and working capital purposes. See "Use of Proceeds."

(1) Assumes the underwriters' over-allotment option to purchase up to an additional 975,000 shares of our common stock is not exercised. The number of shares of common stock outstanding after this offering and the concurrent private placement excludes: (i) 37,500 shares of our common stock issuable upon exchange of 37,500 LTIP units, a special class of partnership interest in our operating partnership, to be granted to our executive officers and directors and to certain employees of our Manager and Freedom Mortgage who provide services to us upon completion of this offering pursuant to our 2013 Equity Incentive Plan; and (ii) up to 1,462,500 shares of our common stock reserved for future issuance pursuant to our 2013 Equity Incentive Plan. The number of shares of common stock outstanding after this offering and the concurrent private placement also excludes the 1,000 shares of common stock issued to Mr. Middleman in connection with our initial capitalization. We will repurchase these shares from Mr. Middleman at the closing of this offering for $1,000.

Distribution policy	To qualify as a REIT, we must distribute annually to our stockholders an amount at least equal to 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain. We currently expect to distribute substantially all of our REIT taxable income to our stockholders.
Ownership and transfer restrictions	To assist us in qualifying as a REIT, among other purposes, our charter generally limits beneficial and constructive ownership by any person to no more than 9.0% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock. In addition, our charter provides that Mr. Middleman, our Chairman and the founder of Freedom Mortgage, may beneficially or constructively own up to 13.5% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock. Our charter also contains various other restrictions on the ownership and transfer of our shares. See “Description of Capital Stock—Restrictions on Ownership and Transfer.”
NYSE symbol	“CHMI”
Risk factors	Investing in our common stock involves risks. See “Risk Factors” and other information in this prospectus for a discussion of factors you should consider carefully before investing in our common stock.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors and all other information contained in this prospectus before purchasing our common stock. If any of the following risks occur, our business, financial condition, results of operations and our ability to make distributions to our stockholders could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose some or all of your investment. Our forward looking statements in this prospectus are subject to the following risks and uncertainties. Our actual results could differ materially from those anticipated by our forward looking statements as a result of the risk factors below.

Risks Related To Our Business

We have no operating history and may not be able to operate our business successfully or generate sufficient revenue to make or sustain distributions to our stockholders.

We were incorporated on October 31, 2012 and have not commenced operations. We have no operating history. We cannot assure you that we will be able to operate our business successfully or implement our operating policies and strategies. There can be no assurance that we will be able to generate sufficient returns to pay our operating expenses and make satisfactory distributions to our stockholders or any distributions at all. The results of our operations depend on several factors, including the availability of opportunities for the acquisition of target assets, the level and volatility of interest rates, the availability of adequate short and long-term financing, conditions in the financial markets and general economic conditions.

Difficult conditions in the mortgage and residential real estate markets as well as general market concerns may adversely affect the value of the assets in which we invest and these conditions may persist for the foreseeable future.

Our business is materially affected by conditions in the residential mortgage market, the residential real estate market, the financial markets and the economy in general. Concerns about the residential mortgage market and a declining real estate market, as well as inflation, energy costs, geopolitical issues, concerns over the creditworthiness of governments worldwide and the stability of the global banking system, unemployment and the availability and cost of credit have contributed to increased volatility and diminished expectations for the economy and markets going forward. In particular, the residential mortgage market in the United States has experienced a variety of difficulties and changed economic conditions, including defaults, credit losses and liquidity concerns. Certain commercial banks, investment banks and insurance companies have announced extensive losses from exposure to the residential mortgage market. These factors have impacted investor perception of the risk associated with RMBS, other real estate-related securities and various other asset classes in which we may invest. As a result, values of our target asset have experienced volatility. Further deterioration of the mortgage market and investor perception of the risks associated with RMBS and other residential mortgage assets that we acquire could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

We will be dependent on mortgage servicers to service the mortgage loans underlying the Excess MSRs that we acquire.

Our investments in Excess MSRs are dependent on the mortgage servicer to perform its servicing obligations. As a result, we could be materially and adversely affected if the servicer is terminated. The duties and obligations of mortgage servicers are defined through contractual agreements, which generally provide for the possibility for termination of the servicer in the absolute discretion of the GSE or Ginnie Mae. In the event of such termination by the GSE or Ginnie Mae with respect to a particular servicer, the related Excess MSRs could potentially lose all value on a going forward basis. Moreover, the termination of a servicer could take effect across all mortgages being serviced by that servicer. Therefore, to the extent we make multiple investments

relating to mortgages serviced by the same servicer, such as our initial portfolio of Excess MSRs which will be entirely serviced by Freedom Mortgage, all such investments could lose all their value in the event of the termination of the servicer. In addition, many servicers also rely on subservicing arrangements with third parties and the failure of subservicers to adequately perform their services may negatively impact the servicer and, as a result, the performance of our Excess MSRs. We may not have recourse to the servicer if the subservicer fails to perform.

We could also be materially and adversely affected if the servicer is unable to adequately service the underlying mortgage loans due to:

- its failure to comply with applicable laws and regulation;
- its failure to perform its loss mitigation obligations;
- a downgrade in its servicer rating;
- its failure to perform adequately in its external audits;
- a failure in or poor performance of its operational systems or infrastructure;
- regulatory scrutiny regarding foreclosure processes lengthening foreclosure timelines;
- the transfer of servicing to another party; or
- any other reason.

Favorable ratings from third-party rating agencies such as Standard & Poor's, Moody's and Fitch are important to the conduct of a mortgage servicer's loan servicing business and a downgrade in a mortgage servicer's ratings could have an adverse effect on us and the value of our Excess MSRs. A mortgage service's failure to maintain favorable or specified ratings may cause their termination as a servicer and may impair their ability to consummate future servicing transactions, which could have an adverse effect on our operations since we will rely heavily on mortgage servicers to achieve our investment objective with respect to Excess MSRs.

MSRs are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions imposing various requirements and restrictions on the servicer's business. If Freedom Mortgage or any servicer from whom we acquire Excess MSRs actually or allegedly failed to comply with applicable laws, rules or regulations, the servicer could be exposed to fines, penalties or other costs or the servicer could be terminated as the servicer and the MSRs to which our Excess MSRs relate would be eliminated and lose all value, which could have a material adverse effect on the associated Excess MSR, our business, financial condition, results of operations or cash flows. If these laws, regulations and decisions change, we could be exposed to similar fines, penalties or costs.

In addition, a bankruptcy by any mortgage servicer that services the mortgage loans underlying any Excess MSRs that we have acquired or may acquire in the future could result in:

- the validity and priority of our ownership of the Excess MSRs being challenged in a bankruptcy proceeding;
- payments made by such servicer to us, or obligations incurred by it, being voided by a court under federal or state preference laws or federal or state fraudulent conveyance laws;
- a re-characterization of any sale of the Excess MSRs or other assets to us as a pledge of such assets in a bankruptcy proceeding; or
- any agreement pursuant to which we acquired the Excess MSRs being rejected in a bankruptcy proceeding.

Any of the foregoing events could have a material and adverse effect on us. Moreover, our business model heavily relies upon our strategic alliance with Freedom Mortgage and our acquiring Excess MSRs through our relationship with Freedom Mortgage. To the extent Freedom Mortgage loses its ability to serve as a servicer for

Fannie Mae or its status as a Ginnie Mae-approved issuer is terminated, we could face significant adverse consequences. Similarly, if Freedom Mortgage is unable to successfully execute its business strategy or no longer maintains its financial viability, our business strategy would be materially adversely affected and our results of operations would suffer.

Governmental investigations or examinations, or private lawsuits, including purported class action lawsuits, involving Freedom Mortgage could have a material adverse effect on Freedom Mortgage and its ability to perform its obligations under our strategic alliance agreements.

Freedom Mortgage is routinely involved in legal proceedings concerning matters that arise in the ordinary course of its business. An adverse result in governmental investigations or examinations, or private lawsuits, including purported class action lawsuits, could have a material adverse effect on Freedom Mortgage's financial results. These legal proceedings can range from private actions involving a single plaintiff to class action lawsuits with potentially thousands of class members. Participants in the mortgage industry, including Freedom Mortgage, are also routinely subject to government investigations and inquiries. An adverse result in governmental investigations or examinations, or private lawsuits, including purported class action lawsuits, could have a material adverse effect on Freedom Mortgage's financial results. Litigation and other proceedings may require that Freedom Mortgage pay settlement costs, legal fees, damages, penalties or other charges, which could adversely affect its financial results. In particular, ongoing and other legal proceedings brought under state consumer protection statutes may result in a separate fine for each violation of the statute, which, particularly in the case of class action lawsuits, could result in damages substantially in excess of the amounts earned from the underlying activities and that could have a material adverse effect on Freedom Mortgage's liquidity and financial position.

Governmental investigations, both state and federal, can be either formal or informal. The costs of responding to the investigations can be substantial. In addition, government-mandated changes to servicing practices could lead to higher costs and additional administrative burdens, in particular, those regarding record retention and informational obligations.

Freedom Mortgage has advised us that it does not believe that it is currently subject to any legal proceedings or government investigations that would reasonably be expected to have a material adverse effect on Freedom Mortgage or on us, but it is possible that one or more such legal proceedings or investigations could evolve into a material legal proceeding in the future. For example, Freedom Mortgage has informed us that, in February 2013, it received a subpoena from the Office of the Inspector General for the U.S. Department of Housing and Urban Development, or the HUD OIG, in which the HUD OIG requested that Freedom Mortgage provide the HUD OIG with documents and records concerning Freedom Mortgage's quality control and training policies and procedures relating to its FHA loan origination activities. The HUD OIG acts under the oversight of the U.S. Department of Justice. It is our understanding that several other FHA approved mortgage originators have received similar requests. Freedom Mortgage has informed us that, in March 2013, it provided all information that was readily available and continues to work with HUD OIG to further clarify the scope of the remaining information that was initially requested. In September 2013, the HUD OIG requested documents not previously requested from Freedom Mortgage, and we have been advised by Freedom Mortgage that it is in the process of providing those documents to the HUD OIG and continuing to cooperate with the HUD OIG. Freedom Mortgage has informed us that the HUD OIG has not communicated to Freedom Mortgage any allegations of wrongdoing or other findings. However, we cannot assure you that the HUD OIG will not do so in the future, and any such allegations or findings could result in Freedom Mortgage being required to pay settlement costs, legal fees, damages, penalties or other charges, which could adversely affect its financial results and its business operations, which in turn could impact its ability to perform under the strategic alliance agreements with us or may otherwise negatively impact its ability to act as our partner.

Our ability to invest in, and dispose of our investments in Excess MSRs may be subject to the receipt of third-party consents.

The Agencies may require that we submit ourselves to costly or burdensome conditions as a prerequisite to their consent to our investments in Excess MSRs. These conditions may diminish or eliminate the investment

potential of certain Excess MSRs by making such investments too expensive for us or by severely limiting the potential returns available from Excess MSRs. Moreover, we have not received and do not expect to receive any assurances from the Agencies that their conditions for the disposition of an investment in Excess MSRs, including the investment in our Excess MSRs in the Initial Pools will not change. Therefore the potential costs, issues or restrictions associated with receiving such Agency's consent for any such dispositions by us cannot be determined with any certainty. To the extent we are unable to dispose of Excess MSRs in our portfolio when we determine it would be beneficial to do so, our results of operations may be adversely impacted.

Acknowledgement agreements with Ginnie Mae, Fannie Mae or Freddie Mac could expose us to potential liability in the event of a payment default.

In order to acquire Excess MSRs related to FHA and VA mortgage loans that have been pooled into securities guaranteed by Ginnie Mae, we must enter into an acknowledgment agreement with Ginnie Mae and the Ginnie Mae-approved issuer/servicer for the mortgage loans. Under that agreement, if the issuer/servicer fails to make a required payment to the holders of the Ginnie Mae-guaranteed Agency RMBS, we would be obligated to make that payment even though the payment may relate to loans for which we do not own any Excess MSRs. Our failure to make that payment could result in liability to Ginnie Mae for any losses or claims that it suffers as a result. In addition, under an acknowledgment agreement with Fannie Mae or Freddie Mac, we could be exposed to potential liability in the event of a payment default by an approved seller/servicer. However, the amount of the potential liability to Fannie Mae or Freddie Mac would be limited to the mortgage loans in the servicing portfolio identified in the acknowledgment agreement.

Given the size of Freedom Mortgage's portfolio of FHA and VA loans that have been pooled into Ginnie Mae-guaranteed Agency RMBS, it is unlikely that we would be able to satisfy that obligation under the acknowledgment agreement should Freedom Mortgage fail to make a required payment. In that case we would be subject to claims for losses by Ginnie Mae which would have a material and adverse effect on our financial condition and operations, and our ability to enter into acknowledgement agreements in the future and to acquire Excess MSRs related to FHA and VA mortgage loans would be adversely affected. The only remedy related to the servicing permitted under the acknowledgment agreement is to request Ginnie Mae to transfer the servicing to another Ginnie Mae-approved issuer/servicer which would terminate our interest in the related Excess MSRs. The termination of our Excess MSRs could have a material adverse effect on our financial condition, results of operations and ability to make distributions to our stockholders.

Our investments in Excess MSRs may involve complex or novel structures.

Our investments in Excess MSRs may involve complex or novel structures. It is possible that the views of Fannie Mae, Freddie Mac and Ginnie Mae on whether any such investment structure is appropriate or acceptable may not be known to us when we make an investment and may change from time to time for any reason or for no reason, even with respect to a completed investment. The evolving posture of Fannie Mae, Freddie Mac and Ginnie Mae toward an acquisition or disposition structure through which we propose to invest in or dispose of Excess MSRs may cause Fannie Mae, Freddie Mac or Ginnie Mae to impose new conditions on investments in Excess MSRs, including the owner's ability to hold such Excess MSRs directly or indirectly through a grantor trust or other means. Such new conditions may be costly or burdensome and could materially impact our obligation to invest in or dispose of Excess MSRs.

In addition, the requirements imposed by mortgage owners on servicers may require us to structure the terms, purchase price and form of consideration that we and the servicer pay differently in various deals. For example, if a mortgage owner imposes stricter requirements on a servicer to repurchase loans under certain circumstances, the servicer will be required to assume a significantly higher level of risk in connection with servicing the loans underlying the applicable mortgage servicing right and related Excess MSR than the servicer would assume if the mortgage owner did not impose such requirements. As a result, the basic fee paid to the servicer with respect to those mortgage servicing rights may be higher (and the related Excess MSR may be lower) than in deals where the mortgage owner does not impose such requirements.

Our assumptions in determining the purchase price for our Excess MSRs may be inaccurate or the basis for such assumptions may change, which could adversely affect our results of operations.

The purchase price for our investments in Excess MSRs in the Initial Pools was negotiated with Freedom Mortgage and reflects our respective assessments of the likely performance of the mortgage loans in the Initial Pools in terms of prepayment rates, rates of delinquency and default and recapture rates. If the performance of the mortgage loans in the Initial Pools differs from that assumed, the return on our investment may be less than we anticipate and our results of operations may be adversely affected.

The value of our Excess MSRs may vary substantially by changes in interest rates unless we are able to hedge against that uncertainty.

The values of Excess MSRs are highly sensitive to changes in interest rates. The value of Excess MSRs typically increases when interest rates rise and decreased when interest rates decline due to the effect those changes in interest rates have on prepayment estimates. Subject to qualifying and maintaining our qualification as a REIT, we may pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates. Our hedging activity will vary in scope based on the level and volatility of interest rates, the type of assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us. To the extent we do not utilize derivatives to hedge against changes in the fair value of Excess MSRs, our balance sheet, results of operations and cash flows would be susceptible to significant volatility due to changes in the fair value of, or cash flows from, Excess MSRs as interest rates change.

If delinquencies increase, the value of our Excess MSRs may decline significantly.

Delinquency rates have a significant impact on the value of Excess MSRs. An increase in delinquencies will generally result in lower revenue because typically servicers will only collect servicing fees from GSEs or mortgage owners for performing loans. Our expectation of delinquencies is a significant assumption underlying the cash flow projections on the related pools of mortgage loans. If delinquencies are significantly greater than expected, the estimated fair value of the Excess MSRs could be diminished. As a result, we could suffer a loss, which would have a negative impact on our financial results.

Prepayment rates can change, adversely affecting the performance of our assets.

The frequency at which prepayments (including voluntary prepayments by borrowers, loan buyouts and liquidations due to defaults and foreclosures) occur on mortgage loans underlying Excess MSRs and Agency RMBS is affected by a variety of factors, including the prevailing level of interest rates as well as economic, demographic, tax, social, legal, and other factors. Generally, borrowers tend to prepay their mortgages when prevailing mortgage rates fall below the interest rates on their mortgage loans. When borrowers prepay their mortgage loans at rates that are faster or slower than expected, it results in prepayments that are faster or slower than expected on the related Excess MSRs and Agency RMBS. These faster or slower than expected payments may adversely affect our profitability.

We will record Excess MSRs on our balance sheet at fair value, and changes in their fair value will be reflected in our consolidated results of operations. The determination of the fair value of Excess MSRs requires our management to make numerous estimates and assumptions that could materially differ from actual results. Such estimates and assumptions include prepayment rates, as well as estimates of the future cash flows from the Excess MSRs, interest rates, delinquencies and foreclosure rates of the underlying mortgage loans among others. The ultimate realization of the value of Excess MSRs, which are measured at fair value on a recurring basis, may be materially different than the fair values of such Excess MSRs as may be reflected in our consolidated financial statements as of any particular date. The use of different estimates or assumptions in connection with the valuation of these assets could produce materially different fair values for such assets. Our failure to make accurate assumptions regarding prepayment rates or the other factors examined in determining fair value could cause the fair value of our Excess MSRs to materially vary, which could have a material adverse effect on our

financial position, results of operations and cash flows. If the fair value of our Excess MSRs decreases, we would be required to record a non-cash charge, which would have a negative impact on our financial results. Furthermore, a significant increase in prepayment speeds could materially reduce the ultimate cash flows we receive from Excess MSRs, and we could ultimately receive substantially less than what we paid for such assets.

We may purchase securities or loans that have a higher interest rate than the then prevailing market interest rate. In exchange for this higher interest rate, we may pay a premium to par value to acquire the security or loan. In accordance with GAAP, we amortize this premium over the expected term of the security or loan based on our prepayment assumptions. If a security or loan is prepaid in whole or in part at a faster than expected rate, however, we must expense all or a part of the remaining unamortized portion of the premium that was paid at the time of the purchase, which will adversely affect our profitability.

We also may purchase securities or loans that have a lower interest rate than the then prevailing market interest rate. In exchange for this lower interest rate, we may pay a discount to par value to acquire the security or loan. We accrete this discount over the expected term of the security or loan based on our prepayment assumptions. If a security or loan is prepaid at a slower than expected rate, however, we must accrete the remaining portion of the discount at a slower than expected rate. This will extend the expected life of investment portfolio and result in a lower than expected yield on securities and loans purchased at a discount to par.

Prepayment rates generally increase when interest rates fall and decrease when interest rates rise, but changes in prepayment rates are difficult to predict. Prepayments can also occur when borrowers sell the property and use the sale proceeds to prepay the mortgage as part of a physical relocation or when borrowers default on their mortgages and the mortgages are prepaid from the proceeds of a foreclosure sale of the property. Fannie Mae and Freddie Mac will generally, among other conditions, purchase mortgages that are 120 days or more delinquent from mortgage-backed securities trusts when the cost of guaranteed payments to security holders, including advances of interest at the security coupon rate, exceeds the cost of holding the nonperforming loans in their portfolios. Ginnie Mae provides the issuer the option to buy 90 days or more delinquent loans out of the mortgage-backed securities that it services, which may also contribute to an increase in prepayment rates. Consequently, prepayment rates also may be affected by conditions in the housing and financial markets, which may result in increased delinquencies on mortgage loans, the government-sponsored entities, cost of capital, general economic conditions and the relative interest rates on fixed and adjustable rate loans, which could lead to an acceleration of the payment of the related principal. Additionally, changes in the government-sponsored entities' decisions as to when to repurchase delinquent loans can materially impact prepayment rates.

The adverse effects of prepayments may impact us in various ways. First, particular investments may experience outright losses, as in the case of Excess MSRs, IOs and inverse IOs in an environment of faster actual or anticipated prepayments. Second, particular investments may under-perform relative to any hedges that our Manager may have constructed for these assets, resulting in a loss to us. In particular, prepayments (at par) may limit the potential upside of many RMBS to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss. Furthermore, to the extent that faster prepayment rates are due to lower interest rates, the principal payments received from prepayments will tend to be reinvested in lower-yielding assets, which may reduce our income in the long run. Therefore, if actual prepayment rates differ from anticipated prepayment rates our business, financial condition and results of operations and ability to make distributions to our stockholders could be materially adversely affected.

With respect to our Excess MSRs, voluntary prepayments eliminate the Excess MSR on the mortgage loans being prepaid. In recent years, Freedom Mortgage has experienced relatively high rates of recapture. There can be no assurance that Freedom Mortgage will continue to successfully enjoy the levels of recapture it has historically had, particularly as interest rate environments change. In addition, although we expect Freedom Mortgage to replace the Excess MSRs on loans in the pools that are refinanced by Freedom Mortgage, there can be no assurance that Freedom Mortgage will enter into recapture agreements with us in the future or that it will be successful in replacing any Excess MSRs, which would negatively impact our cash flows. When we purchase

Excess MSRs, we base the price we pay and the rate of amortization of those assets on, among other things, our projection of the cash flows from the pool of mortgage loans underlying the related MSRs. Our expectation of prepayment speeds and recapture rates is a significant assumption underling our cash flow projections and if prepayment speeds are significantly greater than expected or recapture rates significantly lower than expected, the carrying value of our Excess MSRs could exceed their estimated fair value.

The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between Fannie Mae, Freddie Mac and Ginnie Mae and the U.S. Government, may materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

The payments we receive on our Agency RMBS depend upon a steady stream of payments by borrowers on the underlying mortgages and such payments are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. Fannie Mae and Freddie Mac are GSEs, but their guarantees are not backed by the full faith and credit of the United States. Ginnie Mae, which guarantees Agency RMBS backed by mortgage loans insured by the FHA or partially guaranteed by the VA, is part of a U.S. Government agency and its guarantees are backed by the full faith and credit of the United States.

During 2008, there were increased market concerns about Fannie Mae's and Freddie Mac's ability to withstand future credit losses associated with securities held in their investment portfolios, and on which they provide guarantees, without the direct support of the U.S. Government. In September 2008 Fannie Mae and Freddie Mac were placed into the conservatorship of the FHFA, their federal regulator, pursuant to its powers under The Federal Housing Finance Regulatory Reform Act of 2008, a part of the Housing and Economic Recovery Act of 2008. Under this conservatorship, Fannie Mae and Freddie Mac are required to reduce the amount of mortgage loans they own or for which they provide guarantees on Agency RMBS.

Shortly after Fannie Mae and Freddie Mac were placed in federal conservatorship, the Secretary of the U.S. Treasury noted that the guarantee structure of Fannie Mae and Freddie Mac required examination and that changes in the structures of the entities were necessary to reduce risk to the financial system. The future roles of Fannie Mae and Freddie Mac could be significantly reduced and the nature of their guarantees could be considerably limited relative to historical measurements or even eliminated. The U.S. Treasury could also stop providing financial support for Fannie Mae and Freddie Mac in the future. The substantial financial assistance provided by the U.S. Government to Fannie Mae and Freddie Mac, especially in the course of their being placed into conservatorship and thereafter, together with the substantial financial assistance provided by the U.S. Government to the mortgage-related operations of other GSEs and government agencies, such as the FHA, the VA, and Ginnie Mae, has stirred debate among many federal policymakers over the continued role of the U.S. Government in providing such financial support for the mortgage-related GSEs in particular, and for the mortgage and housing markets in general. In fact, in February 2011, the U.S. Treasury released a white paper entitled "Reforming America's Housing Finance Market" in which the U.S. Treasury outlined three possible options for reforming the U.S. Government's role in housing finance. Under each option, the role of the U.S. Government in the mortgage market would be reduced. Each of Fannie Mae, Freddie Mac and Ginnie Mae could be dissolved and the U.S. Government could determine to stop providing liquidity support of any kind to the mortgage market. If Fannie Mae, Freddie Mac or Ginnie Mae were eliminated, or their structures were to change radically or the U.S. Government significantly reduced its support for any or all of them, we may be unable or significantly limited in our ability to acquire Agency RMBS, which would drastically reduce the amount and type of Agency RMBS available for purchase which, in turn, could materially adversely affect our ability to maintain our exclusion from regulation as an investment company under the Investment Company Act. Moreover, any changes to the nature of the guarantees provided by, or laws affecting, Fannie Mae, Freddie Mac and Ginnie Mae could materially adversely affect the credit quality of the guarantees, could increase the risk of loss on purchases of Agency RMBS issued by these GSEs and could have broad adverse market implications for the Agency RMBS they currently guarantee. Any action that affects the credit quality of the guarantees provided by Fannie Mae, Freddie Mac and Ginnie Mae could materially adversely affect the value of our Agency RMBS. We expect

to rely on our Agency RMBS as collateral for our financings under the repurchase agreements that we expect to enter into. Any decline in their value, or perceived market uncertainty about their value, would make it more difficult for us to obtain financing on our Agency RMBS on acceptable terms or at all, or to maintain compliance with the terms of any financing transactions.

In addition to the FHFA becoming the conservator of Fannie Mae and Freddie Mac, in August 2012, the U.S. Treasury announced its intention to restructure the preferred stock agreements with the GSEs. In March 2013, the FHFA announced that it will build a new entity as it winds down operations of Fannie Mae and Freddie Mac and may eventually replace them with the new entity. In June 2013, a draft bill entitled the "Secondary Mortgage Market Reform and Taxpayer Protection Act of 2013" gave a name to this new entity—the Federal Mortgage Insurance Company (the "FMIC"). As proposed in the draft bill, the FMIC would be modeled after the Federal Deposit Insurance Corporation and provide catastrophic reinsurance in the secondary market for mortgage-backed securities. It would also take over multi-family guarantees as the existing portfolios of Fannie Mae and Freddie Mac are wound down by at least 15% annually until they are completely liquidated.

In addition, although we do not expect Excess MSRs that have already been created to be subject to any changes implemented by the GSEs, it is possible that, because of the significant role of the GSEs in the secondary mortgage market, any changes they implement could become prevalent in the mortgage servicing industry generally. Other industry stakeholders or regulators may also implement or require changes in response to the perception that the current mortgage servicing practices and compensation do not appropriately serve broader housing policy objectives.

The downgrade of the U.S. Government's or certain European countries' credit ratings and any future downgrades of the U.S. Government's or certain European countries' credit ratings may materially adversely affect our business, financial condition and results of operations.

On August 5, 2011, Standard & Poor's downgraded the U.S. Government's credit rating for the first time in history. Because Fannie Mae and Freddie Mac are in conservatorship of the U.S. Government, downgrades to the U.S. Government's credit rating could impact the credit risk associated with Agency RMBS and, therefore, decrease the value of the Agency RMBS in which we expect to invest. In addition, the downgrade of the U.S. Government's credit rating and the credit ratings of certain European countries has created broader financial turmoil and uncertainty, which has recently weighed heavily on the global banking system. Therefore, the recent downgrade of the U.S. Government's credit rating and the credit ratings of certain European countries and any future downgrades of the U.S. Government's credit rating or the credit ratings of certain European countries may materially adversely affect our business, financial condition and results of operations.

Interest rate mismatches between our assets and any borrowings used to fund purchases of our assets may reduce our income during periods of changing interest rates.

Some of our assets will be fixed-rate securities or have a fixed rate component (such as RMBS backed by hybrid ARMs). This means that the interest we earn on these assets will not vary over time based upon changes in a short-term interest rate index. Although the interest we earn on our RMBS backed by ARMs generally will adjust for changing interest rates, such interest rate adjustments may not occur as quickly as the interest rate adjustments to any related borrowings, and such interest rate adjustments will generally be subject to interest rate caps, which potentially could cause such RMBS to acquire many of the characteristics of fixed-rate securities if interest rates were to rise above the cap levels. We intend to fund our fixed-rate target assets with short-term borrowings. Therefore, to the extent we finance our assets with floating-rate debt or debt with shorter maturities, such as repurchase agreements, there will be an interest rate mismatch between our assets and liabilities. The use of interest rate hedges also will introduce the risk of other interest rate mismatches and exposures, as will the use of other financing techniques. During periods of changing interest rates, these mismatches could cause our business, financial condition and results of operations and ability to make distributions to our stockholders to be materially adversely affected.

Ordinarily, short-term interest rates are lower than long-term interest rates. If short-term interest rates rise disproportionately relative to long-term interest rates (a flattening of the yield curve), our borrowing costs may increase more rapidly than the interest income earned on our assets. Because we expect that our investments in Agency RMBS, on average, generally will bear interest based on longer-term rates than our borrowings, a flattening of the yield curve would tend to decrease our net income and the market value of our assets. Additionally, to the extent cash flows from RMBS are reinvested in new RMBS, the spread between the yields of the new RMBS and available borrowing rates may decline, which could reduce our net interest margin or result in losses. Any one of the foregoing risks could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders. It is also possible that short-term interest rates may exceed long-term interest rates, in which event our borrowing costs may exceed our interest income and we could incur operating losses.

We cannot predict the impact future actions by regulators or U.S. government bodies, including the U.S. Federal Reserve, will have on our business, and any such actions may negatively impact us.

Regulators and U.S. government bodies have a major impact on our business. The U.S. Federal Reserve is a major participant in, and its actions significantly impact, the residential mortgage market. For example, quantitative easing, a program implemented by the U.S. Federal Reserve to keep long-term interest rates low and stimulate the U.S. economy, has had the effect of reducing the difference between short-term and long-term interest rates. As a result of the reduction in long-term interest rates, prepayment speeds increased. Its purchases of Agency RMBS has resulted in a narrowing of the spread earned by Agency RMBS investors. While there have been recent discussions surrounding an eventual tapering of quantitative easing, no assurance can be given as to when the U.S. Federal Reserve will discontinue quantitative easing. We cannot predict or control the impact future actions by regulators or U.S. government bodies such as the U.S. Federal Reserve will have on our business. Accordingly, future actions by regulators or U.S. government bodies, including the U.S. Federal Reserve, could have a material and adverse effect on our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

Mortgage loan modification programs and future legislative action may adversely affect the value of, and the returns on, our targeted assets.

In the second half of 2008, the U.S. Government, through the U.S. Treasury, FHA and the FDIC, commenced implementation of programs designed to provide homeowners with assistance in avoiding foreclosure. The programs involve, among other things, the modification of mortgage loans to reduce the principal amount of the loans or the rate of interest payable on the loans, or to extend the payment terms of the loans. Extension and expansion of these programs and adoption of new mortgage loan modification programs have been regularly discussed as part of the ongoing debate regarding the country's housing market including most recently as part of President Obama's "Blueprint for an America Built to Last," announced as part of his January 2012 State of the Union address. It is likely that loan modifications would result in interest rate reductions or principal reductions on some of the mortgage loans underlying our Excess MSRs and backing our RMBS. However, it is also likely that loan modifications would result in increased prepayments on some RMBS. See "—Prepayment rates can change, adversely affecting the performance of our assets" above for information relating to the impact of prepayments on our business.

Congress and various state and local legislatures are considering, and in the future may consider, legislation, which, among other provisions, would permit limited assignee liability for certain violations in the mortgage loan origination process, and would allow judicial modification of loan principal in the event of personal bankruptcy. We cannot predict whether or in what form Congress or the various state and local legislatures may enact legislation affecting our business or whether any such legislation will require us to change our practices or make changes in our portfolio in the future. These changes, if required, could materially adversely affect our business,

results of operations and financial condition and our ability to make distributions to our stockholders, particularly if we make such changes in response to new or amended laws, regulations or ordinances in any state where we acquire a significant portion of our mortgage loans, or if such changes result in us being held responsible for any violations in the mortgage loan origination process.

Interest rate caps on the ARMs and hybrid ARMs that back our RMBS may reduce our net interest margin during periods of rising interest rates.

ARMs and hybrid ARMs are typically subject to periodic and lifetime interest rate caps. Periodic interest rate caps limit the amount an interest rate can increase during any given period. Lifetime interest rate caps limit the amount an interest rate can increase through the maturity of the loan. We may fund our RMBS with borrowings that typically are not subject to similar restrictions. Accordingly, in a period of rapidly increasing interest rates, our financing costs could increase without limitation while caps could limit the interest we earn on the ARMs and hybrid ARMs that will back our RMBS. This problem is magnified for ARMs and hybrid ARMs that are not fully indexed because such periodic interest rate caps prevent the coupon on the security from fully reaching the specified rate in one reset. Further, some ARMs and hybrid ARMs may be subject to periodic payment caps that result in a portion of the interest being deferred and added to the principal outstanding. As a result, we may receive less cash income on RMBS backed by ARMs and hybrid ARMs than necessary to pay interest on our related borrowings. Interest rate caps on RMBS backed by ARMs and hybrid ARMs could reduce our net interest margin if interest rates were to increase beyond the level of the caps, which could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

Changes in the underwriting standards by Freddie Mac or Fannie Mae could have an adverse impact on Agency mortgage investments in which we may invest or make it more difficult to acquire attractive non-Agency mortgage investments.

In 2010, Freddie Mac and Fannie Mae announced tighter underwriting guidelines for ARMs and hybrid interest-only ARMs in particular. Specifically, Freddie Mac announced that it would no longer purchase interest-only mortgages and Fannie Mae changed its eligibility criteria for purchasing and securitizing ARMs to protect consumers from potentially dramatic payment increases. Our targeted assets include Agency RMBS that may be backed by, and prime jumbo mortgage loans that may include, ARMs and hybrid ARMs. Tighter underwriting standards by Freddie Mac or Fannie Mae could reduce the supply of ARMs, resulting in a reduction in the availability of the asset class. More lenient underwriting standards could also substantially reduce the supply and attractiveness of investments in non-Agency MBS.

Our Manager relies on analytical models and other data to analyze potential asset acquisition and disposition opportunities and to manage our portfolio. These models could cause us to purchase assets that do not meet our expectations or to make asset management decisions that are not in line with our strategy.

Our Manager relies on analytical models and information and data supplied by third parties. These models and data may be used to value assets or potential asset acquisitions and dispositions and also in connection with our asset management activities. If these models and data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon could expose us to potential risks. Our Manager’s use of models and data may induce it to purchase certain assets at prices that are too high, sell certain other assets at prices that are too low or miss favorable opportunities altogether. Similarly, any hedging activities that are based on faulty models and data may prove to be unsuccessful.

Some models, such as prepayment models or mortgage default models, may be predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses. In addition, the predictive models used by our Manager may differ substantially from those models used by other market participants, with the result that valuations based on these predictive models

may be substantially higher or lower for certain assets than actual market prices. Furthermore, because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data, and, in the case of predicting performance in scenarios with little or no historical precedent (such as extreme broad-based declines in home prices, or deep economic recessions or depressions), such models must employ greater degrees of extrapolation, and are therefore more speculative and of more limited reliability.

All valuation models rely on correct market data inputs. If incorrect market data is entered into even a well-founded valuation model, the resulting valuations will be incorrect. However, even if market data is input correctly, "model prices" will often differ substantially from market prices, especially for securities with complex characteristics or whose values are particularly sensitive to various factors. If our market data inputs are incorrect or our model prices differ substantially from market prices, our business, financial condition and results of operations and our ability to make distributions to our stockholders could be materially adversely affected.

Valuations of some of our assets will be inherently uncertain, may be based on estimates, may fluctuate over short periods of time and may differ from the values that would have been used if a ready market for these assets existed.

While in many cases our determination of the fair value of our assets will be based on valuations provided by third-party dealers and pricing services, we will value assets based upon our judgment, and such valuations may differ from those provided by third-party dealers and pricing services. Valuations of certain assets are often difficult to obtain or unreliable. In general, dealers and pricing services heavily disclaim their valuations. Additionally, dealers may claim to furnish valuations only as an accommodation and without special compensation, and so they may disclaim any and all liability for any direct, incidental or consequential damages arising out of any inaccuracy or incompleteness in valuations, including any act of negligence or breach of any warranty. Depending on the complexity and illiquidity of an asset, valuations of the same asset can vary substantially from one dealer or pricing service to another. The valuation process has been particularly difficult recently because market events have made valuations of certain assets unpredictable, and the disparity of valuations provided by third-party dealers has widened.

Our business, financial condition and results of operations and our ability to make distributions to our stockholders could be materially adversely affected if our fair value determinations of these assets were materially higher than the values that would exist if a ready market existed for these assets.

Increases in interest rates could adversely affect the value of our assets and cause our interest expense to increase, which could result in reduced earnings or losses and negatively affect our profitability as well as the cash available for distribution to stockholders.

Our operating results will depend in large part on the difference between the income from our assets, net of credit losses, and financing costs. We anticipate that, in many cases, the income from our assets will respond more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, changes in interest rates, particularly short-term interest rates, may significantly influence our financial results.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Interest rate fluctuations present a variety of risks, including the risk of a narrowing of the difference between asset yields and borrowing rates, flattening or inversion of the yield curve and fluctuating prepayment rates.

The relationship between short-term and longer-term interest rates is referred to as the "yield curve." In a normal yield curve environment, generally fixed income assets decline in value if interest rates increase. If long-term rates increased significantly, not only will the market value of these assets be expected to decline, but the duration and weighted-average life of the assets could increase as well because borrowers are less likely to

prepay mortgages. Further, an increase in short-term interest rates would increase the rate of interest payable on any repurchase agreements required to finance these securities more rapidly than the interest earned on our assets.

Subject to qualifying and maintaining our qualification as a REIT, we will endeavor to economically hedge our exposure to changes in interest rates, but there can be no assurances that our hedges will be successful, or that we will be able to enter into or maintain such hedges. As a result, interest rate fluctuations can cause significant losses, reductions in income, and limitations on our cash available for distribution to stockholders.

An increase in interest rates may cause a decrease in the volume of certain of our target assets, which could adversely affect our ability to acquire target assets that satisfy our investment objectives and to generate income and pay dividends.

Rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may affect the volume of target assets available to us, which could adversely affect our ability to acquire assets that satisfy our investment objectives. Rising interest rates may also cause our target assets that were issued prior to an interest rate increase to provide yields that are below prevailing market interest rates. If rising interest rates cause us to be unable to acquire a sufficient volume of our target assets with a yield that is above our borrowing cost, our ability to satisfy our investment objectives and to generate income and pay dividends may be materially and adversely affected.

The lack of liquidity of our assets may adversely affect our business, including our ability to sell our assets.

We may acquire assets or other instruments that are not liquid, including securities and other instruments that are not publicly traded, and market conditions could significantly and negatively affect the liquidity of other assets. In particular, Excess MSRs are highly illiquid and subject to numerous restrictions on transfers. The duties and obligations of mortgage servicers are defined through contractual agreements. These contracts generally require that holders of Excess MSRs obtain a third-party consent prior to any change of ownership of such Excess MSRs. Such approval may be withheld for any reason or no reason in the discretion of the third party. Additionally, investments in Excess MSRs are a new type of transaction, and there have been extremely few investment products that pursue a similar investment strategy. Accordingly, the risks associated with the transaction and structure are not fully known to buyers or sellers. As a result of the foregoing, there is some risk that we will be unable to locate a buyer at the time we wish to sell an Excess MSR. Additionally, there is some risk that we will be required to dispose of Excess MSRs either through an in-kind distribution or other liquidation vehicle, which will, in either case, provide little or no economic benefit to us, or a sale to a co-investor in the Excess MSR, which may be an affiliate. Therefore, we cannot provide any assurance that we will obtain any return or any benefit of any kind from any disposition of Excess MSRs.

In addition, mortgage-related assets generally experience periods of illiquidity, including the recent period of delinquencies and defaults with respect to residential and commercial mortgage loans. In addition, validating third-party pricing for illiquid assets may be more subjective than more liquid assets. Any illiquidity of our assets may make it difficult for us to sell such assets if the need or desire arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we previously recorded our assets. We may also face other restrictions on our ability to liquidate any assets for which we or our Manager has or could be attributed with material non-public information. If we are unable to sell our assets at favorable prices or at all, it could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders. Assets that are illiquid are more difficult to finance, and to the extent that we use leverage to finance assets that become illiquid we may lose that leverage or have it reduced. Assets tend to become less liquid during times of financial stress, which is often the time that liquidity is most needed. As a result, our ability to sell assets or vary our portfolio in response to changes in economic and other conditions may be limited by liquidity constraints, which could adversely affect our results of operations and financial condition.

The failure of servicers to service effectively the mortgage loans underlying the Non-Agency RMBS in our investment portfolio or any mortgage loans we own would materially and adversely affect us.

Most securitizations of residential mortgage loans require a servicer to manage collections on each of the underlying loans. Both default frequency and default severity of loans may depend upon the quality of the servicer. If servicers are not vigilant in encouraging borrowers to make their monthly payments, the borrowers may be far less likely to make these payments, which could result in a higher frequency of default. If servicers take longer to liquidate non-performing assets, loss severities may tend to be higher than originally anticipated. The failure of servicers to effectively service the mortgage loans underlying the non-Agency RMBS in our investment portfolio or any mortgage loans we own could negatively impact the value of our investments and our performance. Servicer quality is of prime importance in the default performance of non-Agency RMBS. Many servicers have gone out of business in recent years, requiring a transfer of servicing to another servicer. This transfer takes time and loans may become delinquent because of confusion or lack of attention. When servicing is transferred, servicing fees may increase, which may have an adverse effect on the credit support of non-Agency RMBS held by us. In the case of pools of securitized loans, servicers may be required to advance interest on delinquent loans to the extent the servicer deems those advances recoverable. In the event the servicer does not advance funds, interest may be interrupted even on more senior securities. Servicers may also advance more than is in fact recoverable once a defaulted loan is finally liquidated, and the loss to the securitization trust may be greater than the outstanding principal balance of that loan (greater than 100% loss severity).

We may be affected by deficiencies in foreclosure practices of third parties, as well as related delays in the foreclosure process.

One of the biggest risks overhanging the RMBS market has been uncertainty around the timing and ability of servicers to remove delinquent borrowers from their homes, so that they can liquidate the underlying properties and ultimately pass the liquidation proceeds through to RMBS holders. Given the magnitude of the housing crisis, and in response to the well-publicized failures of many servicers to follow proper foreclosure procedures (such as involving “robo-signing”), mortgage servicers are being held to much higher foreclosure-related documentation standards than they previously were. However, because many mortgages have been transferred and assigned multiple times (and by means of varying assignment procedures) throughout the origination, warehouse and securitization processes, mortgage servicers are generally having much more difficulty furnishing the requisite documentation to initiate or complete foreclosures. This leads to stalled or suspended foreclosure proceedings, and ultimately additional foreclosure-related costs. Foreclosure-related delays also tend to increase ultimate loan loss severities as a result of property deterioration, amplified legal and other costs, and other factors. Servicers have generally maintained that most of their problems are process-oriented and can be fixed in the near term; however, many factors delaying foreclosure, such as borrower lawsuits and judicial backlog and scrutiny, are outside of servicers’ control and have delayed, and will likely continue to delay, foreclosure processing in both judicial states (where foreclosures require court involvement) and non-judicial states.

The risk of extended foreclosure timelines is very difficult to quantify, and uncertainty has often been magnified by court cases with conflicting outcomes. Recent announcements of deficiencies in foreclosure documentation by, among others, several large mortgage servicers have raised various concerns relating to foreclosure practices. A number of mortgage servicers have temporarily suspended foreclosure proceedings in some or all states in which they do business while they review and correct their foreclosure practices. In addition, on February 9, 2012, a group consisting of state attorneys general and state bank and mortgage regulators in 49 states reached a settlement with the largest mortgage servicers regarding foreclosure practices in the states’ various jurisdictions. The extension of foreclosure timelines also increases the inventory backlog of distressed homes on the market and creates greater uncertainty about housing prices. Prior to making an opportunistic investment in non-Agency RMBS or an investment in Excess MSRs related to mortgage loans other than conforming mortgage loans or FHA and VA mortgage loans, we expect our Manager to carefully consider many factors, including housing prices and foreclosure timelines, and estimate loss assumptions. The concerns about

deficiencies in foreclosure practices of servicers and related delays in the foreclosure process may impact our loss assumptions and affect the values of, and our returns on, our investments in these assets.

We intend to use leverage in executing our business strategy, which may adversely affect the return on our assets and may reduce cash available for distribution to our stockholders, as well as increase losses when economic conditions are unfavorable.

We intend to use leverage to finance our investment operations and to enhance our financial returns. We expect that our primary source of leverage will be short-term borrowings under master repurchase agreements collateralized by our Agency RMBS assets. Other sources of leverage may include credit facilities, including term loans and revolving credit facilities.

Through the use of leverage, we may acquire positions with market exposure significantly greater than the amount of capital committed to the transaction. Although we are not required to maintain any particular minimum or maximum target debt-to-equity leverage ratio with respect to our Agency RMBS assets, the amount of leverage we may employ for this asset class will depend upon the availability of particular types of financing and our Manager's assessment of the credit, liquidity, price volatility, financing counterparty risk and other factors. Our Manager's Investment Committee will have discretion, without the need for further approval by our board of directors, to change the amount of leverage we utilize for our Agency RMBS. We do not have a targeted debt-to-equity ratio for our Agency RMBS, although currently we expect that our debt-to-equity ratio initially will be approximately 8:1 for our Agency RMBS assets and could be as high as 10:1 depending on market conditions. We intend to use leverage for the primary purpose of financing our Agency RMBS portfolio and not for the purpose of speculating on changes in interest rates. We may, however, be limited or restricted in the amount of leverage we may employ by the terms and provisions of any financing or other agreements that we may enter into in the future, and we may be subject to margin calls as a result of our financing activity. In the future, we expect to acquire prime jumbo mortgage loans. We anticipate evaluating leverage policies for prime jumbo mortgage loans at such time. Currently, we do not intend to acquire non-Agency RMBS, but we may do so in the future, and we anticipate evaluating leverage policies for this asset class if and when we begin to acquire this asset class.

Our ability to achieve our investment and leverage objectives will depend on our ability to borrow money in sufficient amounts and on favorable terms. In addition, we must be able to renew or replace our maturing borrowings on a continuous basis. In recent years, investors and financial institutions that lend in the securities repurchase market have tightened lending standards in response to the difficulties and changed economic conditions that have materially adversely affected the RMBS market. These market disruptions have been most pronounced in the non-Agency RMBS market, and the impact has also extended to Agency RMBS, which has made the value of these assets unstable and relatively illiquid compared to prior periods. This could potentially increase our financing costs and reduce our liquidity. In addition, because we intend to rely on short-term financing, we are exposed to changes in the availability of financing. For example, the terms of a repurchase transaction under a master repurchase agreement is typically 30 to 90 days. Because repurchase agreements are short-term commitments of capital, lenders may respond to market conditions making it more difficult for us to secure continued financing.

Leverage will magnify both the gains and the losses of our positions. Leverage will increase our returns as long as we earn a greater return on investments purchased with borrowed funds than our cost of borrowing such funds. However, if we use leverage to acquire an asset and the value of the asset decreases, the leverage will increase our losses. Even if the asset increases in value, if the asset fails to earn a return that equals or exceeds our cost of borrowing, the leverage will decrease our returns.

We may be required to post large amounts of cash as collateral or margin to secure our leveraged positions. In the event of a sudden, precipitous drop in value of our financed assets, we might not be able to liquidate assets quickly enough to repay our borrowings, further magnifying losses. Even a small decrease in the value of a leveraged asset may require us to post additional margin or cash collateral. This may decrease the cash available

to us for distributions to stockholders, which could adversely affect the price of our common stock. In addition, our debt service payments will reduce cash flow available for distribution to stockholders. We may not be able to meet our debt service obligations. To the extent that we cannot meet our debt service obligations, we risk the loss of some or all of our assets to sale to satisfy our debt obligations.

To the extent we might be compelled to liquidate qualifying real estate assets to repay debts, our compliance with the REIT rules regarding our assets and our sources of income could be negatively affected, which could jeopardize our qualification as a REIT. Failing to qualify as a REIT would cause us to be subject to U.S. federal income tax (and any applicable state and local taxes) on all of our income and decrease profitability and cash available for distributions to stockholders.

We may not be able to achieve our optimal leverage or target leverage ratios.

We will use leverage as a strategy to increase the return to our investors. However, we may not be able to achieve our desired leverage for any of the following reasons:

- we determine that the leverage would expose us to excessive risk;
- our lenders do not make funding available to us at acceptable rates or on acceptable terms; or
- our lenders require that we provide additional collateral to cover our borrowings.

In addition, if we exceed our target leverage ratios the potential adverse impact on our financial condition and results of operation described above may be amplified.

We may incur increased borrowing costs.

Our borrowing costs may vary depending upon a number of factors, including, without limitation:

- the movement of interest rates;
- the availability of financing in the market, including the financial stability of lenders; and
- the value and liquidity of our RMBS.

Most of our borrowings will be collateralized borrowings in the form of repurchase transactions under master repurchase agreements, which will be generally adjustable and relate to short-term interest rates such as LIBOR or a short-term U.S. Treasury index. If the interest rates on these borrowings increase, our business, financial condition and results of operations and our ability to pay distributions to our stockholders could be materially adversely affected.

Adverse market developments could cause our lenders to require us to pledge additional assets as collateral. If our assets were insufficient to meet these collateral requirements, we might be compelled to liquidate particular assets at inopportune times and at unfavorable prices.

Adverse market developments, including a sharp or prolonged rise in interest rates, a change in prepayment rates or increasing market concern about the value or liquidity of one or more types of our target assets, might reduce the market value of our portfolio, which might cause our lenders to initiate margin calls. A margin call means that the lender requires us to pledge additional collateral to re-establish the ratio of the value of the collateral to the amount of the borrowing. The specific collateral value to borrowing ratio that would trigger a margin call is not set in our master repurchase agreements and will not be determined until we engage in a repurchase transaction under these agreements. If we are unable to satisfy margin calls, our lenders may foreclose on our collateral. The threat of or occurrence of a margin call could force us to sell, either directly or through a foreclosure, our assets under adverse market conditions. Because we intend to use leverage, we may incur losses upon the threat or occurrence of a margin call, which could materially adversely affect our business, financial

condition and results of operations and our ability to pay distributions to our stockholders. Additionally, the liquidation of collateral may jeopardize our ability to qualify as a REIT. Our failure to qualify as a REIT would cause us to be subject to U.S. federal income tax (and any applicable state and local taxes) on all of our income and decrease profitability and cash available for distribution to our stockholders.

If we are unable to negotiate favorable terms and conditions under our master repurchase arrangements, our financial condition and earnings could be negatively impacted.

The terms and conditions of each of our repurchase transactions will be negotiated on a transaction-by-transaction basis, and these borrowings generally will be re-established, or rolled, at maturity. Key terms and conditions of each transaction will include interest rates, maturity dates, asset pricing procedures and margin requirements. We cannot assure you that we will be able to negotiate favorable terms and conditions on our repurchase transactions. In addition, our counterparties may require less favorable pricing procedures or increased margin requirements during periods of market illiquidity or due to perceived credit quality deterioration of the collateral pledged.

Our use of repurchase transactions may give our lenders greater rights in the event that either we or any of our lenders file for bankruptcy, which may make it difficult for us to recover our collateral in the event of a bankruptcy filing.

Our borrowings under master repurchase agreements may qualify for special treatment under the bankruptcy code, giving our lenders the ability to void the automatic stay provisions of the bankruptcy code and take possession of and liquidate collateral pledged in our repurchase transactions without delay if we file for bankruptcy. Furthermore, the special treatment of repurchase agreements under the bankruptcy code may make it difficult for us to recover our pledged assets in the event that any of our lenders files for bankruptcy. Thus, the use of repurchase transactions exposes our pledged assets to risk in the event of a bankruptcy filing by either our lenders or us.

If our lenders default on their obligations to resell the RMBS back to us at the end of the repurchase transaction term, the value of the RMBS has declined by the end of the repurchase transaction term or we default on our obligations under the repurchase transaction, we will lose money on these transactions, which, in turn, may materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

When we engage in a repurchase transaction, we will initially sell securities to the financial institution in exchange for cash and our counterparty will be obligated to resell the securities to us at the end of the term of the transaction, which is typically from 30 to 180 days, but which may have terms up to 364 days or more. The cash we will receive when we initially sell the securities will be less than the value of those securities, which is referred to as the haircut. Many financial institutions from whom we may obtain repurchase financing have increased their haircuts in the past and may do so again in the future. If these haircuts are increased we will be required to post additional cash collateral for our Agency RMBS. If our counterparty defaults on its obligation to resell the securities to us, we would incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). We would also lose money on a repurchase transaction if the value of the underlying securities has declined as of the end of the transaction term, as we would have to repurchase the securities for their initial value but would receive securities worth less than that amount. Any losses we incur on our repurchase transactions could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

If we default on one of our obligations under a repurchase transaction, the counterparty can terminate the transaction and cease entering into any other repurchase transactions with us. In that case, we would likely need to establish a replacement repurchase facility with another financial institution in order to continue to leverage our portfolio and carry out our investment strategy. There is no assurance we would be able to establish a suitable replacement facility on acceptable terms or at all.

Hedging against interest rate changes and other risks may materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Subject to qualifying and maintaining our qualification as a REIT and exemption from registration under the Investment Company Act, we may pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates. Our hedging activity would vary in scope based on the level and volatility of interest rates, the types of liabilities and assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related assets or liabilities being hedged;
- to the extent hedging transactions do not satisfy certain provisions of the Internal Revenue Code of 1986, as amended, or the Code, and are not made through a TRS, the amount of income that a REIT may earn from hedging transactions to offset interest rate losses is limited by U.S. federal tax provisions governing REITs;
- the value of derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value. Downward adjustments or "mark-to-market losses," would reduce our stockholders' equity;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

Our hedging transactions, which would be intended to limit losses, may actually adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

Our use of certain hedging techniques may expose us to counterparty risks.

If an interest rate swap counterparty cannot perform under the terms of the interest rate swap, we may not receive payments due under that swap, and thus, we may lose any unrealized gain associated with the interest rate swap. The hedged liability could cease to be hedged by the interest rate swap. Additionally, we may also risk the loss of any collateral we have pledged to secure our obligations under the interest rate swap if the counterparty becomes insolvent or files for bankruptcy. If we are required to sell our derivatives under these circumstances, we may incur losses. Similarly, if an interest rate cap counterparty fails to perform under the terms of the interest rate cap agreement, in addition to not receiving payments due under that agreement that would off-set our interest expense, we could also incur a loss for all remaining unamortized premium paid for that agreement.

Hedging instruments and other derivatives may not, in many cases, be traded on regulated exchanges, or may not be guaranteed or regulated by any U.S. or foreign governmental authorities and involve risks and costs that could result in material losses.

Hedging instruments and other derivatives, including credit default swaps, involve risk because they may not, in many cases, be traded on regulated exchanges and may not be guaranteed or regulated by any U.S. or foreign governmental authorities. Consequently, for these instruments there are no requirements with respect to record keeping, financial responsibility or segregation of customer funds and compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. While Title VII of the Dodd Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank Act, provides for new federal regulation of the swaps market and sweeping changes to its structure, the provisions of Title VII that will have the most fundamental impact on the swaps

market have not been finalized. Any such rulemaking may make our hedging more difficult to obtain or increase costs. Our Manager is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Furthermore, our Manager has only a limited internal credit function to evaluate the creditworthiness of its counterparties, mainly relying on its experience with such counterparties and their general reputation as participants in these markets. The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in a default under the hedging agreement. Default by a party with whom we enter into a hedging transaction may result in losses and may force us to re-initiate similar hedges with other counterparties at the then-prevailing market levels. Generally we will seek to reserve the right to terminate our hedging transactions upon a counterparty's insolvency, but absent an actual insolvency, we may not be able to terminate a hedging transaction without the consent of the hedging counterparty, and we may not be able to assign or otherwise dispose of a hedging transaction to another counterparty without the consent of both the original hedging counterparty and the potential assignee. If we terminate a hedging transaction, we may not be able to enter into a replacement contract in order to cover our risk. There can be no assurance that a liquid secondary market will exist for hedging instruments purchased or sold, and therefore we may be required to maintain any hedging position until exercise or expiration, which could materially adversely affect our business, financial condition and results of operations.

The U.S. Commodity Futures Trading Commission, or CFTC, and certain commodity exchanges have established limits referred to as speculative position limits or position limits on the maximum net long or net short position which any person or group of persons may hold or control in particular futures and options. Limits on trading in options contracts also have been established by the various options exchanges. It is possible that trading decisions may have to be modified and that positions held may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Changes in regulations relating to swaps activities may cause us to limit our swaps activity or subject us and our Manager to additional disclosure, recordkeeping, and other regulatory requirements.

The enforceability of agreements underlying hedging transactions may depend on compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. Recently, new regulations have been promulgated by U.S. and foreign regulators attempting to strengthen oversight of derivative contracts. Any actions taken by regulators could constrain our strategy and could increase our costs, either of which could materially and adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders. In particular, the Dodd-Frank Act requires most derivatives to be executed on a regulated market and cleared through a central counterparty, which may result in increased margin requirements and costs. On December 7, 2012, the CFTC issued a No-Action Letter that provides mortgage REITs relief from such registration, or No-Action Letter, if they meet certain conditions and submit a claim for such no-action relief. We believe we meet the conditions set forth in the No-Action Letter and we intend to file our claim with the CFTC to perfect the use of the no-action relief from registration. However, if in the future we do not meet the conditions set forth in the No-Action Letter or the relief provided by the No-Action Letter becomes unavailable for any other reason, we may need to seek to obtain another exemption from registration or our Manager may be required to register as a "commodity pool operator" with the CFTC. If our Manager is required to register with the CFTC as a commodity pool operator, our Manager would become subject to obtain disclosure, recordkeeping and reporting requirements, which may increase our expenses.

We may change our investment strategy, investment guidelines and asset allocation without notice or stockholder consent, which may result in riskier investments. In addition, our charter provides that our board of directors may authorize us to revoke or otherwise terminate our REIT election, without the approval of our stockholders.

Our board of directors has the authority to change our investment strategy or asset allocation at any time without notice to or consent from our stockholders. To the extent that our investment strategy changes in the

future, we may make investments that are different from, and possibly riskier than, the investments described in this prospectus. A change in our investment or leverage strategy may increase our exposure to interest rate and real estate market fluctuations or require us to sell a portion of our existing investments, which could result in gains or losses and therefore increase our earnings volatility. Decisions to employ additional leverage in executing our investment strategies could increase the risk inherent in our asset acquisition strategy. Furthermore, a change in our asset allocation could result in our allocating assets in a different manner than as described in this prospectus.

In addition, our charter provides that our board of directors may authorize us to revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to qualify as a REIT. These changes could adversely affect our financial condition, results of operations, the market value of our common stock, and our ability to make distributions to our stockholders.

We operate in a highly competitive market.

Our profitability depends, in large part, on our ability to acquire targeted assets at favorable prices. We compete with a number of entities when acquiring our targeted assets, including other mortgage REITs, financial companies, public and private funds, commercial and investment banks and residential and commercial finance companies. We may also compete with the U.S. Federal Reserve and the U.S. Treasury to the extent they purchase assets in our targeted asset classes. Many of our competitors are substantially larger and have considerably greater access to capital and other resources than we do. Furthermore, new companies with significant amounts of capital have recently been formed or have raised additional capital, and may continue to be formed and raise additional capital in the future, and these companies may have objectives that overlap with ours, which may create competition for assets we wish to acquire. Some competitors may have a lower cost of funds and access to funding sources that are not available to us, such as funding from the U.S. Government. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of assets to acquire and establish more relationships than us. We also may have different operating constraints from those of our competitors including, among others, (i) tax-driven constraints such as those arising from our qualification as a REIT, (ii) restraints imposed on us by our attempt to comply with certain exclusions from the definition of an “investment company” or other exemptions under the Investment Company Act and (iii) restraints and additional costs arising from our status as a public company. Furthermore, competition for assets in our targeted asset classes may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations.

Our ability to make distributions to our stockholders will depend on our operating results, our financial condition and other factors, and we may not be able to make regular cash distributions at a fixed rate or at all under certain circumstances.

We intend to make distributions to our stockholders in amounts such that we distribute all or substantially all of our taxable income in each year (subject to certain adjustments). This distribution policy will enable us to avoid being subject to U.S. federal income tax on our taxable income that we distribute to our stockholders. However, our ability to make distributions will depend on our earnings, applicable law, our financial condition and such other factors as our board of directors may deem relevant from time to time. We may not make an initial distribution until a significant portion of the proceeds of this offering have been invested. We will declare and make distributions to our stockholders only to the extent approved by our board of directors.

The recent actions of the U.S. Government for the purpose of stabilizing the financial markets may adversely affect our business, financial condition and results of operations and our ability to pay dividends to our stockholders.

The U.S. Government, through the U.S. Federal Reserve, the U.S. Treasury, the U.S. Securities and Exchange Commission, or SEC, the FHA, the FDIC and other governmental and regulatory bodies have taken or

are considering taking various actions to address the financial crisis. For example, on July 21, 2010 President Obama signed into law the Dodd-Frank Act. Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on us and, more generally, the financial services and mortgage industries. For example, the Dodd-Frank Act places restrictions on residential mortgage loan originations and reforms the asset-backed securitization markets most notably by imposing credit requirements. The Dodd-Frank Act also imposes requirements on originators to make reasonable, good faith determinations regarding a consumer's ability to repay a loan, subject to certain exceptions for qualified mortgages. Moreover, it is also possible that regulators or regulatory bodies, such as the Financial Stability Oversight Council, a panel comprising top U.S. financial regulators, may scrutinize or seek to implement changes to regulation which could negatively impact mortgage REITs such as ourselves. Additionally, we cannot predict whether there will be additional proposed laws or reforms that would affect us, whether or when such changes may be adopted, how such changes may be interpreted and enforced or how such changes may affect us. However, the costs of complying with any additional laws or regulations could have a material adverse effect on our business, financial condition and results of operations and our ability to pay dividends to our stockholders.

We are highly dependent on communications and information systems operated by third parties, and systems failures could significantly disrupt our business and negatively impact our operating results.

Our business is highly dependent on communications and information systems that allow us to monitor, value, buy, sell, finance and hedge our investments. These systems are operated by third parties and, as a result, we have limited ability to ensure continued operation. In the event of systems failure or interruption, we will have limited ability to affect the timing and success of systems restoration. Any failure or interruption of our systems could cause delays or other problems in our securities trading activities which could have a material adverse effect on our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

The residential mortgage loans and other residential mortgage assets in which we may invest are subject to risk of default, among other risks.

The mortgage-related assets that we may acquire from time to time may be subject to defaults, foreclosure timeline extension, fraud, residential price depreciation and unfavorable modification of loan principal amount, interest rate and amortization of principal, which could result in losses to us. Residential mortgage loans are secured by single-family residential property and, when not guaranteed by an agency, are subject to risks of delinquency and foreclosure and risks of loss. The payment of the principal and interest on the prime jumbo mortgage loans we may acquire are not guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. The ability of a borrower to repay a loan secured by a residential property typically is dependent upon the income or assets of the borrower. A number of factors, including a general economic downturn, acts of nature, terrorism, social unrest and civil disturbances, may impair borrowers' abilities to repay their loans. In the event of any default under a mortgage loan held directly by us, we bear a risk of loss of the principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on our cash flow from operations. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor in possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process, which could have a substantial negative effect on our anticipated return on a foreclosed mortgage loan. RMBS evidence interests in, or are secured by, pools of residential mortgage loans. Accordingly, the RMBS in which we will invest may be subject to all of the risks of the respective underlying mortgage loans.

The mortgage origination business is subject to special litigation and regulatory risks.

Because we intend to invest in Excess MSRs, our business strategy is dependent on our relationships and arrangements with mortgage origination companies. The laws and regulations of the various jurisdictions in

which companies in the financial services industry conduct their mortgage lending business are complex, frequently changing and, in some cases, in direct conflict with each other. In particular, this business is subject to various laws, regulations and guidance that restrict non-prime loan origination or purchase activities. Some of these laws and regulations provide for assignee liability for warehouse lenders, whole loan buyers and securitization trusts. In addition, the downturn in the U.S. residential real estate market has resulted in increased regulatory scrutiny, and may result in increased complaints and claims, relating to non-prime mortgage origination practices, and further difficulties in the mortgage markets could result in increased exposure to liability, including possible civil and criminal liability, demands for indemnification or loan repurchases from purchasers of such loans (including securitization trusts), class action lawsuits or administrative enforcement actions. Furthermore, loans originated by a broker or other residential mortgage loan originator that is not properly licensed may be void or voidable. To the extent the mortgage origination companies we do business with face significant regulatory scrutiny or litigation risk, our investments in the Excess MSRs generated by these originators may be negatively impacted.

Residential whole mortgage loans are subject to increased risks.

We may acquire and manage pools of residential whole mortgage loans. Residential whole mortgage loans are subject to increased risks of loss. Unlike Agency RMBS, whole mortgage loans generally are not guaranteed by the U.S. Government or any GSE, though in some cases they may benefit from private mortgage insurance. Additionally, by directly acquiring whole mortgage loans, we do not receive the structural credit enhancements that benefit senior tranches of RMBS. A whole mortgage loan is directly exposed to losses resulting from default. Therefore, the value of the underlying property, the creditworthiness and financial position of the borrower and the priority and enforceability of the lien will significantly impact the value of such mortgage. In the event of a foreclosure, we may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may not be sufficient to recover our cost basis in the loan, and any costs or delays involved in the foreclosure or liquidation process may increase losses.

Whole mortgage loans are also subject to “special hazard” risk (property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property insurance policies), and to bankruptcy risk (reduction in a borrower’s mortgage debt by a bankruptcy court). In addition, claims may be assessed against us on account of our position as a mortgage holder or property owner, including assignee liability, responsibility for tax payments, environmental hazards and other liabilities. In some cases, these liabilities may be “recourse liabilities” or may otherwise lead to losses in excess of the purchase price of the related mortgage or property.

To the extent that due diligence is conducted on potential assets, such due diligence may not reveal all of the risks associated with such assets and may not reveal other weaknesses in such assets, which could lead to losses.

Before making an investment, our Manager intends to conduct (either directly or using third parties) certain due diligence. There can be no assurance that our Manager will conduct any specific level of due diligence, or that, among other things, our Manager’s due diligence processes will uncover all relevant facts or that any purchase will be successful, which could result in losses on these assets, which, in turn, could adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Our compliance with the Sarbanes-Oxley Act and SEC rules concerning internal controls will be time-consuming, difficult, and costly.

Under Section 404 of the Sarbanes-Oxley Act and current SEC regulations, we will be required to furnish a report by our management on our internal control over financial reporting beginning with our Annual Report on Form 10-K for our fiscal year ending December 31, 2014. We will soon begin the process of documenting and testing our internal control procedures in order to satisfy these requirements, which is likely to result in increased

general and administrative expenses and may shift management's time and attention from revenue-generating activities to compliance activities. While we expect to expend significant resources to complete this important project, we may not be able to achieve our objective on a timely basis. It will be time-consuming, difficult and costly for us to develop and implement the internal controls, processes and reporting procedures required by the Sarbanes-Oxley Act. Our Manager may need to hire additional personnel to maintain our books and records and prepare our financial statements in accordance with GAAP, and if our Manager is unable to comply with the requirements of the legislation we may not be able to assess our internal controls over financial reporting to be effective in compliance with the Sarbanes-Oxley Act.

The real estate assets and real estate-related assets (including mortgage loans and RMBS) we intend to or may invest in are subject to the risks associated with real property.

We expect to acquire assets that are secured by real estate and we may own real estate directly in the future, either through direct acquisitions or upon a default of mortgage loans. Real estate assets are subject to various risks, including;

- continued declines in the value of real estate;
- acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses;
- acts of war or terrorism, including the consequences of terrorist attacks, such as those that occurred on September 11, 2001;
- adverse changes in national and local economic and market conditions;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- costs of remediation and liabilities associated with environmental conditions such as indoor mold; and
- the potential for uninsured or under-insured property losses.

The occurrence of any of the foregoing or similar events may reduce our return from an affected property or asset and, consequently, materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Risks Related to our Relationship with our Manager and Freedom Mortgage

Our Manager has no experience operating a REIT and we cannot assure you that our Manager's past experience will be sufficient to successfully manage our business as a REIT.

Our Manager has no experience operating a REIT. The REIT provisions of the Code are complex, and any failure to comply with those provisions in a timely manner could prevent us from qualifying as a REIT or force us to pay unexpected taxes and penalties. In such event, our net income would be reduced and we could incur a loss.

Our Manager has no prior experience operating a public company and therefore may have difficulty in successfully and profitably operating our business or complying with regulatory requirements, including the Sarbanes-Oxley Act, which may hinder their ability to achieve our objectives.

Prior to this offering, our Manager has no experience operating a public company or complying with regulatory requirements, including the Sarbanes-Oxley Act. Our Manager's inexperience may hinder our Manager's ability to achieve our objectives and we cannot assure you that we will be able to successfully execute our business strategies as a public company, or comply with regulatory requirements applicable to public companies.

We are dependent on our Manager and certain key personnel of Freedom Mortgage that are or will be provided to us through our Manager and may not find a suitable replacement if our Manager terminates the management agreement or such key personnel are no longer available to us.

We do not have any employees of our own. Our officers are employees of Freedom Mortgage. We have no separate facilities and are completely reliant on our Manager, which has significant discretion as to the implementation of our operating policies and execution of our business strategies and risk management practices. We also depend on our Manager's access to the professionals and principals of Freedom Mortgage as well as information and deal flow generated by Freedom Mortgage. The employees of Freedom Mortgage identify, evaluate, negotiate, structure, close and monitor our portfolio. The departure of Messrs. Middleman, Lown or Levine or other senior officers of our Manager, or of a significant number of investment professionals or principals of Freedom Mortgage, could have a material adverse effect on our ability to achieve our objectives. We can offer no assurance that our Manager will remain our manager or that we will continue to have access to our Manager's senior management. We are subject to the risk that our Manager will terminate the management agreement or that we may deem it necessary to terminate the management agreement or prevent certain individuals from performing services for us and that no suitable replacement will be found to manage us.

If our management agreement is terminated and no suitable replacement is found to manage us or we are unable to find a suitable replacement on a timely basis, we may not be able to execute our business plan. In addition, our Manager maintains a contractual as opposed to fiduciary relationship with us. No assurances can be given that our Manager will act in our best interests with respect to the allocation of personnel, services and resources to our business. The failure of any of the key personnel of our Manager to service our business with the requisite time and dedication could materially and adversely affect our ability to execute our business plan.

The management fees payable to our Manager are payable regardless of the performance of our portfolio, which may reduce our Manager's incentive to devote the time and effort to seeking profitable opportunities for our portfolio.

We pay our Manager management fees, which may be substantial, based on our stockholders' equity (as defined in the management agreement) regardless of the performance of our portfolio. The management fee takes into account the net issuance proceeds of both common and preferred stock offerings, as well as issuances of equity securities by our operating partnership. Our Manager's entitlement to non-performance-based compensation might reduce its incentive to devote the time and effort of its professionals and Freedom Mortgage's professionals to seeking profitable opportunities for our portfolio, which could result in a lower performance of our portfolio and materially adversely affect our business, financial condition and results of operations.

Our board of directors has approved very broad investment guidelines for our Manager and will not approve each decision made by our Manager to acquire, dispose of, or otherwise manage an asset.

Our Manager is authorized to follow very broad guidelines in pursuing our strategy. Our board of directors will periodically review our guidelines and our portfolio and asset-management decisions. However, it generally will not review all of our proposed acquisitions, dispositions and other management decisions. In addition, in conducting periodic reviews, our board of directors will rely primarily on information provided to them by our Manager. Furthermore, our Manager may arrange for us to use complex strategies or to enter into complex transactions that may be difficult or impossible to unwind by the time they are reviewed by our board of directors. Our Manager has great latitude within the broad guidelines in determining the types of assets it may decide are proper for us to acquire and other decisions with respect to the management of those assets subject to our qualifying and maintaining our qualification as a REIT. Poor decisions could have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Our business strategy heavily relies on our strategic alliance with Freedom Mortgage, particularly with respect to our continuing investment in Excess MSRs, and to the extent the anticipated benefits of our strategic alliance do not materialize, our ability to successfully execute our strategy may be materially adversely affected.

Our business strategy is primarily dependent on our relationship with Freedom Mortgage. We intend to capitalize on this relationship to source opportunities to acquire Excess MSRs on a monthly flow basis from Freedom Mortgage as well as on a bulk basis with Freedom Mortgage. Although we will enter into a purchase agreement with Freedom Mortgage with respect to our investments in Excess MSRs and expect to enter into a strategic alliance agreement and a flow and bulk Excess MSR purchase agreement with respect to future investments, there is no guarantee that we will be successful in negotiating future purchase agreements with Freedom Mortgage for additional Excess MSRs related to mortgage loans that it originates on similar terms or at all. In addition, there is no guarantee that Freedom Mortgage will be successful in completing bulk purchases of MSRs on mortgage loans from third-party servicers. To the extent we are unable to enter into future arrangements with Freedom Mortgage or Freedom Mortgage is unsuccessful in consummating bulk purchases of MSRs, it would have a material adverse effect on our ability to effectively execute our business strategy and would materially and adversely impact our results of operations if we are unable to identify and enter into alternative business arrangements with other service providers.

Although we believe that our strategic alliance agreements generally align our and Freedom Mortgage's economic interests with respect to Excess MSRs, Freedom Mortgage is a separate and distinct investment vehicle with its own business interests and will be under no obligation to maintain its current business strategy. In addition, to the extent we seek to leverage Freedom Mortgage's relationships with third parties to generate future investment opportunities in assets other than Excess MSRs, such as prime jumbo loans, Freedom Mortgage will be under no obligation to co-invest with us or assist us in generating such opportunities.

There will be conflicts of interest in our relationships with our Manager and Freedom Mortgage, which could result in decisions that are not in the best interests of our stockholders.

Our Manager is an affiliate of Freedom Mortgage. Both our Manager and Freedom Mortgage are wholly owned and controlled by Mr. Middleman. Prior to the completion of this offering, we had no independent directors and Mr. Middleman was our sole director.

We are dependent on our Manager for our day-to-day management, and we do not have any employees. Various potential and actual conflicts of interest may arise from the activities of Freedom Mortgage and its affiliates by virtue of the fact that our Manager is controlled by Freedom Mortgage. Our executive officers and the officers and employees of our Manager are also officers or employees of Freedom Mortgage and, with the exception of those officers that are dedicated to us, we compete with Freedom Mortgage for access to those individuals. The ability of our Manager's officers and personnel, with the exception of those officers that are dedicated to us, to engage in other business activities, including the management of Freedom Mortgage, may reduce the time our Manager and certain of its officers and personnel spend managing us.

Our management agreement with our Manager, our strategic alliance agreements between us and Freedom Mortgage and the Excess MSR acquisition and recapture agreements and any other agreements that we may enter into with Freedom Mortgage in the future, whether pursuant to the strategic alliance agreements or otherwise, have been or will be negotiated between related parties and their respective terms, including the purchase price we will pay to Freedom Mortgage for our Excess MSRs, including our investments in Excess MSRs, and the fees and other amounts payable, may not be as favorable to us as if they were negotiated on an arm's-length basis with unaffiliated third parties. Furthermore, we may choose not to enforce, or to enforce less vigorously, our rights under such agreements because of our desire to maintain our ongoing relationships with Freedom Mortgage and our Manager. In the future, Freedom Mortgage may sponsor other vehicles that invest in Excess MSR or prime jumbo loans or other investments, and there may be situations where we compete with affiliates of Freedom Mortgage for opportunities to acquire Excess MSR or prime jumbo mortgage loans or other assets.

Freedom Mortgage is a separate and distinct company with its own business interests and will be under no obligation to maintain its current business strategy. To the extent we seek to leverage Freedom Mortgage's relationships with third parties to generate future investment opportunities, Freedom Mortgage will be under no obligation to co-invest with us in the future or assist us in generating such opportunities, other than pursuant to the terms of our strategic alliance agreements. Freedom Mortgage will be under no obligation, under the terms of the strategic alliance agreement or otherwise, to offer prime jumbo loans or other assets other than Excess MSRs and Freedom Mortgage may offer those assets to third parties without offering such assets to us.

In addition, there may be conflicts of interest inherent in our relationship with our Manager and its affiliates to the extent Freedom Mortgage or our Manager invests in or creates new vehicles to invest in Excess MSRs or other assets in which we may invest or whose investment objectives overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. Members of our board of directors and employees of our Manager who are our officers may serve as officers and/or directors of these other entities. In addition, in the future our Manager or its affiliates may have investments in and/or earn fees from such other investment vehicles that are higher than their economic interests in us and which may therefore create an incentive to allocate investments to such other investment vehicles.

Our management agreement with our Manager generally does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that invest in investments that meet our investment objectives, except that under our management agreement neither our Manager nor any entity controlled by or under common control with our Manager is permitted to raise or sponsor any new pooled investment vehicle whose investment policies, guidelines or plans target as its primary investment category investments in Excess MSRs.

The ability of our Manager and its officers and employees to engage in other business activities, including their employment at Freedom Mortgage, subject to the terms of our management agreement with our Manager, may reduce the amount of time our Manager, its officers or other employees spend managing us. In addition, we may engage (subject to our investment guidelines) in material transactions with Freedom Mortgage or our Manager, including, but not limited to, certain financing arrangements, co-investments in Excess MSRs and purchases of prime jumbo mortgage loans and other assets, that present an actual, potential or perceived conflict of interest. It is possible that actual, potential or perceived conflicts could give rise to investor dissatisfaction, litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential, actual or perceived conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation, which could materially adversely affect our business in a number of ways, including causing an inability to raise additional funds, a reluctance of counterparties to do business with us, a decrease in the prices of our common and preferred securities and a resulting increased risk of litigation and regulatory enforcement actions.

The management agreement that we have entered into with our Manager was not negotiated on an arm's-length basis and may not be as favorable to us as if it had been negotiated with an unaffiliated third party and may be costly and difficult to terminate.

The management agreement that we have entered into with our Manager was negotiated between related parties, and its terms, including fees payable, may not be as favorable to us as if it had been negotiated with an unaffiliated third party. Various potential and actual conflicts of interest may arise from the activities of Freedom Mortgage and its affiliates by virtue of the fact that our Manager is controlled by Freedom Mortgage.

Termination of our management agreement without cause is subject to several conditions which may make such a termination difficult and a significant termination fee could be payable by us. That fee will increase the effective cost to us of terminating the management agreement, thereby adversely affecting our ability to terminate our Manager without cause.

Pursuant to the management agreement, our Manager will not assume any responsibility other than to render the services called for thereunder and will not be responsible for any action of our board of directors in following or declining to follow the Manager's advice or recommendations. Our Manager will maintain a contractual as opposed to a fiduciary relationship with us. Under the terms of the management agreement, our Manager, Freedom Mortgage, and their affiliates and each of their officers, directors, trustees, members, stockholders, partners, managers, Investment Committee members, employees, agents, successors and assigns, will not liable to us for acts or omissions performed in accordance with and pursuant to the management agreement, except because of acts constituting bad faith, willful misconduct, gross negligence, fraud or reckless disregard of their duties under the management agreement. In addition, we will indemnify our Manager, Freedom Mortgage, and their affiliates and each of their officers, directors, trustees, members, stockholders, partners, managers, Investment Committee members, employees, agents, successors and assigns, with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our Manager not constituting bad faith, willful misconduct, gross negligence, fraud or reckless disregard of duties, performed in good faith in accordance with and pursuant to the management agreement.

Our Manager's failure to identify and acquire assets that meet our asset criteria or perform its responsibilities under the management agreement could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Our ability to achieve our objectives depends on our Manager's ability to identify and acquire assets that meet our asset criteria. Accomplishing our objectives is largely a function of our Manager's structuring of our investment process, our access to financing on acceptable terms and general market conditions. Our stockholders will not have input into our investment decisions. All of these factors increase the uncertainty, and thus the risk, of investing in our common stock. In order to implement certain strategies, our Manager may need to hire, train, supervise and manage new employees successfully. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations, our ability to qualify and maintain our qualification as a REIT and our ability to make distributions to our stockholders.

If our Manager ceases to be our Manager pursuant to the management agreement, our lenders and our derivative counterparties may cease doing business with us.

If our Manager ceases to be our Manager, or if one or more of our Managers' key personnel cease to provide services for us, it could constitute an event of default or early termination event under many of our financing and hedging agreements, upon which our counterparties would have the right to terminate their agreements with us. If our Manager ceases to be our Manager for any reason, including upon the non-renewal of our management agreement and we are unable to obtain financing or enter into or maintain derivative transactions, our business, financial condition and results of operations and our ability to make distributions to our stockholders may be materially adversely affected.

Our focus is different from that of Freedom Mortgage and its affiliates.

Freedom Mortgage and its affiliates pursue a business strategy which is related to but differentiated from our strategy. Freedom Mortgage's business strategy focuses primarily on the origination and servicing of mortgage loans. The historical returns of Freedom Mortgage and its affiliates are not indicative of our Manager's or Freedom Mortgage's performance using our strategy and we can provide no assurance that our Manager or Freedom Mortgage will replicate the historical performance of Freedom Mortgage's investment professionals in their previous endeavors.

Risks Related to Our Organizational Structure

Maintenance of our exclusion from regulation as an investment company under the Investment Company Act imposes significant limitations on our operations.

We intend to conduct our operations so that neither we nor any of our subsidiaries is required to register as an investment company under the Investment Company Act. We will conduct our business primarily through our

wholly-owned subsidiaries. The securities issued by our subsidiaries that are excluded from the definition of "investment company" under Section 3(c)(7) of the Investment Company Act, together with other investment securities we may own, cannot exceed 40% of the value of all our assets (excluding U.S. Government securities and cash) on an unconsolidated basis. This requirement limits the types of businesses in which we may engage and the assets we may hold. Certain of our subsidiaries may rely on the exclusion provided by Section 3(c)(5)(C) under the Investment Company Act. Section 3(c)(5)(C) of the Investment Company Act is designed for entities "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exclusion generally requires that at least 55% of the entity's assets on an unconsolidated basis consist of qualifying real estate assets and at least 80% of the entity's assets consist of qualifying real estate assets or real estate-related assets. These requirements limit the assets those subsidiaries can own and the timing of sales and purchases of those assets.

To classify the assets held by our subsidiaries as qualifying real estate assets or real estate-related assets, we will rely on no-action letters and other guidance published by the SEC staff regarding those kinds of assets, as well as upon our analyses (in consultation with outside counsel) of guidance published with respect to other types of assets. There can be no assurance that the laws and regulations governing the Investment Company Act status of companies similar to ours, or the guidance from the SEC or its staff regarding the treatment of assets as qualifying real estate assets or real estate-related assets, will not change in a manner that adversely affects our operations. In fact, in August 2011, the SEC published a concept release in which it asked for comments on this exclusion from regulation. To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon our exemption from the need to register under the Investment Company Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC staff could further inhibit our ability to pursue the strategies that we have chosen. Furthermore, although we intend to monitor the assets of our subsidiaries regularly, there can be no assurance that our subsidiaries will be able to maintain their exclusion from registration. Any of the foregoing could require us to adjust our strategy, which could limit our ability to make certain investments or require us to sell assets in a manner, at a price or at a time that we otherwise would not have chosen. This could negatively affect the value of our common stock, the sustainability of our business model and our ability to make distributions.

The ownership limits in our charter may discourage a takeover or business combination that may have benefited our stockholders.

To assist us in qualifying as a REIT, among other purposes, our charter generally limits the beneficial or constructive ownership of our stock by any person, other than Mr. Middleman, to no more than 9.0% in value or the number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock. This and other restrictions on ownership and transfer of our shares of stock contained in our charter may discourage a change of control of us and may deter individuals or entities from making tender offers for our common stock on terms that might be financially attractive to you or which may cause a change in our management. In addition to deterring potential transactions that may be favorable to our stockholders, these provisions may also decrease your ability to sell our common stock.

Our stockholders' ability to control our operations is severely limited.

Our board of directors approves our major strategies, including our strategies regarding investments, financing, growth, debt capitalization, REIT qualification and distributions. Our board of directors may amend or revise these and other strategies without a vote of our stockholders.

Certain provisions of Maryland law could inhibit a change in our control.

Certain provisions of the Maryland General Corporation Law, or the MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or impeding a change of control under

circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of our common stock, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock or an affiliate or associate of ours who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then-outstanding stock) or an affiliate of an interested stockholder for five years after the most recent date on which the stockholder became an interested stockholder, and thereafter require two supermajority stockholder votes to approve any such combination; and
- "control share" provisions that provide that a holder of "control shares" of the Company (defined as voting shares of stock which, when aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), entitle the acquiror to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares," subject to certain exceptions) generally has no voting rights with respect to the control shares except to the extent approved by our stockholders by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We will elect to opt-out of these provisions of the MGCL, in the case of the business combination provisions, by resolution of our board of directors exempting any business combination between us and any other person (provided that such business combination is first approved by our board of directors, including a majority of our directors who are not affiliates or associates of such person), and in the case of the control share provisions, pursuant to a provision in our bylaws. However, our board of directors may by resolution elect to repeal the foregoing opt-out from the business combination provisions of the MGCL, and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

Our authorized but unissued common and preferred stock may prevent a change in our control.

Our charter authorizes us to issue additional authorized but unissued common stock and preferred stock without stockholder approval. In addition, our board of directors may, without stockholder approval, (i) amend our charter to increase or decrease the aggregate number of our shares of stock or the number of shares of any class or series of stock that we have authority to issue, (ii) classify or reclassify any unissued common stock or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, among other things, our board may establish a class or series of common stock or preferred stock that could delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit your recourse in the event of actions not in your best interest.

Our charter limits the liability of our present and former directors and officers to us and our stockholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law, our present and former directors and officers will not have any liability to us or our stockholders for money damages other than liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment and is material to the cause of action.

In addition, our charter authorizes us to indemnify our present and former directors and officers for actions taken by them in those and other capacities to the maximum extent permitted by Maryland law and our bylaws require us to indemnify our present and former directors and officers, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us as a director or officer in these and other capacities. In addition, we may be obligated to pay or reimburse the expenses incurred by our present and former directors and officers without requiring a preliminary determination of their ultimate entitlement to indemnification. As a result, we and our stockholders may have more limited rights against our present and former directors and officers than might otherwise exist absent the current provisions in our charter and bylaws or that might exist with other companies, which could limit your recourse in the event of actions not in your best interests.

Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our management.

Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for "cause" (as defined in our charter), and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors. Vacancies may be filled only by a majority of the remaining directors in office, even if less than a quorum, for the full term of the directorship in which the vacancy occurred (other than vacancies among any directors elected by the holder or holders of any class or series of preferred stock, if such right exists). These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in our control that is in the best interests of our stockholders.

Our charter generally does not permit ownership in excess of 9.0% of any class or series of our stock, and attempts to acquire our stock in excess of the stock ownership limits will be ineffective unless an exemption is granted by our board of directors.

Our charter generally prohibits beneficial or constructive ownership by any person of more than 9.0% in value or by number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock and contains certain other limitations on the ownership and transfer of our stock. In addition, our charter provides that Mr. Middleman, our Chairman and the founder of Freedom Mortgage, may beneficially or constructively own up to 13.5% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock. Our board of directors, in its sole and absolute discretion, may grant an exemption to certain of these prohibitions, subject to certain conditions and receipt by our board of certain representations, covenants and undertakings. Our board of directors may from time to time increase this ownership limit for one or more persons and may increase or decrease such limit for all other persons. Any decrease in the ownership limit generally applicable to all stockholders will not be effective for any person whose percentage ownership of our stock is in excess of such decreased ownership limit until such time as such person's percentage ownership of our stock equals or falls below such decreased ownership limit, but any further acquisition of our stock in excess of such decreased ownership limit will be in violation of the decreased ownership limit. Our board of directors may not increase the decreased ownership limit (whether for one person or all stockholders) if such increase would allow five or fewer individuals (including certain entities) to beneficially own more than 49.9% in value of our outstanding stock.

Our charter's constructive ownership rules are complex and may cause the outstanding shares of our stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than these percentages of the outstanding shares of any class or series of our stock by an individual or entity could cause that individual or entity to own constructively in excess of these percentages of the outstanding shares of such class or series of our stock and thus violate the ownership limit or other restrictions on ownership and transfer of our stock. Any attempt to own or transfer our common stock or preferred stock (if and when issued) following completion of this offering in excess of the ownership limit without the consent of our board of directors or in a manner that would cause us to be "closely held" under

Section 856(h) of the Code (without regard to whether the stock is held during the last half of a taxable year) or would otherwise cause us to fail to qualify as a REIT will result in the stock being automatically transferred to a trustee for a charitable trust or, if the transfer to the charitable trust is not automatically effective to prevent a violation of the share ownership limits or the restrictions on ownership and transfer of our stock, any such transfer of our shares will be void ab initio. Further, any transfer of our stock that would result in our shares being beneficially owned by fewer than 100 persons will be void ab initio.

Conflicts of interest could arise in the future as a result of our structure.

Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with their oversight of the management of our company. At the same time, we will have fiduciary duties, as a general partner, to our operating partnership and to any limited partners under Delaware law in connection with the management of our operating partnership. Our duties as a general partner to our operating partnership and any of its partners may come into conflict with the duties of our directors and officers. In the event of a conflict between the interests of our stockholders and the interests of the limited partners of our operating partnership, we will endeavor in good faith to resolve the conflict in a manner not adverse to either our stockholders or the limited partners; provided, that for so long as we own a controlling interest in our operating partnership, any such conflict that we, in our sole and absolute discretion, determine cannot be resolved in a manner not adverse to either our stockholders or the limited partners of our operating partnership will be resolved in favor of our stockholders. For so long as we own a controlling interest in our operating partnership, the partnership agreement of our operating partnership requires us to resolve such conflicts in favor of our stockholders.

Risks Related to This Offering

There is currently no public market for our common stock, a trading market for our common stock may never develop following this offering and our common share price may be volatile and could decline substantially following this offering.

Our common stock will be a newly issued security for which there is no established trading market. Our common stock has been approved for listing on the NYSE, subject to official notice of issuance, but there can be no assurance that an active trading market for our common stock will develop. Accordingly, no assurance can be given as to the ability of our stockholders to sell their common stock or the price that our stockholders may obtain for their common stock.

If an active market does not develop or is not maintained, the market price of our common stock may decline and you may not be able to sell your shares. Even if an active trading market develops for our common stock subsequent to this offering, the market price of our common stock may be highly volatile and subject to wide fluctuations. Our financial performance, government regulatory action, tax laws, interest rates and market conditions in general could have a significant impact on the future market price of our common stock. Some of the factors that could negatively affect our share price or result in fluctuations in our share price include:

- actual or anticipated variations in our quarterly operating results;
- increases in market interest rates that lead purchasers of our common stock to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key personnel;
- actions by stockholders;
- speculation in the press or investment community;

- general market, economic and political conditions, including the recent economic slowdown and dislocation in the global credit markets;
- the operating performance of other similar companies;
- changes in accounting principles; and
- passage of legislation or other regulatory developments that adversely affect us or our industry.

For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies.

We are an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended, or the Securities Act, as modified by the JOBS Act. As such, we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and of stockholder approval of any golden parachute payments not previously approved. We have not made a decision whether to take advantage of any or all of these exemptions. If we do take advantage of any of these exemptions, we do not know if some investors will find our common stock less attractive as a result. The result may be a less active trading market for our common stock and our stock price may be more volatile.

We could remain an "emerging growth company" for up to five years or until the earliest of (a) the last day of the first fiscal year in which our annual gross revenues exceed $1 billion, (b) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, or, Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter, or (c) the date on which we have issued more than $1 billion in non-convertible debt securities during the preceding three-year period.

In addition, pursuant to Section 107 of the JOBS Act, as an "emerging growth company," we are permitted to take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards, which would allow us to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. This election is irrevocable. As a result of our election to utilize the extended transition period, our financial statements may not be comparable to those of other public companies that comply with such new or revised accounting standards. Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" for further discussion of our election to utilize the extended transition period for complying with new or revised accounting standards.

Future sales of our common stock or other securities convertible into our common stock could cause the market value of our common stock to decline and could result in dilution of your shares.

Sales of substantial amounts of shares of our common stock could cause the market price of our common stock to decrease significantly. We cannot predict the effect, if any, of future sales of our common stock, or the availability of shares of our common stock for future sales, on the value of our common stock. Sales of substantial amounts of shares of our common stock, or the perception that such sales could occur, may adversely affect prevailing market values for our common stock. In connection with this offering, we, our Manager and Freedom Mortgage and our directors and officers will enter into lock-up agreements that prevent us, subject to certain exceptions, from offering additional shares of our common stock for up to 180 days after the date of this prospectus, as described in "Underwriting." In addition, Mr. Middleman, our Chairman, has indicated that he will enter into a lock-up agreement with the underwriters, covering a period of 12 months after the completion of this

offering, with respect to shares of our common stock he will own as of the closing of this offering and the concurrent private placement and any shares he or any of his controlled affiliates, including Freedom Mortgage or our Manager, may acquire during the lock-up period. These lock-up provisions, at any time and without notice, may be released. If the restrictions under the lock-up agreements are waived, our common stock may become available for resale into the market, subject to applicable law, which could reduce the market price for our common stock.

Future offerings of debt securities, which would rank senior to our common stock upon our bankruptcy liquidation, and future offerings of equity securities which would dilute the common stock holdings of our existing stockholders and may be senior to our common stock for the purposes of dividend and liquidating distributions, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by making offerings of debt securities or additional offerings of equity securities. Upon bankruptcy or liquidation, holders of our debt securities and shares of our preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders shares of our common stock. Our preferred stocks, if issued, could have a preference on liquidating distributions or a preference on dividend payments or both that could limit our ability to pay a dividend or other distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock bear the risk of our future offerings reducing the market price of our common stock and diluting their shareholdings in our company.

An increase in market interest rates may have an adverse effect on the market price of our common stock and our ability to pay distributions to our stockholders.

One of the factors that investors may consider in deciding whether to buy or sell our common stock is our dividend rate as a percentage of our stock price, relative to market interest rates. If market interest rates increase, prospective investors may demand a higher dividend rate on our common stock or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and capital market conditions can affect the market price of our common stock. For instance, if interest rates rise without an increase in our dividend rate, the market price of our common stock could decrease because potential investors may require a higher dividend yield on our common stock as market rates on interest-bearing instruments such as bonds rise. In addition, to the extent we have variable rate debt, rising interest rates would result in increased interest expense on our variable rate debt, thereby adversely affecting our cash flow and our ability to service our indebtedness and pay distributions to our stockholders.

We may pay distributions from offering proceeds, borrowings or the sale of assets to the extent that distributions exceed earnings or cash flow from our investment activities.

We may pay distributions from offering proceeds, borrowings or the sale of assets to the extent that distributions exceed earnings or cash flow from our investment activities. Such distributions would reduce the amount of cash we have available for investing and other purposes and could be dilutive to our financial results. In addition, funding our distributions from our net proceeds may constitute a return of capital to our investors, which would have the effect of reducing each stockholder’s basis in its common stock.

U.S. Federal Income Tax Risks

Your investment has various U.S. federal income tax risks.

Although the provisions of the Code relevant to your investment are generally described in “Material U.S. Federal Income Tax Considerations,” we strongly urge you to consult your own tax advisor concerning the effects of federal, state and local income tax law on an investment in our common stock and on your individual tax situation.

Our failure to qualify as a REIT would subject us to U.S. federal, state and local income taxes, which could adversely affect the value of our common stock and would substantially reduce the cash available for distribution to our stockholders.

We believe that, commencing with our short taxable year ending December 31, 2013, we will be organized in conformity with the requirements for qualification as a REIT under the Code and we intend to operate in a manner that will enable us to meet the requirements for taxation as a REIT commencing with our short taxable year ending December 31, 2013. However, we cannot assure you that we will qualify and remain qualified as a REIT. In connection with this offering, we will receive an opinion from Hunton & Williams LLP that, commencing with our short taxable year ending December 31, 2013, we will be organized in conformity with the requirements for qualification and taxation as a REIT under the U.S. federal income tax laws and our proposed method of operations will enable us to satisfy the requirements for qualification and taxation as a REIT under the U.S. federal income tax laws for our short taxable year ending December 31, 2013 and subsequent taxable years. Investors should be aware that Hunton & Williams LLP's opinion will be based upon customary assumptions, will be conditioned upon certain representations made by us as to factual matters, including representations regarding the nature of our assets and the conduct of our business, will not be binding upon the Internal Revenue Service, or the IRS, or any court and will speak as of the date issued. In addition, Hunton & Williams LLP's opinion will be based on existing U.S. federal income tax law governing qualification as a REIT, which is subject to change either prospectively or retroactively. Moreover, our qualification and taxation as a REIT depend upon our ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the federal income tax laws. Hunton & Williams LLP will not review our compliance with those tests on a continuing basis. Accordingly, given the complex nature of the rules governing REITs, the ongoing importance of factual determinations, including the potential tax treatment of the investments we make, and the possibility of future changes in our circumstances, no assurance can be given that our actual results of operations for any particular taxable year will satisfy such requirements.

If we fail to qualify as a REIT in any calendar year, and do not qualify for certain statutory relief provisions, we would be required to pay U.S. federal income tax (and any applicable state and local taxes), including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and dividends paid to our stockholders would not be deductible by us in computing our taxable income (although such dividends received by certain stockholders taxed at individual rates generally would be subject to a preferential rate of taxation). Further, if we fail to qualify as a REIT, we might need to borrow money or sell assets in order to pay any resulting tax. Our payment of income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to qualify or maintain our qualification as a REIT, we no longer would be required under U.S. federal tax laws to distribute substantially all of our REIT taxable income to our stockholders. Unless our failure to qualify as a REIT was subject to relief under federal tax laws, we could not re-elect to qualify as a REIT until the fifth calendar year following the year in which we failed to qualify.

Complying with REIT requirements may cause us to forego or liquidate otherwise attractive investments.

To qualify as a REIT, we must continually satisfy various tests regarding the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our common stock. In order to meet these tests, we may be required to forego investments we might otherwise make. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, and may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source of income or asset diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our investment performance.

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our total assets consists of cash, cash items, government securities and qualified REIT real estate assets, including Excess MSRs and RMBS. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no

more than 5% of the value of our total assets (other than government securities, TRS securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25% of the value of our total assets can be represented by securities of one or more TRSs. Generally, if we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid failing to qualify as a REIT and becoming subject to U.S. federal income tax (and any applicable state and local taxes) on all of our income. As a result, we may be required to liquidate from our portfolio otherwise attractive investments or contribute such investments to a TRS. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

Failure to make required distributions would subject us to tax, which would reduce the cash available for distribution to our stockholders.

To qualify as a REIT, we must distribute to our stockholders each calendar year at least 90% of our REIT taxable income (including certain items of non-cash income), determined without regard to the deduction for dividends paid and excluding net capital gain. To the extent that we satisfy the 90% distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any calendar year are less than the sum of:

- 85% of our REIT ordinary income for that year;
- 95% of our REIT capital gain net income for that year; and
- any undistributed taxable income from prior years.

We intend to distribute our taxable income to our stockholders in a manner intended to satisfy the 90% distribution requirement and to avoid both corporate income tax and the 4% nondeductible excise tax. However, there is no requirement that TRSs distribute their after tax net income to their parent REIT or its stockholders.

Our taxable income may substantially exceed our net income as determined based on GAAP, because, for example, realized capital losses will be deducted in determining our GAAP net income, but may not be deductible in computing our taxable income. In addition, we may invest in assets that generate taxable income in excess of economic income or in advance of the corresponding cash flow from the assets. As a result of the foregoing, we may generate less cash flow than taxable income in a particular year. To the extent that we generate such non-cash taxable income in a taxable year, we may incur corporate income tax and the 4% nondeductible excise tax on that income if we do not distribute such income to stockholders in that year. In that event, we may be required to use cash reserves, incur debt, sell assets, make taxable distributions of our shares or debt securities or liquidate non-cash assets at rates or at times that we regard as unfavorable to satisfy the distribution requirement and to avoid corporate income tax and the 4% nondeductible excise tax in that year.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flows.

Even if we qualify for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. In addition, any TRSs we form will be subject to regular corporate federal, state and local taxes. Any of these taxes would decrease cash available for distributions to stockholders.

We may lose our REIT qualification or be subject to a penalty tax if the U.S. Internal Revenue Service, or IRS, successfully challenges our characterization of our investments in Excess MSRs.

We intend to invest in Excess MSRs. The IRS has issued a private letter ruling to another REIT holding that Excess MSRs are qualifying assets for purposes of the 75% asset test and produce qualifying income for

purposes of the 75% gross income test. Any income that is qualifying income for the 75% gross income test is also qualifying income for the 95% gross income test. A private letter ruling may be relied upon only by the taxpayer to whom it is issued, and the IRS may revoke a private letter ruling. Based on that private letter ruling and other IRS guidance regarding excess mortgage servicing fees, we generally intend to treat our investments in Excess MSRs as qualifying assets for purposes of the 75% asset test and as producing qualifying income for purposes of the 95% and 75% gross income tests. However, we do not intend to seek our own private letter ruling. Thus, it is possible that the IRS could successfully take the position that Excess MSRs are not qualifying assets or do not produce qualifying income, presumably by recharacterizing Excess MSRs as an interest in servicing compensation, in which case we may fail one or more of the income and asset requirements for REIT qualification. If we failed one of those tests, we would either be required to pay a penalty tax, which could be material, to maintain REIT status or we would fail to qualify as a REIT.

The failure of RMBS subject to a repurchase agreement to qualify as real estate assets would adversely affect our ability to qualify as a REIT.

We intend to enter into repurchase agreements under which we will nominally sell certain of our RMBS to a counterparty and simultaneously enter into an agreement to repurchase the sold assets. We believe that, for U.S. federal income tax purposes, these transactions will be treated as secured debt and we will be treated as the owner of the RMBS that are the subject of any such repurchase agreement notwithstanding that such agreements may transfer record ownership of such assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could successfully assert that we do not own the RMBS during the term of the repurchase agreement, in which case we could fail to qualify as a REIT.

Our ability to engage in TBA transactions could be limited by the requirements necessary to qualify as a REIT, and we could fail to qualify as a REIT as a result of these investments.

We intend to purchase or sell TBAs for purposes of managing interest rate risk associated with our liabilities under repurchase agreements. We generally intend to treat such TBA purchases and sales as hedging transactions that hedge indebtedness incurred to acquire or carry real estate assets, or "qualifying liability hedges" for REIT purposes. We may, from time to time, opportunistically engage in TBA transactions because we find them attractive on their own. The law is unclear regarding whether income and gains from TBAs that are not qualifying liability hedges are qualifying income for the 75% gross income test and whether TBAs are qualifying assets for the 75% asset test.

To the extent that we engage in TBA transactions that are not qualifying liability hedges for REIT purposes, unless we receive a favorable private letter ruling from the IRS or we are advised by counsel that income and gains from such TBAs should be treated as qualifying income for purposes of the 75% gross income test, we will limit our income and gains from dispositions of such TBAs and any non-qualifying income to no more than 25% of our gross income for each calendar year. Further, unless we receive a favorable private letter ruling from the IRS or we are advised by counsel that TBAs should be treated as qualifying assets for purposes of the 75% asset test, we will limit our investment in such TBAs and any non-qualifying assets to no more than 25% of our total assets at the end of any calendar quarter and will limit the TBAs held by us that are issued by any one issuer to no more than 5% of our total assets at the end of any calendar quarter. Accordingly, our ability to purchase and sell Agency RMBS through TBAs and to hold or dispose of TBAs, through dollar roll transactions or otherwise, could be limited.

Moreover, even if we are advised by counsel that such TBAs should be treated as qualifying assets or that income and gains from such TBAs should be treated as qualifying income, it is possible that the IRS could successfully take the position that such assets are not qualifying assets and such income is not qualifying income. In that event, we could be subject to a penalty tax or we could fail to qualify as a REIT if (i) the value of our TBAs, together with our other non-qualifying assets for the 75% asset test, exceeded 25% of our total assets at the end of any calendar quarter, (ii) the value of our TBAs issued by any one issuer exceeded 5% of our total

assets at the end of any calendar quarter, or (iii) our income and gains from our TBAs that are not qualifying liability hedges, together with our non-qualifying income for the 75% gross income test, exceeded 25% of our gross income for any taxable year.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Code substantially limit our ability to hedge. Our aggregate gross income from non-qualifying hedges, fees, and certain other non-qualifying sources cannot exceed 5% of our annual gross income. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through a TRS. Any hedging income earned by a TRS would be subject to federal, state and local income tax at regular corporate rates. This could increase the cost of our hedging activities or expose us to greater risks associated with interest rate changes or other changes than we would otherwise want to bear.

The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of securitizing mortgage loans, that would be treated as sales for U.S. federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including mortgage loans, held primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we were to dispose of or securitize mortgage loans in a manner that was treated as a sale of the mortgage loans for U.S. federal income tax purposes (such as a securitization using a real estate mortgage investment conduit, or REMIC, structure). Therefore, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of mortgage loans at the REIT level, and may limit the structures we utilize for our securitization transactions, even though such sales or structures might otherwise be beneficial to us. We may also choose to conduct such transactions through a TRS to avoid the imposition of a prohibited transaction tax.

Our ownership of and relationship with any TRSs that we form will be limited and a failure to comply with the limits would jeopardize our REIT status and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation (other than a REIT) of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% of the value of a REIT's total assets may consist of stock or securities of one or more TRSs. A domestic TRS will pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. Any domestic TRS that we may form will pay federal, state and local income tax on its taxable income, and its after-tax net income will be available for distribution to us but is not required to be distributed to us unless necessary to maintain our REIT qualification.

Our ownership limitation may restrict change of control or business combination opportunities in which our stockholders might receive a premium for their common stock.

In order for us to qualify as a REIT for each taxable year after 2013, no more than 50% in value of our outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year. "Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. In order to help us qualify as a REIT, among other purposes, our charter generally prohibits any person, other than Mr. Middleman, from beneficially or constructively owning more than 9.0% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock.

The ownership limitation and other restrictions could have the effect of discouraging a takeover or other transaction in which holders of shares of our common stock might receive a premium for their common stock over the then-prevailing market price or which holders might believe to be otherwise in their best interests.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to "qualified dividend income" payable to U.S. stockholders that are taxed at individual rates is 20%. Dividends payable by REITs, however, are generally not eligible for the reduced rates on qualified dividend income. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends treated as qualified dividend income, which could adversely affect the value of the shares of REITs, including our common stock.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock.

At any time, the U.S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

Certain financing activities may subject us to U.S. federal income tax and could have negative tax consequences for our stockholders.

We may enter into securitization transactions and other financing transactions that could result in our, or a portion of our assets, being treated as a taxable mortgage pool for U.S. federal income tax purposes. If we enter into such a transaction in the future we will be taxable at the highest corporate income tax rate on a portion of the income arising from a taxable mortgage pool, referred to as "excess inclusion income," that is allocable to the percentage of our shares held in record name by disqualified organizations (generally tax-exempt entities that are exempt from the tax on unrelated business taxable income, such as state pension plans and charitable remainder trusts and government entities). In that case, under our charter, we could reduce distributions to such stockholders by the amount of tax paid by us that is attributable to such stockholder's ownership.

If we were to realize excess inclusion income, IRS guidance indicates that the excess inclusion income would be allocated among our stockholders in proportion to our dividends paid. Excess inclusion income cannot be offset by losses of our stockholders. If the stockholder is a tax-exempt entity and not a disqualified organization, then this income would be fully taxable as unrelated business taxable income under Section 512 of the Code. If the stockholder is a foreign person, it would be subject to U.S. federal income tax at the maximum tax rate and withholding will be required on this income without reduction or exemption pursuant to any otherwise applicable income tax treaty.

Our recognition of "phantom" income may reduce a stockholder's after-tax return on an investment in our common stock.

We may recognize taxable income in excess of our economic income, known as phantom income, in the first years that we hold certain investments, and experience an offsetting excess of economic income over our taxable income in later years. As a result, stockholders at times may be required to pay U.S. federal income tax on distributions that economically represent a return of capital rather than a dividend. These distributions would be offset in later years by distributions representing economic income that would be treated as returns of capital

for U.S. federal income tax purposes. Taking into account the time value of money, this acceleration of U.S. federal income tax liabilities may reduce a stockholder's after-tax return on his or her investment to an amount less than the after-tax return on an investment with an identical before-tax rate of return that did not generate phantom income.

Liquidation of our assets may jeopardize our REIT qualification.

To qualify and maintain our qualification as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our assets to repay obligations to our lenders or for other reasons, we may be unable to comply with these requirements, thereby jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as inventory or property held primarily for sale to customers in the ordinary course of business.

Our qualification as a REIT and exemption from U.S. federal income tax with respect to certain assets may be dependent on the accuracy of legal opinions or advice rendered or given or statements by the issuers of assets that we acquire, and the inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate-level tax.

When purchasing securities, we may rely on opinions or advice of counsel for the issuer of such securities, or statements made in related offering documents, for purposes of determining whether such securities represent debt or equity securities for U.S. federal income tax purposes, the value of such securities, and also to what extent those securities constitute qualified real estate assets for purposes of the REIT asset tests and produce income that qualifies under the 75% gross income test. The inaccuracy of any such opinions, advice or statements may adversely affect our ability to qualify as a REIT and result in significant corporate-level tax.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains various "forward-looking statements." Forward-looking statements relate to expectations, assumptions, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "would," "could," "should," "seeks," "approximately," "intends," "plans," "projects," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases. All forward-looking statements may be impacted by a number of risks and uncertainties including statements regarding the following subjects:

- use of proceeds of this offering;
- our business and strategy;
- our projected operating results;
- statements about future distributions;
- our ability to deploy effectively and timely the net proceeds of this offering and the proceeds from the concurrent private placement;
- our ability to obtain financing arrangements;
- our expectations regarding our future arrangements and interactions with Freedom Mortgage, including Freedom Mortgage's ability to engage in recapture originations;
- our expected leverage;
- general volatility of the securities markets in which we invest and the market price of our common stock;
- our understanding of our competition and ability to compete effectively;
- our assumptions and expectations involving our Excess MSR investments, including our Excess MSRs in the Initial Pools;
- our expected investments;
- market, industry and economic trends;
- our market opportunity;
- the regulatory environment in which we operate;
- interest rates;
- our hedging activities; and
- legal proceedings.

The forward-looking statements in this prospectus are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and could be wrong. Furthermore, 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 and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks before you make an investment decision with respect to our common stock, along with the following factors that could cause actual results to vary from our forward-looking statements:

- the factors referenced in this prospectus, including those set forth under the sections captioned "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business;"
- our and our Manager's lack of operating history and our Manager's lack of experience operating a REIT;

- general volatility of the financial markets, including markets for mortgage securities;
- our use of and dependence on leverage;
- the lack of certainty as to the future roles and structures of Fannie Mae and Freddie Mac, and changes to legislation and regulations affecting these entities;
- changes in our business, strategy and investment guidelines;
- changes in and our perception of changes in our industry;
- changes in interest rates, interest rate spreads, the yield curve and prepayment rates;
- increases or decreases in prepayment rates on the mortgage loans underlying our Excess MSRs and our Agency RMBS;
- changes in the market value of our assets, including the impact on margin calls;
- losses on our target assets;
- risks associated with our planned hedging activities and the effectiveness of our risk management strategies generally;
- our ability to maintain our relationship with our Manager and Freedom Mortgage;
- availability of suitable opportunities to acquire our target assets;
- availability of financing and the terms of such financings;
- our ability to consummate contemplated investment opportunities;
- the level of equity that may be required to support our borrowings;
- the liquidity of our portfolio or lack thereof;
- the degree and nature of our competition;
- changes in business conditions and the economy generally;
- general volatility of the capital markets and the lack of a public market for our common stock;
- further deterioration in the credit markets and the residential mortgage markets;
- availability of qualified personnel, including the continued availability of an external manager;
- the existence of conflict of interest in our relationship with our Manager and Freedom Mortgage, which could result in decisions that are not in the best interest of our stockholders;
- our ability to qualify and maintain our qualification as a REIT and limitations imposed on our business by our status as a REIT, including limitations on our ability to hedge and acquire certain types of assets;
- our ability to maintain our exclusion from regulation as an investment company under the Investment Company Act and possible consequences of not qualifying for or losing that exemption;
- changes in GAAP, including interpretations thereof;
- changes in applicable laws and regulations;
- our expectations regarding the time during which we will be an emerging growth company under the JOBS Act; and
- other risks associated with investing in residential mortgage-backed securities, including changes in business conditions and the general economy.

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

USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering and the concurrent private placement will be approximately $148 million (or approximately $167.5 million if the underwriters fully exercise their over-allotment option), after deducting the estimated offering expenses payable by us. Our Manager has agreed to pay the entire underwriting discount and structuring fee payable with respect to each share sold in this offering. The underwriters will not receive a placement fee or any underwriting discount or commission on the shares purchased by Mr. Middleman in the concurrent private placement. We intend to contribute the net proceeds of this offering and the concurrent private placement to our operating partnership in exchange for OP units and cause our operating partnership to deploy these net proceeds as follows:

- approximately $100 million to the acquisition of our Excess MSRs in the Initial Pools from Freedom Mortgage; and
- approximately $38 million to investments in Agency RMBS backed by 30-year, 20-year and 15-year FRMs.

The remainder of the net proceeds will be used for general corporate and working capital purposes. If the net proceeds of this offering and the concurrent private placement are greater than indicated on the front cover of this prospectus, or if the underwriters exercise their over-allotment option, we will use the additional proceeds to acquire additional Agency RMBS with characteristics similar to those described above, as well as for general corporate and working capital purposes. If the net proceeds of this offering and the concurrent private placement are less than indicated on the front cover of this prospectus, we will reduce the amount of proceeds committed to the acquisition of Agency RMBS, subject to maintaining our exclusion from regulation as an investment company under the Investment Company Act.

Our asset acquisition decisions will be based on market conditions and other factors that our Manager deems relevant at the applicable time. Based on our expectation that the acquisition of Excess MSRs on an unleveraged basis and Agency RMBS on a leveraged basis will continue to provide attractive opportunities, we expect that our equity capital will primarily be deployed in Excess MSRs and Agency RMBS investments for the foreseeable future. However, we cannot assure you that we will not change the allocation of our equity capital over time. We will have significant flexibility, subject to our investment guidelines, to acquire assets other than the target assets described above. We reserve the right to change the way we allocate our capital at any time and from time to time, depending on prevailing market conditions, including, among other things, the pricing and supply of Excess MSRs and Agency RMBS, the performance of our portfolio and the availability of terms for financing. Capital allocated to a particular class of Agency RMBS may reflect the actual usage of cash, such as in connection with the payment of the purchase price for such assets or in connection with the posting of collateral with third parties in connection with the financing of such assets or maintenance of such assets. While we do not intend to use leverage to finance our Excess MSRs, we expect to borrow against our Agency RMBS through master repurchase agreements and use the proceeds of the borrowings to acquire additional Agency RMBS assets. Over time, we may deploy or redeploy a portion of our capital into targeted assets other than Excess MSRs and Agency RMBS, including prime jumbo mortgage loans and non-Agency RMBS. We initially do not expect to acquire prime jumbo mortgage loans and non-Agency RMBS for our portfolio during the six-month period following the completion of this offering and the concurrent private placement.

Pending these uses, we intend to invest the net proceeds of this offering in readily marketable, interest bearing, short-term investment grade securities or money market accounts that are consistent with our intention to qualify as a REIT. Such temporary investments are expected to provide a lower net return than we anticipate achieving from our targeted investments.

Although we do not intend to use any of the net proceeds from this offering and the concurrent private placement to fund distributions to our stockholders, to the extent we use these net proceeds to fund distributions, these payments may be treated as a return of capital to our stockholders.

DISTRIBUTION POLICY

To qualify as a REIT, we must distribute annually to our stockholders an amount at least equal to 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain. We currently expect to distribute substantially all of our REIT taxable income to our stockholders. We will be subject to income tax on our taxable income that is not distributed and to an excise tax to the extent that certain percentages of our taxable income are not distributed by specified dates. See "Material U.S. Federal Income Tax Considerations." Income as computed for purposes of the foregoing tax rules will not necessarily correspond to our income as determined for financial reporting purposes.

We will make distributions only upon the authorization of our board of directors. The amount, timing and frequency of distributions will be authorized by our board of directors based upon a variety of factors, including:

- actual results of operations;
- our level of retained cash flows;
- the timing of the investment of the net proceeds of this offering and the concurrent private placement;
- restrictions under Maryland law;
- any debt service requirements;
- our taxable income;
- the annual distribution requirements under the REIT provisions of the Code; and
- other factors that our board of directors may deem relevant.

Our ability to make distributions to our stockholders will depend upon the performance of our investment portfolio, and, in turn, upon our Manager's management of our business. Distributions will be made quarterly in cash to the extent that cash is available for distribution. We may not be able to generate sufficient cash available for distribution to pay distributions to our stockholders. In addition, our board of directors may change our distribution policy in the future. We may not pay an initial distribution until a significant portion of the proceeds of this offering and the concurrent private placement have been invested. See "Risk Factors."

To the extent that our cash available for distribution is less than the amount required to be distributed under the REIT provisions of the Code, we may consider various funding sources to cover any shortfall, including selling certain of our assets, borrowing funds or using a portion of the net proceeds we receive in this offering and the concurrent private placement or future offerings (and thus all or a portion of such distributions may constitute a return of capital for U.S. federal income tax purposes). We also may elect to pay all or a portion of any distribution in the form of a taxable distribution of our shares or debt securities.

CAPITALIZATION

The following table sets forth, as of June 30, 2013:

- our actual capitalization; and
- our capitalization as adjusted to give effect to this offering and the concurrent private placement, the payment of offering expenses by us and the amendment and restatement of our charter.

You should read this table together with "Use of Proceeds" and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

	As of June 30, 2013	
	Actual	As Adjusted(1)
Stockholders' Equity:		
Common stock, par value $0.01 per share: 1,000 shares authorized and 1,000 shares issued and outstanding, actual; 500,000,000 shares authorized and 7,500,000 shares issued and outstanding, as adjusted	$ 10	$ 75,000
Additional paid-in capital	990	147,925,000
Total stockholders' equity	$1,000	$148,000,000

(1) The common stock outstanding as shown includes shares of common stock to be issued in this offering and the concurrent private placement and excludes: (i) up to 975,000 shares of our common stock issuable upon the exercise by the underwriters of their over-allotment option; (ii) 37,500 shares of our common stock issuable upon the exchange of 37,500 LTIP units, a special class of partnership interest in our operating partnership, to be granted to our executive officers and directors and to certain employees of our Manager and Freedom Mortgage who provide services to us upon completion of this offering pursuant to our 2013 Equity Incentive Plan; and (iii) up to 1,462,500 shares of our common stock reserved for future issuance pursuant to our 2013 Equity Incentive Plan. The number of shares of common stock outstanding after this offering and the concurrent private placement also excludes the 1,000 shares of common stock issued to Mr. Middleman in connection with our initial capitalization. We will repurchase these shares from Mr. Middleman at the closing of this offering for $1,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cherry Hill Mortgage Investment Corporation is a newly formed residential real estate finance company that will acquire, invest in and manage residential mortgage assets in the United States. We will be externally managed and advised by our Manager, an affiliate of Freedom Mortgage. Our principal objective is to generate attractive current yields and risk-adjusted total returns for our stockholders over the long term, primarily through dividend distributions and secondarily through capital appreciation. We intend to attain this objective by selectively constructing and actively managing a targeted portfolio of Excess MSRs, Agency RMBS, prime jumbo mortgage loans and other stable and cashflowing residential mortgage assets. We will have a strategic alliance with Freedom Mortgage that we believe will provide us with frequent opportunities to acquire Excess MSRs. We will elect and intend to qualify to be taxed as a REIT beginning with our short taxable year ending December 31, 2013.

Our asset acquisition strategy will focus on acquiring a diversified portfolio of residential mortgage assets that balances the risk and reward opportunities our Manager observes in the marketplace. We expect to allocate a majority of our equity capital, on an unleveraged basis, to the acquisition of Excess MSRs. Upon completion of this offering and the concurrent private placement, we will invest approximately $100 million to acquire from Freedom Mortgage participation interests in two separate pools of Excess MSRs on FHA and VA mortgage loans with an anticipated UPB of approximately $20.8 billion. In addition to our Excess MSR strategy, we also intend to acquire Agency RMBS on a leveraged basis as part of our initial portfolio and our longer term strategy. While we intend to invest in both Agency RMBS backed by FRMs and hybrid ARMs, upon deployment of the net proceeds of this offering and the concurrent private placement, we expect to be invested primarily in, and a substantial portion of our total assets to consist of, Agency RMBS backed by whole pools of 30-year, 20-year and 15-year FRMs that offer favorable prepayment and duration characteristics. As the market for prime jumbo loans grows, we expect our portfolio to include this asset class as well. In addition, we may also invest opportunistically from time to time in other residential mortgage assets.

We do not currently intend to leverage our investments in Excess MSRs. We intend to finance our Agency RMBS with what we believe to be a prudent amount of leverage, which will vary from time to time based upon the particular characteristics of our portfolio, availability of financing and market conditions. Our borrowings will primarily consist of short-term borrowings under master repurchase agreements collateralized by our Agency RMBS. We do not have a targeted debt-to-equity ratio for our Agency RMBS, although currently we expect that our debt-to-equity ratio initially will be approximately 8:1 for our Agency RMBS assets and could be as high as 10:1 depending on market conditions.

Subject to qualifying and maintaining our qualification as a REIT, we may utilize derivative financial instruments (or hedging instruments) to hedge our exposure to potential interest rate mismatches between the interest we earn on our assets and our borrowing costs caused by fluctuations in short-term interest rates. In utilizing leverage and interest rate hedges, our objectives will include, where desirable, locking in, on a long-term basis, a spread between the yield on our assets and the cost of our financing in an effort to improve returns to our stockholders.

We are organized as a Maryland corporation and will elect and intend to qualify to be taxed as a REIT commencing with our short taxable year ending December 31, 2013. We also intend to operate our business in a manner that will permit us to maintain our exclusion from regulation as an investment company under the Investment Company Act.

Factors Impacting our Operating Results

We expect that the results of our operations will be affected by a number of factors and will primarily depend on, among other things, the level of our net interest income, the market value of our assets and the supply

of, and demand for, Excess MSRs, Agency MBS, prime jumbo loans and other residential mortgage assets in the marketplace. Our net interest income includes the actual interest payments we receive on our Excess MSRs, Agency MBS and other residential mortgage assets and is also impacted by the amortization of purchase premiums and accretion of purchase discounts. Changes in various factors such as prepayment speeds, estimated future cash flows and credit quality could impact the amount of premium to be amortized or discount to be accreted into interest income for a given period. Interest rates and prepayment rates vary according to the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty. To a lesser degree, our operating results may be impacted by credit losses in excess of initial anticipation or unanticipated credit events experienced by borrowers whose mortgage loans are held directly by us or included in our non-Agency MBS (to the extent that we plan to invest in this asset class in the future).

Changes in the Market Value of Our Assets

It is our business strategy to hold our Excess MSRs as long-term investments. We expect that our Excess MSRs will be carried at their fair value with changes in the fair value of our Excess MSRs recorded in excess mortgage servicing rights related income or loss in our consolidated statements of operations.

Our RMBS will be carried at their fair value, as available-for-sale in accordance with ASC 320, *Accounting for Certain Investments in Debt or Equity Securities*, with changes in fair value recorded through accumulated other comprehensive income/(loss), a component of stockholders' equity. As a result, we do not expect that changes in the market value of our RMBS assets will normally impact our operating results. However, at least on a quarterly basis, we will assess both our ability and intent to continue to hold our RMBS as long-term investments. As part of this process, we will monitor our RMBS assets for other-than-temporary impairment. A change in our ability and/or intent to continue to hold any of our RMBS assets could result in our recognizing an impairment charge or realizing losses while holding these assets.

Impact of Changes in Market Interest Rates on Excess MSRs

Our Excess MSRs will be subject to interest rate risk. Generally, in a declining interest rate environment, prepayment speeds increase which in turn would cause the value of Excess MSRs to decrease. Conversely, in an increasing interest rate environment, prepayment speeds decrease which in turn would cause the value of Excess MSRs to increase. To the extent we do not utilize derivatives to hedge against changes in the fair value of Excess MSRs, our balance sheet, results of operations and cash flows would be susceptible to significant volatility due to changes in the fair value of, or cash flows from, Excess MSRs as interest rates change. The effects of such a decrease in values on our financial position, results of operations and liquidity are discussed below under "—Exposure of Excess MSRs to Prepayment Speed."

Impact of Changes in Market Interest Rates on Assets Other than Excess MSRs

With respect to our proposed business operations, increases in interest rates, in general, may over time cause:

- the interest expense associated with our borrowings to increase;
- the value of our assets to fluctuate in value;
- the coupons on our adjustable-rate and hybrid RMBS and mortgage loans to reset, although on a delayed basis, to higher interest rates;
- prepayments on our RMBS and mortgage loan portfolio to slow, thereby slowing the amortization of our purchase premiums and the accretion of our purchase discounts; and
- to the extent we enter into interest rate swap agreements as part of our hedging strategy, the value of these agreements to increase.

Conversely, decreases in interest rates, in general, may over time cause:

- prepayments on our RMBS and mortgage loan portfolio to increase, thereby accelerating the amortization of our purchase premiums and the accretion of our purchase discounts;
- the interest expense associated with our borrowings to decrease;
- the value of our assets to fluctuate in value;
- to the extent we enter into interest rate swap agreements as part of our hedging strategy, the value of these agreements to decrease, and
- coupons on our adjustable-rate and hybrid RMBS assets and mortgage loans to reset, although on a delayed basis, to lower interest rates.

Exposure of Excess MSRs to Prepayment Speed

Prepayment speeds significantly affect the value of Excess MSRs. Prepayment speed is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise liquidated or charged off. The price we pay to acquire Excess MSRs will be based on, among other things, our projection of the cash flows from the related pool of mortgage loans. Our expectation of prepayment speeds is a significant assumption underlying those cash flow projections. If prepayment speeds are significantly greater than expected, the carrying value of Excess MSRs could exceed their estimated fair value. If the fair value of Excess MSRs decreases, we would be required to record a non-cash charge, which would have a negative impact on our financial results. Furthermore, a significant increase in prepayment speeds could materially reduce the ultimate cash flows we receive from Excess MSRs, and we could ultimately receive substantially less than what we paid for such assets.

We will seek to reduce our exposure to prepayments through the structuring of our investments in Excess MSRs. For example, we will seek to enter into recapture agreements whereby we will receive a new Excess MSR with respect to a loan that was originated by the servicer and used to repay a loan underlying an Excess MSR that we previously acquired from that same servicer. In lieu of receiving an Excess MSR with respect to the loan used to repay a prior loan, the servicer may supply a similar Excess MSR. We will seek to enter into such recapture agreements in order to protect our returns in the event of elevated voluntary prepayment rates. To the extent our counterparties, including Freedom Mortgage, are unable to achieve anticipated recapture rates, we may not benefit from the terms of the recapture agreements we have entered into, and the value of our Excess MSRs could decline. For a summary of the recapture terms related to our investments in Excess MSRs, see “Business—Our Company.”

Impact of Interest Rates on Recapture Activity

The value, and absolute amount, of recapture activity tends to vary inversely with the direction of interest rates. When interest rates are falling, recapture rates tend to be higher due to increased opportunities for borrowers to refinance. As interest rates increase, however, there is likely to be less recapture activity. Since we expect interest rates to rise relative to what they had been in the past, which is likely to reduce the level of voluntary prepayments, we expect Freedom Mortgage’s recapture rate with respect to FHA and VA mortgage loans in its servicing portfolio to be significantly lower than Freedom Mortgage’s monthly weighted average recapture rate with respect to FHA and VA mortgage loans in its servicing portfolio for the period from January 1, 2011 to June 30, 2013. However, since prepayment rates are likely to decline at the same time, we expect overall prepayment rates to remain roughly constant.

Exposure of Assets, Other than Excess MSRs, to Prepayment Speed

The value of our assets may be affected by prepayment rates on mortgage loans. If we acquire mortgage loans and mortgage related securities, including RMBS, we anticipate that the mortgage loans or the underlying

mortgages will prepay at a projected rate generating an expected yield. If we purchase assets at a premium to par value, when borrowers prepay their mortgage loans faster than expected, the corresponding prepayments on our RMBS or other mortgage-related securities may reduce the expected yield on such securities because we will have to amortize the related premium on an accelerated basis. Conversely, if we purchase assets at a discount to par value, when borrowers prepay their mortgage loans slower than expected, the decrease in corresponding prepayments on our RMBS or other mortgage-related securities may reduce the expected yield on such securities because we will not be able to accrete the related discount as quickly as originally anticipated. Prepayment rates may be affected by a number of factors including, but not limited to, the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the mortgage loans, possible changes in tax laws, other opportunities for investment, homeowner mobility and other economic, social, geographic, demographic and legal factors, none of which can be predicted with any certainty. Based on our experience, we expect that over time our adjustable-rate and hybrid RMBS and mortgage loans will experience higher prepayment rates than do fixed-rate RMBS and mortgage loans, as we believe that homeowners with adjustable-rate and hybrid mortgage loans exhibit more rapid housing turnover levels or refinancing activity compared to fixed-rate borrowers. In addition, we anticipate that prepayments on adjustable-rate mortgage loans accelerate significantly as the coupon reset date approaches.

Spreads on RMBS

The spread between the yield on our assets and our funding costs will affect the performance of our business. Wider spreads imply greater income on new asset purchases but may have a negative impact on our stated book value. Wider spreads may also negatively impact asset prices. In an environment where spreads are widening, counterparties may require additional collateral to secure borrowings which may require us to reduce leverage by selling assets. Conversely, tighter spreads imply lower income on new asset purchases but may have a positive impact on stated book value of our existing assets. In this case we may be able to reduce the amount of collateral required to secure borrowings.

Extension Risk

Our Manager will compute the projected weighted-average life of our assets based on assumptions regarding the rate at which the borrowers will prepay the underlying mortgages. In general, when we acquire fixed-rate or adjustable-rate RMBS, we may, but are not required to, enter into an interest rate swap agreement or other hedging instrument that effectively fixes all or a portion of 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 because the borrowing costs are fixed for the duration of the fixed-rate portion of the related assets.

If prepayment rates decrease in a rising interest rate environment, however, 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 longer than expected life of the fixed-rate portion of the related asset could have a negative impact on our results of operations, as borrowing costs would no longer be fixed after the end of the swap agreement. This situation may also cause the market value of our adjustable-rate or hybrid RMBS to decline, with little or no offsetting gain from the related hedging transactions. In extreme situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur losses.

Market Conditions

We believe that the U.S. mortgage finance system is undergoing historic change. Significant increases in regulation and public policy are influencing which investors will have the inclination and the financial ability to hold residential mortgage assets. We believe that capital from non-bank servicers and investors in mortgage servicing assets will represent an increasing share of ownership of servicing assets in the years to come. We also believe that as banks pull back from the mortgage finance business, non-bank originators such as Freedom

Mortgage are poised to continue to increase production and capture market share. Non-bank mortgage originators will require efficient funding for MSR production. In addition, we believe that investors will continue to seek incremental spreads relative to U.S. Treasury Notes in a low yield environment and that mortgages represent an attractive total return investment opportunity.

We intend to capitalize on this opportunity by creating a tax-efficient entity through which public investors will be able to invest primarily in Excess MSRs, Agency RMBS and, over time, prime jumbo mortgage loans, as well as other residential mortgage assets depending on how market conditions evolve. We expect to benefit from Freedom Mortgage's origination and servicing abilities, operating and financial expertise and ability to engage in recapture originations by co-investing with Freedom Mortgage in Excess MSRs that we expect to generate attractive and consistent risk-adjusted returns for investors.

Credit Risk

We may become subject to varying degrees of credit risk in connection with our assets. Although we expect relatively low credit risk with respect to our Excess MSR and Agency RMBS portfolio, we may be subject to varying degrees of credit risk in connection with our potential investment in other target assets. Through our Manager, we will seek to mitigate this risk by seeking to acquire high quality assets at appropriate prices given anticipated and unanticipated losses and employing a comprehensive review and asset selection process and careful ongoing monitoring of acquired assets. Nevertheless, unanticipated credit losses could occur which could adversely impact our operating results.

Critical Accounting Policies and Use of Estimates

Our financial statements are prepared in accordance with GAAP, which requires the use of estimates and assumptions that involve the exercise of judgment and use of assumptions as to future uncertainties. In accordance with SEC guidance, the following discussion addresses the accounting policies that we will apply based on our expectation of our initial operations. Our most critical accounting policies will involve decisions and assessments that could affect our reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, as well as our reported amounts of revenues and expenses. We believe that all of the decisions and assessments upon which our financial statements will be based will be reasonable at the time made and based upon information available to us at that time. Our critical accounting policies and accounting estimates will be expanded over time as we fully implement our strategy. Those material accounting policies and estimates that we initially expect to be most critical to an investor's understanding of our financial results and condition and require complex management judgment are discussed below.

Classification of Investment Securities and Impairment of Financial Instruments

ASC 320-10, *Debt and Equity Securities*, requires that at the time of purchase, we designate a security as either trading, available-for-sale, or held-to-maturity depending on our ability and intent to hold such security to maturity. Securities available-for-sale will be reported at fair value, while securities held-to-maturity will be reported at amortized cost. Although we may hold most of our securities until maturity, we may, from time to time, sell any of our securities as part of our overall management of our asset portfolio. Accordingly, we will elect to classify substantially all of our securities as available-for-sale. All assets classified as available-for-sale will be reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity. See "—Valuation of Financial Instruments."

When the estimated fair value of a security is less than amortized cost, we consider whether there is an other-than-temporary impairment, or OTTI, in the value of the security. An impairment is deemed an OTTI if (i) we intend to sell the security, (ii) it is more likely than not that we will be required to sell the security before recovering our cost basis, or (iii) we do not expect to recover the entire amortized cost basis of the security even if we do not intend to sell the security or believe it is more likely than not that we will be required to sell the security before

recovering our cost basis. If the impairment is deemed to be an OTTI, the resulting accounting treatment depends on the factors causing the OTTI. If the OTTI has resulted from (i) our intention to sell the security, or (ii) our judgment that it is more likely than not that we will be required to sell the security before recovering our cost basis, an impairment loss is recognized in current earnings equal to the difference between our amortized cost basis and fair value. Whereas, if the OTTI has resulted from our conclusion that we will not recover our cost basis even if we do not intend to sell the security, the credit loss portion of the impairment is recorded in current earnings and the portion of the loss related to other factors, such as changes in interest rates, continues to be recognized in accumulated other comprehensive income. Determining whether there is an OTTI may require management to exercise significant judgment and make significant assumptions, including, but not limited to, estimated cash flows, estimated prepayments, loss assumptions, and assumptions regarding changes in interest rates. As a result, actual impairment losses could differ from reported amounts. Such judgments and assumptions are based upon a number of factors, including (i) credit of the issuer or the borrower, (ii) credit rating of the security, (iii) key terms of the security, (iv) performance of the loan or underlying loans, including debt service coverage and loan-to-value ratios, (v) the value of the collateral for the loan or underlying loans, (vi) the effect of local, industry, and broader economic factors, and (vii) the historical and anticipated trends in defaults and loss severities for similar securities.

Investments in Excess MSRs

Upon acquisition, we expect to elect to record our investments in Excess MSRs at fair value. We expect to make this election in order to provide the users of the financial statements with better information regarding the effects of prepayment risk and other market factors on the Excess MSRs. Under this election, we will record a valuation adjustment on our Excess MSRs investments on a quarterly basis to recognize the changes in fair value in net income as described in "—Revenue Recognition on Investments in Excess MSRs" below.

The fair values of Excess MSRs are determined by projecting net servicing cash flows, which are then discounted to estimate the fair value. The fair values of Excess MSRs are impacted by a variety of factors, including prepayment assumptions, discount rates, delinquency rates, contractually specified servicing fees, and underlying portfolio characteristics. The underlying assumptions and estimated values are corroborated by values received from independent third parties. Changes in fair value will be reported in excess mortgage servicing rights related income in our statement of results of operations.

Valuation of Financial Instruments

ASC 820, *Fair Value Measurements and Disclosures*, or ASC 820, establishes a framework for measuring fair value in accordance with GAAP and expands financial statement disclosure requirements for fair value measurements. ASC Topic 820 further specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

- Level I—Valuation techniques in which all significant inputs are quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.
- Level II—Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices from markets that are not active for assets or liabilities that are identical or similar to the assets or liabilities being measured. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level II valuation techniques.
- Level III—Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect our assumptions about the assumptions that market participants would use in pricing an asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

When available, we use quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, we will consult independent pricing services or third party broker quotes, provided that there is no ongoing material event that affects the issuer of the securities being valued or the market. If there is such an ongoing event, or if quoted market prices are not available, our pricing officer will determine the fair value of the securities using valuation techniques that use, when possible, current market-based or independently-sourced market parameters, such as interest rates.

Revenue Recognition on Investments in Excess MSRs

Investments in Excess MSRs are aggregated into pools as applicable and each pool of Excess MSRs is accounted for in the aggregate. Income for Excess MSRs is accreted into income on an effective yield or "interest" method, based upon the expected excess servicing amount through the expected life of the underlying mortgages. Changes to expected cash flows result in a cumulative retrospective adjustment, which will be recorded in the period in which the change in expected cash flows occurs. Under the retrospective method, the income recognized for a reporting period is measured as the difference between the amortized cost basis at the end of the period and the amortized cost basis at the beginning of the period, plus any cash received during the period. The amortized cost basis is calculated as the present value of estimated future cash flows using an effective yield, which is the yield that equates all past actual and current estimated future cash flows to the initial investment. In addition, our policy is to recognize income only on Excess MSRs in existing eligible underlying mortgages. The difference between the fair value of Excess MSRs and their amortized cost basis will be recorded as "Change in Fair Value of Investments in Excess Mortgage Servicing Rights." Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the Excess MSRs, and therefore may differ from their effective yields.

Revenue Recognition on Securities

Interest income from coupon payments is accrued based on the outstanding principal amount of the RMBS and their contractual terms. Premiums and discounts associated with the purchase of the RMBS are amortized into interest income over the projected lives of the securities using the interest method. Our policy for estimating prepayment speeds for calculating the effective yield is to evaluate historical performance, consensus prepayment speeds, and current market conditions. Adjustments are made for actual prepayment activity.

Repurchase Transactions

We intend to finance the acquisition of our Agency RMBS for our portfolio through repurchase transactions under master repurchase agreements. Repurchase transactions will be treated as collateralized financing transactions and will be carried at their contractual amounts, including accrued interest, as specified in the respective transactions. Although the economic terms of our borrowings under these repurchase transactions will not be determined until we engage in such repurchase transactions, we expect the terms of our agreements will generally conform to the terms in the standard master repurchase agreement of SIFMA.

Repurchase transactions will be treated as collateralized financing transactions. Securities financed through repurchase transactions will remain on our consolidated balance sheet as an asset and cash received from the purchaser will be recorded on our consolidated balance sheet as a liability. Interest paid in accordance with repurchase transactions will be recorded in interest expense.

Income Taxes

Our financial results are generally not expected to reflect provisions for current or deferred income taxes. We believe that we will operate in a manner that will allow us to qualify for taxation as a REIT. As a result of our expected REIT qualification, we do not generally expect to pay federal corporate level taxes, although any TRSs we form will be required to pay federal corporate level taxes on their income. Many of the REIT requirements,

however, are highly technical and complex. If we were to fail to meet the REIT requirements, we would be subject to federal, state and local income taxes.

Emerging Growth Company Status

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. Because we qualify as an "emerging growth company," we may, under Section 7(a)(2)(B) of the Securities Act, delay adoption of new or revised accounting standards applicable to public companies until such standards would otherwise apply to private companies. We may take advantage of this extended transition period until the first to occur of the date that we (i) are no longer an "emerging growth company" or (ii) affirmatively and irrevocably opt out of this extended transition period. We have elected to take advantage of the benefits of this extended transition period. This election is irrevocable. As a result, our financial statements may not be comparable to those of other public companies that comply with such new or revised accounting standards. Until the date that we are no longer an "emerging growth company" or affirmatively and irrevocably opt out of the exemption provided by Securities Act Section 7(a)(2)(B), upon issuance of a new or revised accounting standard that applies to our financial statements and that has a different effective date for public and private companies, we will disclose the date on which adoption is required for non-emerging growth companies and the date on which we will adopt the recently issued accounting standard.

Results of Operations

As of the date of this prospectus, we have not commenced operations other than the organization of our company. We will not commence operations or the acquisition of any of our target assets until we have completed this offering and the concurrent private placement. We are not aware of any material trends or uncertainties, other than economic conditions affecting our target assets, mortgage and financial markets and the broader residential real estate market, generally, that may reasonably be expected to have a material impact, favorable or unfavorable, on revenues or income from the acquisition of real estate-related assets, other than those referred to in this prospectus.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain our assets and operations, make distributions to our stockholders and other general business needs. Although we are not required to maintain any particular minimum or maximum target debt-to-equity leverage ratio with respect to our Agency RMBS assets, the amount of leverage we may employ for this asset class will depend upon the availability of particular types of financing and our Manager's assessment of the credit, liquidity, price volatility, financing counterparty risk and other factors. We will use significant cash to purchase our target assets, including our investments in Excess MSRs, repay principal and interest on our borrowings, make distributions to our stockholders and fund our operations. Our primary sources of cash will generally consist of the net proceeds from this offering and the concurrent private placement, payments of principal and interest we receive on our portfolio of assets, cash generated from our operating results and unused borrowing capacity under our financing sources. Depending on market conditions, we expect that our primary sources of financing will be through repurchase agreements initially and may in the future include, warehouse facilities, securitizations, resecuritizations, bank credit facilities (including term loans and revolving facilities), and public and private equity and debt issuances in addition to transaction or asset specific funding arrangements. We do not intend to use leverage to acquire Excess MSRs, but we may do so in the future to the extent financing is available to us for this asset class. We expect that our borrowings under our master repurchase agreements generally will have maturities that range from one month to one year. We do not have a targeted debt-to-equity ratio for our Agency RMBS, although currently we expect that our debt-to-equity ratio initially will be approximately 8:1 for our Agency RMBS assets and could be as high as 10:1 depending on market conditions. We intend to use leverage for the primary purpose of financing our portfolio and not for the purpose

of speculating on changes in interest rates. To the extent available on desirable terms, we expect to finance our initial Agency RMBS with repurchase agreement financing. In the future, we expect to acquire prime jumbo mortgage loans. We anticipate evaluating leverage policies for prime jumbo mortgage loans at such time. Currently, we do not intend to acquire non-Agency RMBS, but we may do so in the future, and we anticipate evaluating leverage policies for this asset class if and when we begin to acquire this asset class. We may, however, be limited or restricted in the amount of leverage we may employ by the terms and provisions of any financing or other agreements that we may enter into in the future.

In connection with repurchase transactions under repurchase agreements, we will be required to pledge additional assets as collateral to our repurchase counterparties (lenders) when the estimated fair value of the existing pledged collateral under such arrangements declines and such lenders, through a margin call, demand additional collateral. Margin calls result from a decline in the value of our assets collateralizing our repurchase transactions, generally following the monthly principal reduction of such investments due to scheduled amortization and prepayments on the underlying mortgages, changes in market interest rates, a decline in market prices affecting such investments and other market factors. To cover a margin call, we may pledge additional securities or cash. At maturity, any cash on deposit as collateral (i.e., restricted cash), if any, would generally be applied against the repurchase agreement balance, thereby reducing the amount borrowed. Should the value of our assets suddenly decrease, significant margin calls could result, causing an adverse change in our liquidity position.

While we generally intend to hold our target assets as long-term investments, certain of our investments securities may be sold in order to manage our interest rate risk and liquidity needs, meet other operating objectives and adapt to market conditions. The timing and impact of future sales of investment securities, if any, cannot be predicted with any certainty. Since we expect that our assets, other than our Excess MSRs, will generally be financed, we expect that a significant portion of the proceeds from sales of our assets (if any), prepayments and scheduled amortization will be used to repay balances under our financing sources.

Contractual Obligations and Commitments

We have entered into a management agreement with our Manager, pursuant to which our Manager is entitled to receive a base management fee, the reimbursement of certain expenses and, in certain circumstances, a termination fee. See “Our Manager and the Management Agreement—Management Fee, Expense Reimbursement and Termination Fee.” The base management fee will be an amount equal to 1.5% per annum of our stockholders’ equity, calculated and payable quarterly in arrears. We will also be required to pay a termination fee equal to three times the average annual base management fee earned by our Manager during the two four-quarter periods ending as of the end of the fiscal quarter preceding the date of termination. Such termination fee will be payable upon termination of the management agreement by us without cause or by our Manager if we materially breach the management agreement. See “Our Manager and the Management Agreement—Management Fee, Expense Reimbursement and Termination Fee—Termination Fee.”

We will pay all of our direct operating expenses, except those specifically required to be borne by our Manager under the management agreement. Our Manager will be responsible for all costs incident to the performance of its duties under the management agreement, including compensation of our Manager’s employees and other related expenses. Our Manager will use the proceeds from its management fee in part to pay compensation to its officers and personnel who, notwithstanding that certain of them also are our officers, will receive no cash compensation directly from us. If our Manager elects to provide us with a dedicated or partially dedicated chief financial officer, controller, internal legal counsel and/or investor relations professional, our Manager will be entitled to be reimbursed for the costs of the wages, salaries and benefits incurred by our Manager with respect to such personnel, based on the percentage of their working time and efforts spent on matters related to our company. Our Manager intends to provide us with a chief financial officer (who will also serve as our treasurer and secretary), who may from time to time assist Freedom Mortgage with certain tasks. The amount of the wages, salary and benefits paid or reimbursed with respect to the chief financial officer our

Manager intends to provide to us, as well as the amount of any wages, salaries and benefits paid or reimbursed with respect to any controller, internal legal counsel and/or investor relations professional our Manager elects to provide to us, will also be subject to the approval of the compensation committee of our board of directors.

Upon completion of this offering and the concurrent private placement, we will enter into two separate Excess MSR acquisition and recapture agreements with Freedom Mortgage related to our investments in Excess MSRs. We also expect to enter into certain contracts that may contain a variety of indemnification obligations, principally with brokers, underwriters and counterparties to repurchase agreements. The maximum potential future payment amount we could be required to pay under these indemnification obligations may be unlimited.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured investment vehicles, or special purpose or variable interest entities, established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities or entered into any commitment or intent to provide additional funding to any such entities.

Distributions

We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income. We intend to pay regular quarterly dividends to our stockholders in an amount equal to our REIT taxable income, if and to the extent authorized by our board of directors. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our repurchase agreements and other debt payable. If our cash available for distribution is less than our REIT taxable income, we could be required to sell assets or borrow funds to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. In addition, prior to the time we have fully used the net proceeds of this offering and the concurrent private placement to acquire our target assets, we may fund our quarterly distributions out of such net proceeds.

Inflation

Virtually all of our assets and liabilities will be interest rate sensitive in nature. As a result, interest rates and other factors influence our performance far more so than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. Our financial statements are prepared in accordance with GAAP and our distributions will be determined by our board of directors consistent with our obligation to distribute to our stockholders at least 90% of our REIT taxable income on an annual basis in order to maintain our REIT qualification; in each case, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk

Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control. We will be subject to interest rate risk in connection with our assets and our related financing obligations. In general, we expect to finance the acquisition of our assets through financings in the form of repurchase agreements, warehouse facilities, securitizations, re-securitizations, bank credit facilities (including term loans and revolving facilities) and public and private equity and debt issuances in addition to transaction or asset specific funding arrangements. In addition, the values of Excess MSRs are highly sensitive to changes in interest rates, historically increasing when rates rise and decreasing when rates decline. Subject to qualifying and maintaining our qualification as a REIT, we may mitigate interest rate risk through utilization of hedging instruments, primarily interest rate swap agreements but also financial futures, options, interest rate cap agreements, floors and forward sales. These instruments are intended to serve as a hedge against future interest rate increases on our borrowings.

Interest Rate Effect on Net Interest Income

Our operating results will depend in large part on differences between the income earned on our assets and our cost of borrowing and hedging activities. The cost of our borrowings will generally be based on prevailing market interest rates. During a period of rising interest rates, our borrowing costs generally will increase (1) while the yields earned on our leveraged fixed-rate mortgage assets will remain static and (2) at a faster pace than the yields earned on our leveraged adjustable-rate and hybrid mortgage assets, which could result in a decline in our net interest spread and net interest margin. The severity of any such decline would depend on our asset/liability composition at the time as well as the magnitude and duration of the interest rate increase. Further, an increase in short-term interest rates could also have a negative impact on the market value of our assets, other than our Excess MSRs. A decrease in interest rates could have a negative impact on the market value of our Excess MSRs. If any of these events happen, we could experience a decrease in net income or incur a net loss during these periods, which could adversely affect our liquidity and results of operations.

Hedging techniques are partly based on assumed levels of prepayments of our target assets, specifically our Agency RMBS. If prepayments are slower or faster than assumed, the life of the investment will be longer or shorter, which would reduce the effectiveness of any hedging strategies we may use and may cause losses on such transactions. Hedging strategies involving the use of derivative securities are highly complex and may produce volatile returns.

Interest Rate Cap Risk

Our adjustable-rate RMBS will generally be subject to interest rate caps, which potentially could cause such RMBS to acquire many of the characteristics of fixed-rate securities if interest rates were to rise above the cap levels. This issue will be magnified to the extent we acquire adjustable-rate and hybrid mortgage assets that are not based on mortgages which are fully indexed. In addition, adjustable-rate and hybrid mortgage assets 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 such assets than we would need to pay the interest cost on our related borrowings. To mitigate interest rate mismatches, we may utilize the hedging strategies discussed above under “—Interest rate risk.” Actual economic conditions or implementation of decisions by our Manager may produce results that differ significantly from the estimates and assumptions used in our models and the projected results shown in this prospectus.

Prepayment Risk

The value of our assets may be affected by prepayment rates on mortgage loans. We anticipate that the mortgage loans, including the mortgages underlying our Excess MSRs and RMBS, will prepay at a projected rate

generating an expected yield. If we purchase assets at a premium to par value, when borrowers prepay their mortgage loans faster than expected, the corresponding prepayments may reduce the expected yield on such assets because we will have to amortize the related premium on an accelerated basis. Conversely, if we purchase assets at a discount to par value, when borrowers prepay their mortgage loans slower than expected, the decrease in corresponding prepayments may reduce the expected yield on such assets because we will not be able to accrete the related discount as quickly as originally anticipated. In addition, with respect to our Excess MSRs, if prepayment speeds are significantly greater than expected, the carrying value of our Excess MSRs may exceed their estimated fair value. If the fair value of our Excess MSRs decreases, we would be required to record a non-cash charge. Significant increases in prepayment speeds could also materially reduce the ultimate cash flows we receive from Excess MSRs, and we could ultimately receive substantially less than what we paid for such assets.

Counterparty Risk

When we engage in repurchase transactions, we will generally sell securities to lenders (i.e., repurchase agreement counterparties) and receive cash from the lenders. The lenders will be obligated to resell the same securities back to us at the end of the term of the transaction. Because the cash we will receive from the lender when we initially sell the securities to the lender is less than the value of those securities (this difference is the haircut), if the lender defaults on its obligation to resell the same securities back to us we would incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). We would also lose money on a repurchase transaction if the value of the underlying securities has declined as of the end of the transaction term, as we would have to repurchase the securities for their initial value but would receive securities worth less than that amount.

In addition, if a swap counterparty under an interest rate swap agreement that we intend to enter into as part of our hedging strategy cannot perform under the terms of the interest rate swap, we may not receive payments due under that agreement, and thus, we may lose any unrealized gain associated with the interest rate swap. The hedged liability could cease to be hedged by the interest rate swap. Additionally, we may also risk the loss of any collateral we have pledged to secure our obligations under the interest rate swap if the counterparty becomes insolvent or files for bankruptcy. Similarly, if an interest rate cap counterparty fails to perform under the terms of the interest rate cap agreement, in addition to not receiving payments due under that agreement that would off-set our interest expense, we could also incur a loss for all remaining unamortized premium paid for that security.

Our investments in Excess MSRs are dependent on the mortgage servicer, including Freedom Mortgage, to perform its servicing obligations. If the mortgage servicer fails to perform its obligations and is terminated, our investments in the related Excess MSRs could lose all their value. In addition, many servicers also rely on subservicing arrangements with third parties and the failure of subservicers to adequately perform their services may negatively impact the servicer and, as a result, the perform an of our Excess MSRs. See “Risk Factors—Risks Related to Our Business—We will be dependent on mortgage servicers to service the mortgage loans underlying the Excess MSRs that we acquire.” In addition, should a servicer of Excess MSRs that we acquire fail to make required payments, under our acknowledgment agreements with Ginnie Mae, Fannie Mae or Freddie Mac we could be exposed to potential liabilities. See “Risk Factors—Risks Related to Our Business—Acknowledgment agreements with Ginnie Mae, Fannie Mae or Freddie Mac could expose us to potential liability in the event of a payment default.” Moreover, our business model heavily relies upon our strategic alliance with Freedom Mortgage and our acquiring Excess MSRs through our relationship with Freedom Mortgage. To the extent Freedom Mortgage loses its ability to serve as a servicer for one or more of the GSEs, we could face significant adverse consequences. Similarly, if Freedom Mortgage is unable to successfully execute its business strategy or no longer maintains its financial viability, our business strategy would be materially adversely affected and our results of operations would suffer.

Funding Risk

To the extent available on desirable terms, we initially expect to finance our initial Agency RMBS with repurchase agreement financing. Over time, as market conditions change, in addition to these financings, we may

use other forms of leverage. We may also seek to finance other mortgage-related assets, such as prime jumbo loans. Weakness in the financial markets, the residential mortgage markets and the economy generally could adversely affect one or more of our potential lenders and could cause one or more of our potential lenders to be unwilling or unable to provide us with financing or to increase the costs of that financing.

Liquidity Risk

The assets that will comprise our asset portfolio will not be publicly traded. A portion of these assets may be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly-traded securities. The illiquidity of our assets may make it difficult for us to sell such assets if the need or desire arises, including in response to changes in economic and other conditions.

Credit Risk

We may become subject to varying degrees of credit risk in connection with our assets. Although we expect relatively low credit risk with respect to our Excess MSR portfolio and our Agency RMBS portfolio, to the extent we invest in non-Agency RMBS, we do expect to encounter credit risk related to this asset class.

BUSINESS

Our Company

Cherry Hill Mortgage Investment Corporation is a newly formed residential real estate finance company that will acquire, invest in and manage residential mortgage assets in the United States. We will be externally managed and advised by Cherry Hill Mortgage Management, LLC, or our Manager, an affiliate of Freedom Mortgage Corporation, or Freedom Mortgage. Our principal objective is to generate attractive current yields and risk-adjusted total returns for our stockholders over the long term, primarily through dividend distributions and secondarily through capital appreciation. We intend to attain this objective by selectively constructing and actively managing a targeted portfolio of Excess MSRs, Agency RMBS, prime jumbo mortgage loans and other stable and cashflowing residential mortgage assets. We will have a strategic alliance with Freedom Mortgage that we believe will provide us with frequent opportunities to acquire Excess MSRs. We will elect and intend to qualify to be taxed as a REIT beginning with our short taxable year ending December 31, 2013.

Our asset acquisition strategy will focus on acquiring a diversified portfolio of residential mortgage assets that balances the risk and reward opportunities our Manager observes in the marketplace. We expect to allocate a majority of our equity capital, on an unleveraged basis, to the acquisition of Excess MSRs. Upon completion of this offering and the concurrent private placement, we will invest approximately $100 million to acquire from Freedom Mortgage participation interests in two separate pools of Excess MSRs on FHA and VA mortgage loans with an anticipated UPB of approximately $20.8 billion. In addition to our Excess MSR strategy, we also intend to acquire Agency RMBS on a leveraged basis as part of our initial portfolio and our longer term strategy. While we intend to invest in both Agency RMBS backed by FRMs and hybrid ARMs, upon deployment of the net proceeds of this offering and the concurrent private placement, we expect to be invested primarily in, and a substantial portion of our total assets to consist of, Agency RMBS backed by whole pools of 30-year, 20-year and 15-year FRMs that offer favorable prepayment and duration characteristics. As the market for prime jumbo loans grows, we expect our portfolio to include this asset class as well. In addition, we may also invest opportunistically from time to time in other residential mortgage assets.

Freedom Mortgage, an affiliate of our Manager, is a privately held independent mortgage company founded in 1990 that originates and services mortgage loans nationwide. Freedom Mortgage is licensed to originate and service mortgage loans in all 50 states and the District of Columbia and has been a Fannie Mae-approved seller/servicer since April 1993 and a Ginnie Mae-approved issuer since September 1999. Freedom Mortgage was the fourth largest single-family Ginnie Mae RMBS issuer by UPB for the first six months of 2013. For the year ended December 31, 2012 and for the six month-period ended June 30, 2013, Freedom Mortgage originated over $13 billion and $9.5 billion, respectively, of mortgage loans predominantly underwritten to Agency underwriting guidelines. Freedom Mortgage typically retains the MSRs on the mortgage loans it originates and is the primary servicer of mortgage loans with an outstanding UPB of approximately $26.2 billion as of June 30, 2013.

Stanley Middleman, the founder, Chairman and Chief Executive Officer of Freedom Mortgage, serves as our Chairman. Our senior management team will be led by Jeffrey Lown II, our President and Chief Investment Officer and a nominee to our board of directors, and Martin Levine, our Chief Financial Officer, Secretary and Treasurer. Mr. Lown and Mr. Levine also serve as officers of our Manager and of Freedom Mortgage. Each member of our senior management team has more than 20 years of experience in the financial services industry, with a majority of that experience concentrated in the residential mortgage markets.

Our relationship with Freedom Mortgage provides us with access to Freedom Mortgage’s leading origination and servicing platform and access to a predictable and proprietary source of Excess MSR acquisition opportunities, as well as other investment opportunities with respect to some of our other target assets. We believe our access to Freedom Mortgage and the deep network of relationships that our senior management team has established with other large originators, servicers and other participants in the residential mortgage industry provides us with access to an ongoing source of Excess MSRs and other asset acquisition and financing opportunities. As a result, we believe we can selectively construct and fund a diversified portfolio of high quality

residential mortgage assets that generate attractive current yields and risk-adjusted total returns for our stockholders over the long-term under a variety of market conditions and economic cycles.

In addition to growth through new originations, Freedom Mortgage has made a substantial capital investment in customer retention, primarily through its retail production channel, which has allowed it to engage, when interest rates are falling, in significant levels of recapture originations—originations in which Freedom Mortgage refinances existing customers into new loans and retains the servicing rights on these new loans post-refinancing. For the period from January 1, 2011 to June 30, 2013, Freedom Mortgage's monthly weighted average recapture rate with respect to FHA and VA mortgage loans in its servicing portfolio was 75%. In other words, approximately three out of every four Freedom Mortgage loans that were refinanced during that period, were refinanced by Freedom Mortgage. Since voluntary prepayments eliminate the MSRs, including the Excess MSRs, on the mortgage loans that have prepaid, recapture originations allow Freedom Mortgage to extend the longevity of the servicing fees paid on its MSRs and thereby replenish the MSRs and the related Excess MSRs on prepaid mortgage loans. By entering into recapture agreements with Freedom Mortgage, we will benefit from Freedom Mortgage's ability to obtain recapture originations. This will allow us to mitigate the impact of voluntary prepayments on the Excess MSRs we plan to acquire from Freedom Mortgage.

Upon completion of this offering and the concurrent private placement, we will enter into two separate Excess MSR acquisition and recapture agreements with Freedom Mortgage. Pursuant to the first agreement, we will acquire from Freedom Mortgage an 85% participation interest in the Excess MSRs in Pool 1. These Excess MSRs relate to a pool of predominantly fixed rate, Ginnie Mae-eligible FHA and VA mortgage loans, substantially all of which were originated by Freedom Mortgage after January 1, 2012. We expect Pool 1 to have an aggregate outstanding UPB of approximately $10.1 billion as of the closing of this offering. The purchase price for our Excess MSRs in Pool 1 is approximately $60 million and will be funded with a portion of the net proceeds of this offering and the concurrent private placement. Pursuant to the second agreement, we will acquire from Freedom Mortgage a 50% participation interest in the Excess MSRs in Pool 2. These Excess MSRs relate to a pool of Ginnie Mae-eligible VA hybrid ARMs. Freedom Mortgage acquired the servicing rights to Pool 2 in bulk from a third party seller on August 30, 2013. The mortgage loans in Pool 2 were originated by the third party seller after January 1, 2011. Ginnie Mae approved the transfer of servicing rights from the seller to Freedom Mortgage. We expect Pool 2 to have an aggregate outstanding UPB of approximately $10.7 billion as of the closing of this offering. The purchase price for our Excess MSRs in Pool 2 is approximately $40 million and will be funded with a portion of the net proceeds of this offering and the concurrent private placement.

Freedom Mortgage will continue to own the MSRs on, and will be the primary servicer of, the mortgage loans in the Initial Pools. We will not have any servicing duties, advance obligations or liabilities associated with servicing the mortgage loans in either pool, and Freedom Mortgage will be responsible for the duties, advance obligations and liabilities associated with servicing the mortgage loans in the Initial Pools.

We expect that, at the time we acquire our Excess MSRs in Pool 1, the weighted average servicing fee in Pool 1 will be 28 basis points. As the loan servicer, Freedom Mortgage will be paid a basic servicing fee of eight basis points on current mortgage loans and will be entitled to receive ancillary income from its servicing activities. Accordingly, we expect the weighted average excess servicing fee in Pool 1 to be 20 basis points, of which we will be entitled to receive 17 basis points based on our 85% participation interest. We expect that, at the time we acquire our Excess MSRs in Pool 2, the weighted average servicing fee in Pool 2 will be 44 basis points. Because all of the mortgage loans in Pool 2 are hybrid ARMs, Freedom Mortgage will be paid a basic servicing fee of 10 basis points on current hybrid ARMs and will be entitled to receive ancillary income from its servicing activities. Accordingly, we expect the weighted average excess servicing fee in Pool 2 to be 34 basis points, of which we will be entitled to receive 17 basis points based on our 50% participation interest. Freedom Mortgage will retain the remaining participation interests in the Excess MSRs in the Initial Pools. For a description of the representative characteristics of the mortgage loans expected to comprise the Initial Pools, see "—Our Portfolio—Our Initial Excess MSRs."

In connection with our investments in Excess MSRs:

- Freedom Mortgage will agree, unless directed by an Agency, not to sell, transfer or otherwise encumber, without our prior consent, the MSRs related to our Excess MSRs or its participation interest in these Excess MSRs.
- Freedom Mortgage will also agree to replace our participation interest in the Excess MSRs on the mortgage loans in the Initial Pools that have been refinanced by Freedom Mortgage through its retail channel.
    - Freedom Mortgage will replace the Excess MSRs on the mortgage loans that it has refinanced on the first day of the second month after the month in which the related refinancing occurred.
    - Freedom Mortgage will remit to us, an amount representing 85% or 50%, as described below, of the excess servicing fee on the recaptured mortgage loans from the period between the related refinancing and assignment dates.
- Freedom Mortgage will bear all costs and expenses of originating the recaptured mortgage loans.
- Within five days after the end of each calendar quarter:
    - Freedom Mortgage will calculate the Make Whole Amount (as defined below), which amount arises as a result of the reduction, if any, in our excess servicing fee revenues resulting from Freedom Mortgage's refinancing of mortgage loans related to our Excess MSRs during that quarter through its retail channel.
    - To the extent there is a reduction in excess servicing fee revenue related to loans refinanced by Freedom Mortgage through its retail channel and we have accepted or otherwise resolved any objections to Freedom Mortgage's calculation of the Make Whole Amount in the manner set forth in each excess MSR acquisition and recapture agreement, Freedom Mortgage will either (i) assign to us a participation interest, determined as described below, in Excess MSRs on sufficient additional mortgage loans for which Freedom Mortgage owns the related MSRs such that the weighted average excess servicing fee revenue with respect to the Excess MSRs on the recaptured mortgage loans and the additional mortgage loans assigned to us by Freedom Mortgage, taken together, equals 90% of the weighted average excess servicing fee revenue on the mortgage loans refinanced by Freedom Mortgage (based on the UPB and the excess servicing fee revenue we were entitled to earn in effect immediately before the mortgage loans were refinanced by Freedom Mortgage) (the "Make Whole Amount") or (ii) make a cash payment to us approximating the fair market value of the Make Whole Amount.
- The additional mortgage loans underlying the Excess MSRs that are assigned to us by Freedom Mortgage must be included in a mortgage backed security guaranteed by an Agency. The additional mortgage loans also must have collateral characteristics that are generally comparable to the recaptured mortgage loans.

The basic servicing fee and the participation interest with respect to Pool 1 for any related recaptured mortgage loans and any related additional mortgage loans will not change. However, because all of the mortgage loans in Pool 2 are hybrid ARMs, which may be refinanced into fixed rate mortgage loans, the basic servicing fee and our participation interest may change. If a mortgage loan in Pool 2 is refinanced into another hybrid ARM or ARM, the basic servicing fee and our participation interest for the related recaptured loan will not change. However, if a mortgage loan in Pool 2 is refinanced into a fixed rate loan, the basic servicing fee for the recaptured loan will be eight rather than ten basis points, and our participation interest will be 85% rather than 50%. Any additional mortgage loans used to satisfy the Make-Whole Amount for Pool 2 will follow the same principles. If the additional mortgage loan is a hybrid ARM or an ARM, the basic servicing fee will be ten basis points and our participation interest will be 50%. If the additional mortgage loan is a fixed rate-loan, the basic servicing fee will be eight basis points and our participation interest will be 85%.

We expect to benefit from the recapture terms described above with respect to the Initial Pools during the initial term and any successive term of the Excess MSR acquisition and recapture agreements. The initial term of

these agreements will expire on the tenth anniversary of the closing of this offering and will be automatically renewed for successive one-year periods unless terminated.

In addition to our initial investments in Excess MSRs, we expect to source and acquire a substantial portion of our Excess MSRs in partnership with Freedom Mortgage and anticipate entering into additional acquisition and recapture agreements with Freedom Mortgage. Initially, the Excess MSRs we intend to acquire from Freedom Mortgage will relate primarily to FHA and VA mortgage loans that will have been pooled and sold into Ginnie Mae-guaranteed Agency RMBS, but we may also acquire Excess MSRs that relate to other Agency-backed mortgage loans. We do not intend to acquire Excess MSRs that relate to lower credit quality pools.

In connection with the completion of this offering, we will enter into strategic alliance agreements with Freedom Mortgage. Under our strategic alliance agreements:

- Freedom Mortgage will be obligated to offer us, in good faith, on a monthly flow basis, the right to co-invest at least 65% but not more than 85% in the Excess MSRs related to Freedom Mortgage's MSRs on mortgage loans pooled and sold by Freedom Mortgage on a servicing retained basis during the previous month; and
- Freedom Mortgage will be obligated to offer us, in good faith, the right to co-invest at least 40% but not more than 85% in the Excess MSRs related to any MSRs on mortgage loans Freedom Mortgage acquires through a bulk purchase from a third-party servicer.

The strategic alliance agreements will remain in effect until the later to occur of the date that is three years from the closing of this offering and the date on which an affiliate of Freedom Mortgage is not acting as our external manager. Under our strategic alliance agreements, the amount of each co-investment in Excess MSRs offered to us by Freedom Mortgage and the recapture terms related to the pool of loans underlying each co-investment in Excess MSRs will be determined by us and Freedom Mortgage at the time our co-investment is made based on policies and procedures approved by our independent directors. Pursuant to the strategic alliance agreements, Freedom Mortgage may select an alternative servicer that must be reasonably satisfactory to us, subject to related Agency approval, if Freedom Mortgage loses its status as a servicer. Our approval will not be required if an Agency selects or directs the selection of a new sub-servicer. We will not be obligated to purchase any Excess MSRs offered to us by Freedom Mortgage pursuant to our strategic alliance agreements or otherwise.

We believe our strategic alliance agreements provide us with a competitive advantage in that we will be able to source, acquire and construct a sizeable portfolio of income-generating Excess MSRs without reliance on a competitive bidding process, including our investments in Excess MSRs in the Initial Pools. We also expect to benefit from Freedom Mortgage's recapture capabilities. We also intend to enter into agreements with other servicers from time to time for the acquisition of Excess MSRs on a flow or bulk basis if our Manager identifies attractive acquisition opportunities that satisfy our investment criteria. We may choose to enter into such agreements in conjunction with Freedom Mortgage or independently.

In addition to our Excess MSR acquisition strategy, our targeted Agency RMBS strategy will focus primarily on the selection of Agency residential mortgage pass-through certificates, or Agency whole-pools. We will seek to purchase, on a leveraged basis, Agency whole-pools with characteristics that we believe will result in lower rates of prepayments. To accomplish this, we initially intend to target, among other loan pools with low prepayment characteristics, the following types of Agency whole-pools for our portfolio:

- lower loan balance pools, which we define as pools of mortgage loans with original principal balances of generally less than $150,000 per loan;
- pools backed by collateral located in a single state;
- pools designated as backed by HARP loans;
- new production, current coupon Agency whole-pools; and
- pools backed by mortgage loans secured primarily by investor-owned properties.

In addition, we intend to avoid specified loan pools that we deem to be more vulnerable to prepayment risk including loans that are more likely eligible for refinancing under HARP.

Our Formation

We were incorporated in Maryland on October 31, 2012. We will elect and intend to qualify to be taxed as a REIT beginning with our short taxable year ending December 31, 2013. We will conduct substantially all of our business through our operating partnership, Cherry Hill Operating Partnership, LP, a Delaware limited partnership, and its subsidiaries. We are the sole general partner of our operating partnership. We also intend to operate our business in a manner that will permit us to maintain our exclusion from regulation as an investment company under the Investment Company Act. As of the date of this prospectus, we have not commenced any operations other than organizing our company. We currently have no assets and will not commence operations until we have completed this offering.

Our Market Opportunity

We believe that the U.S. mortgage finance system is undergoing historic change. Significant increases in regulation and public policy are influencing which investors will have the inclination and the financial ability to hold residential mortgage assets. We believe that capital from non-bank servicers and investors in mortgage servicing assets will represent an increasing share of ownership of servicing assets in the years to come. We also believe that as banks pull back from the mortgage finance business, non-bank originators such as Freedom Mortgage are poised to continue to increase production and capture market share. Non-bank mortgage originators will require efficient funding for MSR production. In addition, we believe that investors will continue to seek incremental spreads relative to U.S. Treasury Notes in a low yield environment and that mortgages represent an attractive total return investment opportunity.

We intend to capitalize on this opportunity by creating a tax-efficient entity through which public investors will be able to invest primarily in Excess MSRs, Agency RMBS and, over time, prime jumbo mortgage loans, as well as other residential mortgage assets depending on how market conditions evolve. We expect to benefit from Freedom Mortgage's origination and servicing abilities, operating and financial expertise and ability to engage in recapture originations by co-investing with Freedom Mortgage in Excess MSRs that we expect to generate attractive and consistent risk-adjusted returns for investors.

Excess MSRs

Over the past two years, MSRs related to over $750 billion, of the approximately $10 trillion UPB of residential mortgages were sold or transferred. We believe that there are a number of factors in the current mortgage finance market that make servicing an increasingly unattractive asset class to banks, including higher operational requirements as well as a limit upon MSRs as part of bank regulatory capital. We expect these factors will continue to drive a shift in servicing from banks to independent mortgage companies through increases in market share of originations and the purchase of additional servicing assets. We further believe this will result in an increasing volume of MSR sales for some period of time. We believe that MSRs on more than $2 trillion of UPB of mortgage loans could be sold over the next several years.

We expect that non-bank servicers such as Freedom Mortgage will need companies such as ours to co-invest in the Excess MSR portion of these investments. We therefore believe there are market opportunities for us to provide liquidity to Freedom Mortgage and other non-bank servicers that may seek to finance their MSRs by selling an interest in Excess MSRs. In addition to our initial investments in Excess MSRs, we expect to acquire additional Excess MSRs through (i) co-investments with Freedom Mortgage in Excess MSRs related to MSRs on mortgage loans pooled and sold by Freedom Mortgage on a servicing retained basis, (ii) co-investments with Freedom Mortgage in Excess MSRs related to MSRs that have been acquired opportunistically by Freedom Mortgage in bulk purchases and (iii) co-investments with other third-party servicers in Excess MSRs on a flow or bulk basis. In the future, subject to the receipt of appropriate licensing and Agency approvals, we may pursue flow and bulk acquisitions of MSRs through our wholly-owned TRS.

We believe investing in Excess MSRs on an unleveraged basis could provide us with attractive risk-adjusted returns. Returns on Excess MSRs can be adversely affected by voluntary prepayments, where borrowers repay or refinance the loan outside of the portfolio, and involuntary prepayments, or defaults on mortgage loans. We also believe our relationship with Freedom Mortgage will allow us to mitigate the negative impact of voluntary prepayments on Excess MSRs related to Freedom Mortgage-originated loans through Freedom Mortgage's ability to engage in recapture originations. These recapture originations extend the duration of the cash flows related to the MSRs in its servicing-retained portfolio, including the payment of the excess servicing spread related to the Excess MSRs we plan to acquire from Freedom Mortgage. In addition, we intend to try to structure similar types of recapture agreements with other servicers to the extent we enter into Excess MSR acquisition agreements with them.

Agency RMBS

We believe that the Agency RMBS market presents opportunities for earning attractive risk-adjusted returns due to several factors, including attractive financing spreads and a steady demand for Agency RMBS. The spread between the cost of funding for, and the yield on, Agency RMBS assets continues to create attractive investment opportunities in this asset class. On December 12, 2012, the Federal Open Market Committee released a statement indicating that it would maintain the target range for the federal funds rate at 0% to 0.25% and that it continues to anticipate that economic conditions, including low rates of resource utilization and a subdued outlook for inflation over the medium term, are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014. Our Agency RMBS acquisition strategy targets pools with favorable prepayment characteristics. As a result, we expect our Agency RMBS to display attractive spread characteristics and returns even in a more normalized spread environment after the U.S. Federal Reserve tapers its quantitative easing programs.

In addition, investors continue to seek incremental spreads relative to U.S. Treasury Notes in a low yield environment, and financial institutions continue to prefer high quality, liquid Agency RMBS. Though recent economic data suggests an improvement in U.S. economic growth, we believe that there is still uncertainty primarily because of high unemployment, low levels of capacity utilization, the shadow inventory of real estate owned, or REO, assets, stagnant home prices in most markets and continued stress in the housing and construction markets, which all point to a muted recovery. As a result, we expect these factors should keep the yield curve relatively steep and promote continued demand for Agency RMBS.

Prime Jumbo Mortgage Loans

Currently, the primary residential mortgage market is being supported by the U.S. Government's deep involvement through its conservatorship with Fannie Mae and Freddie Mac, and an indirect subsidization of the FHA. The housing finance reform report issued by the U.S. Treasury and HUD in February 2011 indicates an intent to reduce the U.S. Government's role in the residential mortgage market from current levels. The options outlined in the report all share a common objective of significantly increasing the role of private sector capital in bearing credit risk in the residential mortgage market. The October 2011 proposal by the Obama administration to have Fannie Mae and Freddie Mac sell tranches of RMBS that would not carry such entities' guaranty is another example of this trend. In addition, one of HUD's key budgetary principles for 2013 is to bring private capital back into the mortgage market. Recently, bills were introduced in the U.S. Congress that, among other things, address the wind down of the conservatorships of Fannie Mae and Freddie Mac. It is not yet possible to determine whether or when any of such proposals may be enacted, what form any final legislation or policies might take and how proposals, legislation or policies emanating from this report may impact our business, operations and financial condition.

We expect this process of privatizing mortgage credit risk will create investment opportunities consistent with our investment objectives. We believe our senior management team's capabilities in evaluating, acquiring and managing the risk associated with residential mortgage whole loans will provide us with an important

advantage as this new market opportunity evolves and opportunities to acquire prime jumbo mortgage loans present themselves. We expect to take advantage of the network of relationships of our senior management team in the residential mortgage industry to identify opportunities for us to acquire prime jumbo mortgage loans. In the future, we expect to enter into a sourcing agreement with Freedom Mortgage in order to obtain access to a pipeline of prime jumbo mortgage loans originated by Freedom Mortgage and through which we can further diversify our portfolio of residential mortgage assets, grow our business and increase value for our stockholders.

Our Manager and Freedom Mortgage

Our Manager

We will be externally managed by Cherry Hill Mortgage Management, LLC, a newly organized Delaware limited liability company formed in November 2012 and an affiliate of Freedom Mortgage. We have entered into a management agreement with our Manager, pursuant to which our Manager has agreed to conduct our day-to-day operations. As an externally managed company, we will depend on the diligence, experience and skill of our Manager for the selection, acquisition, structuring, interest rate risk mitigation and monitoring of our target assets and associated borrowings. The management agreement requires our Manager to manage our business affairs in conformity with the policies and the investment guidelines that are approved and monitored by our board of directors. Pursuant to the terms of our management agreement, our Manager provides us with our senior management team, including a president and chief investment officer, a chief financial officer, secretary and controller and a senior portfolio manager for our investments in Agency RMBS. Our Manager and Freedom Mortgage are parties to a services agreement, pursuant to which Freedom Mortgage will be required to provide to our Manager the personnel, services and resources as needed by our Manager to enable our Manager to carry out its obligations and responsibilities under the management agreement. We do not have any employees whom we compensate directly with salaries or other compensation; however, we expect to reimburse our Manager for the costs of wages, salaries and benefits incurred by our Manager with respect to certain of our officers to the extent they are dedicated to us. See “Our Manager and the Management Agreement” for a discussion of our management agreement and the services agreement.

Our senior management team, including members of our board of directors, has substantial experience in the financial services industry, with a particular focus on the residential mortgage markets. Mr. Middleman, our Chairman, is the sole member of our Manager and the sole stockholder, sole director and chief executive officer of Freedom Mortgage. Mr. Middleman founded Freedom Mortgage in 1990 and has over 27 years of mortgage industry expertise. His business vision, asset management approach and marketing strategy have resulted in Freedom Mortgage’s growth from a regionally-based mortgage business to a leading national private mortgage origination and servicing business. Mr. Middleman established Freedom Mortgage’s corporate vision, strategic plan, operations and financial and management reporting systems, as well as quality control procedures. He is an active member of the Mortgage Bankers Association and has served on numerous advisory boards including Freddie Mac, Ellie Mae, Inc. and Fannie Mae. In addition to Mr. Middleman, the members of our and our Manager’s team that are responsible for implementing our asset acquisition and financing strategies include: Mr. Lown, our President and Chief Investment Officer, who has over 20 years of combined experience in the financial services industry and the residential mortgage markets; Mr. Levine, our Chief Financial Officer, who has over 30 years of combined experience in the financial services industry and the residential mortgage markets; and Julian Evans, our Senior Portfolio Manager, who has more than 14 years of combined experience in the financial services industry and the residential mortgage markets.

Prior to joining Freedom Mortgage in 2012, Mr. Lown built an extensive career in the residential mortgage sector where he held senior roles in mortgage trading, banking and risk management at UBS Securities LLC and Citigroup, including management of a mortgage origination business at UBS Securities LLC from 2006 to 2008. In addition, Mr. Lown has served as a senior advisor to the Office of Thrift Supervision. Mr. Levine joined Freedom Mortgage in 2012 as an Executive Vice President in charge of servicing oversight and financial reporting. Over the past 20 years, Mr. Levine has held various senior executive positions for both privately held and publicly traded residential and commercial real estate-related investment companies. Mr. Levine is a member

of the American Institute of Certified Public Accountants. Mr. Evans joined Freedom Mortgage in April 2013 as a Senior Vice President and as our Manager's Senior Portfolio Manager. Mr. Evans most recently served as Head of the MBS Sector Team and Senior Portfolio Manager for Deutsche Asset Management where he led a team that managed RMBS assets for institutional, insurance and retail clients.

Freedom Mortgage

Founded in 1990 by Mr. Middleman, our Chairman, and headquartered in Mount Laurel, New Jersey, Freedom Mortgage is a privately held, full-service, residential mortgage originator and servicer licensed in all 50 states and the District of Columbia with over 2,000 employees as of June 30, 2013. Freedom Mortgage has been a Fannie Mae-approved seller/servicer since April 1993 and a Ginnie Mae-approved issuer since September 1999. Freedom Mortgage was the fourth largest single-family Ginnie Mae RMBS issuer by UPB for the first six months of 2013. For the year ended December 31, 2012 and for the six month-period ended June 30, 2013, Freedom Mortgage originated over $13 billion and $9.5 billion, respectively, of mortgage loans predominantly underwritten to Agency underwriting guidelines. Freedom Mortgage typically retains the MSRs on the mortgage loans it originates and is the primary servicer of mortgage loans with an outstanding UPB of approximately $26.2 billion as of June 30, 2013.

Freedom Mortgage originates mortgage loans to sell primarily to the Agencies and does not generally retain loans on its balance sheet. Freedom Mortgage originates mortgages loans underwritten predominantly to Agency guidelines. From time to time, Freedom Mortgage may also sell mortgage loans it originates to private investors as market conditions warrant. Freedom Mortgage maintains a national footprint to support lending activities across all 50 states and the District of Columbia through its wholesale, retail and correspondent channels. Freedom Mortgage's origination activities are supported by a broad group of national and local warehouse lenders, including affiliates of certain underwriters for this offering.

- *Wholesale Production Channel*. Mortgage loans originated through its wholesale production channel are sourced and submitted to Freedom Mortgage through a network of over 2,400 independent mortgage brokers. Mortgage loans originated through Freedom Mortgage's wholesale channel are underwritten by Freedom Mortgage employees and according to Freedom Mortgage's underwriting guidelines, which adhere to the Agency guidelines. As of June 30, 2013, Freedom Mortgage had six regional offices, 99 account executives and over 650 employees dedicated to underwriting and closing mortgage loans originated through its wholesale production channel. Freedom Mortgage prohibits the independent mortgage brokers in its wholesale production channel from soliciting existing customers for a period of time after origination. For the year ended December 31, 2012 and the six-month period ended June 30, 2013, wholesale originations represented the largest percentage of its originations at approximately 58% and 53%, respectively, of Freedom Mortgage's total origination volume.
- *Retail Production Channel.* Retail originations represent mortgage loans originated directly to the borrower, which Freedom Mortgage sources mainly from its centralized call centers, the largest of which is housed at its corporate headquarters in New Jersey. Freedom Mortgage utilizes its retail call centers as its first line of defense in customer retention through recapture originations. As of June 30, 2013, Freedom Mortgage's retail production channel employed over 650 employees throughout three call centers located in New Jersey, Indiana and California. For the year ended December 31, 2012 and the six-month period ended June 30, 2013, retail originations represented approximately 29% and 34%, respectively, of Freedom Mortgage's total origination volume.
- *Correspondent Production Channel*. Freedom Mortgage purchases mortgage loans from third-party independent mortgage originators. The mortgage loans are underwritten to Freedom Mortgage's guidelines and acquired at an agreed upon price subject to Freedom Mortgage's satisfactory review and approval. As of June 30, 2013, Freedom Mortgage maintained active relationships with 36 different banks and mortgage originators for sourcing loan originations through its correspondent channel. Freedom Mortgage's correspondent production channel predominantly targets loans used for the

purchase of a home. For the year ended December 31, 2012 and the six-month period ended June 30, 2013, correspondent originations represented approximately 13% and 13%, respectively, of Freedom Mortgage's total origination volume.

The following table sets forth certain information regarding Freedom Mortgage's loan production for the periods indicated:

	Six Months Ended June 30,	Year Ended December 31,				
	2013	2012	2011	2010	2009	2008
Origination volume (dollars in millions):						
Wholesale	$ 5,271	$ 7,865	$ 2,214	$ 2,191	$ 4,377	$ 3,962
Retail	3,320	3,980	1,103	1,017	1,241	551
Correspondent	1,300	1,811	266	85	179	185
Total(1)	$ 9,891	$ 13,657	$ 3,583	$ 3,294	$ 5,798	$ 4,697
Weighted average FICO score(2)	715	720	718	707	668	660
Weighted average LTV (%)(3)	78.8	79.1	78.8	84.7	87.4	87.7
Streamline Refinance Loans (%)(4)(5)	67.7	64.0	50.2	66.0	55.9	5.1

(1) Totals may not add up due to rounding.
(2) Reflects a non-zero weighted average.
(3) Reflects the weighted average LTV for loans that are not Streamline Refinance Loans.
(4) Streamline Refinance Loans are underwritten to Agency guidelines but do not require updated appraisals.
(5) As a percentage of origination volume.

Freedom Mortgage has experienced substantial growth in its servicing portfolio in 2012. Freedom Mortgage retained MSRs on mortgage loans originated and sold with an ending UPB of approximately $26.2 billion as of June 30, 2013, an approximate 147% increase compared to mortgage loans originated and sold with an ending UPB of approximately $10.6 billion as of December 31, 2011. The recent growth in Freedom Mortgage's servicing portfolio is primarily attributable to the increase in Freedom Mortgage's origination volumes and its retention of MSRs on newly originated mortgage loans.

As the primary servicer, Freedom Mortgage services loans in accordance with Agency requirements and is responsible for performing all servicing functions, such as collecting payments, handling customer service requests, remitting monies to investors, maintaining escrow accounts, paying hazard insurance and property taxes and administering defaulted loans. For a variety of business reasons, Freedom Mortgage has elected to have sub-servicers perform the servicing functions specified above. The performance of these servicing functions by the sub-servicers is subject to Freedom Mortgage's oversight, and Freedom Mortgage, as the primary servicer, remains contractually responsible for servicing loans in accordance with Agency requirements. Freedom Mortgage seeks to ensure that each loan is paid in accordance with its terms, to maximize borrower retention, avoid foreclosure whenever possible and mitigate losses by working proactively with borrowers.

Freedom Mortgage has a long-standing relationship with LoanCare, the sub-servicer for the mortgage loans in Freedom Mortgage's existing servicing portfolio other than the mortgage loans in Pool 2. LoanCare will sub-service the mortgage loans in Pool 1. LoanCare is a division of FNF Servicing, Inc., a subsidiary of Fidelity National Financial, Inc. (NYSE: FNF). LoanCare is licensed to service mortgage loans in all 50 states and the District of Columbia.

The mortgage loans in Pool 2 are currently being sub-serviced by Ocwen. In order to minimize the potential for disruptions in the servicing from the transfer of such a large pool, Ocwen will sub-service the mortgage loans in Pool 2 for Freedom Mortgage. Ocwen is licensed to service mortgage loans in all 50 states and the District of Columbia.

The sub-servicing fees and any expense reimbursement to the applicable sub-servicer are borne solely by Freedom Mortgage and will have no impact on us. Subject to our prior approval with respect to the MSRs in Pool 1 and Pool 2, Freedom Mortgage has the right to terminate its agreements with its sub-servicers and to engage other sub-servicers or to service the mortgage loans in its servicing portfolio directly.

The following table provides certain information regarding Ginnie Mae-eligible FHA and VA mortgage loans originated by Freedom Mortgage after January 1, 2011, which underlie a portion of the MSRs in Freedom Mortgage's servicing portfolio and which we believe are representative of the mortgage loans underlying the initial Excess MSRs in Pool 1 we intend to acquire from Freedom Mortgage:

	As of June 30, 2013	As of December 31, 2012	As of December 31, 2011
Aggregate UPB	$ 15.9 billion	$ 9.6 billion	$ 1.6 billion
Average UPB	$ 192,606	$ 194,276	$ 192,270
Weighted average coupon	3.56%	3.76%	4.34%
30-59 days delinquent (1)	2.0%	1.9%	1.6%
60-89 days delinquent (1)	0.3%	0.5%	0.3%
90+ days delinquent (1)	0.7%	0.7%	0.3%
Weighted average servicing fee	28 basis points	29 basis points	26 basis points

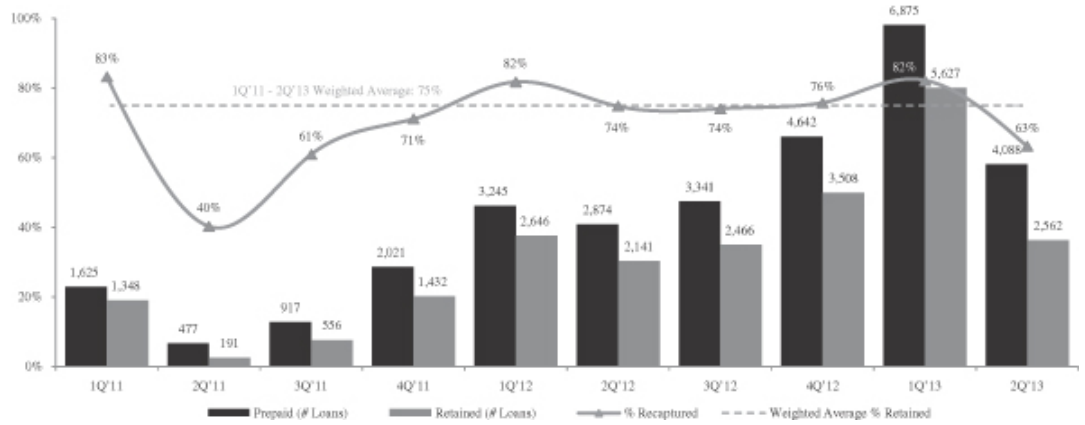
(1) Percentage of aggregate UPB.

Currently, we believe Freedom Mortgage is in good standing with Ginnie Mae and Fannie Mae, as well as state and federal regulators. While Freedom Mortgage was not subject to the Office of the Comptroller of the Currency's recent consent order or a party to the settlement with state attorneys general and state bank and mortgage regulators in 49 states, each of which involved deficient practices in mortgage loan servicing and foreclosure processing, Freedom Mortgage has, in light of such consent order and settlement, voluntarily adopted what it believes to be the best practices for servicing related to non-depository institutions.

Freedom Mortgage has complied in all material respects with specific program requirements for HUD-assisted programs and has been well in excess of HUD's adjusted net worth requirements for each of the last five years.

Through its retail production channel, Freedom Mortgage has historically been successful in engaging in recapture originations when interest rates are falling, generally due to Freedom Mortgage initiating an offer to existing borrowers/customers to refinance their loans. As discussed elsewhere in this prospectus, we expect to benefit from Freedom Mortgage's recapture originations because these originations help mitigate prepayment risk with respect to our co-investment in Excess MSRs with Freedom Mortgage. Recapture originations extend the longevity of servicing-related cash flows paid with respect to the MSRs owned by Freedom Mortgage to which our Excess MSRs will relate. The following table sets forth certain information with respect to Freedom Mortgage's historical recapture performance during such period:

Historical Freedom Mortgage FHA and VA Quarterly Recapture Rates
(January 1, 2011 through June 30, 2013)



For a discussion of the impact of interest rates on recapture activity, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Impacting Our Operating Results—Impact of Interest Rates on Recapture Activity."

Our Competitive Strengths

We believe the following competitive strengths uniquely position us to implement our business strategy:

- *Initial Portfolio of Income-Generating Excess MSRs.* Upon completion of this offering and the concurrent private placement, we intend to acquire from Freedom Mortgage Excess MSRs on a notional amount of approximately $20.8 billion for a purchase price of approximately $100 million. We expect our initial investments in these Excess MSRs to generate positive earnings immediately after the completion of this offering. See "—Our Portfolio—Our Initial Excess MSRs."
- *Proprietary Source of Excess MSRs*. We intend to capitalize on our relationship with Freedom Mortgage to source additional opportunities to acquire Excess MSRs on a monthly flow basis as well as on a bulk basis. We expect to co-invest in such Excess MSRs with Freedom Mortgage on terms and according to protocols approved by our independent directors. The ability to source attractively priced Excess MSRs for our portfolio through our relationship with Freedom Mortgage reduces our reliance on purchasing these assets through a competitive bidding process, which we believe allows us to acquire these assets on a more cost-effective and consistent basis than we would through a competitive bidding process.
- *Ability to Mitigate Excess MSRs Prepayment Risk with Recaptured Loans.* Freedom Mortgage has a proven ability to engage in recapture originations. For the period from January 1, 2011 to June 30, 2013, Freedom Mortgage's monthly weighted average recapture rate (based on the numbers of loans) with respect to FHA and VA mortgage loans in its servicing portfolio was 75%. Recapture originations allow Freedom Mortgage to extend the longevity of its servicing-related cash flows, including the excess servicing spreads on the Excess MSRs we plan to acquire from Freedom Mortgage. As part of

our strategic alliance, we will capitalize on Freedom Mortgage's recapture origination capabilities by entering into recapture agreements with Freedom Mortgage with respect to our flow and bulk purchases from Freedom Mortgage. For a summary of the recapture terms related to our investments in Excess MSRs, see "—Our Company" above. We expect our recapture agreements with Freedom Mortgage to help us to mitigate the negative impact of voluntary prepayments on our Excess MSRs. In the absence of recapture, voluntary prepayments would eliminate the Excess MSRs on the mortgage loans being prepaid. Accordingly, we believe our relationship with Freedom Mortgage and its ability to engage in recapture originations will allow us to reduce the impact voluntary prepayments have on our Excess MSRs and increase the returns we are able to provide to our stockholders. We believe Freedom Mortgage's retention of MSRs and its co-investment with us in Excess MSRs will align its interest with ours to try to maximize recapture.

- *Access to Freedom Mortgage's Existing Servicing Platform*. We believe our relationship with Freedom Mortgage will provide us with unique, real-time insights into and access to residential mortgage market information, particularly with respect to Excess MSRs, that will enhance our ability to make investment decisions related to our target assets. In addition, non-servicers such as our company cannot own the basic servicing fee component of an MSR directly and would therefore need to co-invest with a servicer such as Freedom Mortgage in order to invest in the Excess MSR component. We believe that the number of strong, scalable non-bank servicers such as Freedom Mortgage is limited. Moreover, in the case of investments in Excess MSRs related to pools of mortgage loans that satisfy Agency guidelines, the servicer must be a Ginnie Mae-approved issuer or a GSE-approved seller/servicer. As a result, we believe other non-servicers will face difficulties in investing in Excess MSRs without having a relationship or partnership with a quality servicer.
- *Flexibility Across Asset Classes.* Our asset acquisition strategy is opportunistic and flexible, which will enable us to adapt to shifts in economic, real estate and capital market conditions and to exploit inefficiencies in the residential mortgage market as attractive investment opportunities arise. Consistent with this strategy, our investment decisions will depend on prevailing market conditions and may change over time in response to opportunities available in different economic and capital market conditions. We believe this approach will allow us to identify undervalued opportunities in different market cycles across our target assets.
- *Experienced Management Team with Extensive Knowledge of the Mortgage Industry.* Our Manager has assembled a senior management team, each with more than 20 years of experience in the financial services industry, with a majority of that experience concentrated in the residential mortgage markets. This experience includes evaluating and acquiring mortgage servicing rights, originating mortgage loans, performing asset valuation analysis and trading and managing portfolios of mortgage assets, including RMBS, through a variety of economic cycles. Our senior management team also has significant experience in financing and hedging mortgage-related assets and liabilities. See "Management" and "Our Manager and the Management Agreement" for additional information regarding the experience of our senior management team.
- *Disciplined Security Selection Process*. In order to generate balanced returns on our investments, we intend to construct a portfolio with a focus on managing the various associated risks, such as duration and cash flow risk, by selecting securities that have favorable prepayment characteristics and through the liability hedging strategy we will employ.
- *Alignment of Interests Between Our Stockholders, Mr. Middleman, Freedom Mortgage and Our Manager*. Mr. Middleman, our Chairman and the founder of Freedom Mortgage, will purchase directly from us in the concurrent private placement $20.0 million in shares of our common stock, at a price per share equal to the public offering price. These shares and any other shares of our common stock Mr. Middleman and his affiliates may acquire during the lock-up period will be subject to a lock-up agreement between Mr. Middleman and the underwriters for one year after the closing of this offering. As a result, the economic interests of Mr. Middleman and his affiliates, including Freedom Mortgage

and our Manager, will be significantly aligned with those of our stockholders. In addition, through its retention of MSRs to which our Excess MSRs relate and its co-investment in Excess MSRs with us, Freedom Mortgage's economic interest will be further aligned with the interests of our stockholders.

Our Strategy

We intend to utilize an opportunistic strategy to seek to provide investors with attractive current yields and risk-adjusted total returns by:

- allocating a majority of our equity capital, on an unleveraged basis, to the acquisition of Excess MSRs through:
  - flow purchases from or bulk purchases with Freedom Mortgage pursuant to the terms of our strategic alliance agreements; and
  - flow purchases from or bulk purchases with third-party servicers other than Freedom Mortgage;
- taking advantage of opportunities in the Agency RMBS market by acquiring Agency RMBS on a leveraged basis;
- over time, as the market for prime jumbo mortgage loans grows, taking advantage of opportunities in this market by purchasing these assets, from, or potentially in partnership with, Freedom Mortgage; and
- opportunistically mitigating our prepayment, interest rate and, to a lesser extent, credit risk by using recapture agreements and a variety of hedging instruments.

Our strategy is adaptable to changing market environments, subject to compliance with the income and other tests that we must satisfy to qualify as a REIT and maintain our exclusion from regulation as an investment company under the Investment Company Act. As a result, although we intend to focus initially on the acquisition and management of Excess MSR assets on an unleveraged basis and Agency RMBS on a leveraged basis, our acquisition and management decisions will depend on prevailing market conditions and our targeted asset classes may vary over time in response to market conditions. Our Manager is authorized to follow very broad investment guidelines and, as a result, we cannot predict our portfolio composition. We may change our strategy and policies without a vote of our stockholders. Moreover, although our independent directors will periodically review our investment guidelines and our portfolio, they generally will not review our proposed asset acquisitions (other than pursuant to the protocols established for asset acquisitions with Freedom Mortgage, including in accordance with our strategic alliance agreements or otherwise) or asset management decisions.

We do not have a formal portfolio turnover policy for our Agency RMBS and do not intend to adopt one. We may dispose of Agency RMBS earlier than anticipated or hold such assets longer than anticipated if market conditions, availability of leverage or other factors dictate. Although we generally intend to hold our Excess MSRs until maturity, we may, from time to time, sell any of our Excess MSRs as part of our overall management of our portfolio. Proceeds from the sale of our target assets will be used to repay indebtedness and to purchase additional target assets.

Our Targeted Asset Classes

Excess MSRs

The servicing fee relating to an MSR is made up of two components: a basic servicing fee and what is commonly referred to as the excess mortgage servicing fee. Excess MSRs are interests in MSRs, representing the excess mortgage servicing fee paid to mortgage servicers. The determination of the fair value of Excess MSRs will require our management to make numerous estimates and assumptions including, without limitation, estimates of the future cash flows from the excess mortgage servicing fees, which in turn are based upon assumptions about interest rates as well as prepayment rates, delinquencies and foreclosure rates of the underlying mortgage loans.

The values of Excess MSRs can be highly sensitive to changes in interest rates. Historically, the value of Excess MSRs relating to Agency servicing has increased when interest rates rise and decreased when interest rates decline due to the effect those changes in interest rates have on prepayment estimates. Subject to qualifying and maintaining our qualification as a REIT, we may pursue various hedging strategies to reduce our exposure to adverse changes in interest rates. Our hedging activity will vary in scope based on the level and volatility of interest rates, the type of assets held and financing used and other changing market conditions. Prepayment speeds significantly affect the value of Excess MSRs. Prepayment speed is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise liquidated or charged off. When we purchase Excess MSRs, we base the price we pay and the rate of amortization of those assets on, among other things, our projection of the cash flows from the pool of mortgage loans underlying the related MSRs. Our expectation of prepayment speeds is a significant assumption underlying those cash flow projections. If prepayment speeds are significantly greater than expected, the carrying value of Excess MSRs could exceed their estimated fair value.

In addition, delinquency rates have a significant impact on the value of Excess MSRs. An increase in delinquencies will generally result in lower revenue because typically servicing fees are received only from performing loans. To the extent servicing fees are not being received, holders of Excess MSRs will not receive payment. The price we pay for Excess MSRs will be based on, among other things, our projections of the cash flows on the underling pools of mortgage loans. Our expectation of delinquencies is a significant assumption underlying those cash flow projections. If delinquencies are significantly greater than expected, the estimated fair value of the Excess MSRs could be diminished.

Agency RMBS

Residential Mortgage Pass-Through Certificates. Residential mortgage pass-through certificates represent interests in “pools” of mortgage loans secured by residential real property. Payments of both interest and principal, plus pre-paid principal, on the underlying residential mortgage loans are made monthly to holders of the certificates, in effect “passing through” monthly payments made by the individual borrowers on those mortgage loans, net of fees paid to the issuer/guarantor and servicers of the securities. We intend to acquire and own primarily whole-pool pass-through certificates.

Collateralized Mortgage Obligations. CMOs are structured instruments representing interests in specified mortgage loan collateral. CMO securitizations consist of multiple classes, or tranches, of securities, with each tranche having specified characteristics, based on the rules described in the securitization documents governing the division of the monthly principal and interest distributions, including prepayments, from the underlying mortgage collateral among the various tranches.

Interest Only Securities. This type of stripped security only entitles the holder to interest payments. The yield to maturity of IOs is extremely sensitive to the rate of principal payments (particularly prepayments) on the underlying pool of mortgages. If we decide to invest in these types of securities, we anticipate doing so primarily to take advantage of particularly attractive prepayment-related or structural opportunities in the Agency RMBS markets.

Inverse Interest Only Securities. This type of stripped security has a coupon with an inverse relationship to its index and is subject to caps and floors. An inverse IO entitles the holder to interest only payments based on a notional principal balance, which is typically equal to a fixed rate of interest on the notional principal balance less a floating rate of interest on the notional principal balance that adjusts according to an index subject to set minimum and maximum rates. The value of inverse IOs will generally decrease when its related index rate increases and increase when its related index rate decreases.

TBAs. In addition to investing in specific pools of Agency RMBS, we may utilize forward-settling purchases and sales of Agency RMBS where the underlying pools of mortgage loans are TBAs. Pursuant to these TBA transactions, we agree to purchase or sell, for future delivery, Agency RMBS with certain principal and interest

terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. TBAs are liquid and have quoted market prices and represent the most actively traded class of RMBS. Our ability to engage in TBA transactions may be limited by the gross income and asset tests applicable to REITs. See "Material U.S. Federal Income Tax Considerations—Gross Income Tests" and "—Asset Tests."

Prime Jumbo Mortgage Loans

We believe that the market for non-conforming loans including, in particular, prime jumbo mortgage loans, will grow. We further believe that as the U.S. Government reduces the loan balance threshold for conforming mortgage loans, which was raised during the recent financial crisis, there will be an even greater need for lenders to provide credit in the non-conforming loan market. As a result, we expect our portfolio to include this asset class over time. We do not expect this asset class to be a significant part of our portfolio for at least the next 14 to 18 months after the completion of this offering.

The prime jumbo mortgage loans we intend to acquire may be ARMs, hybrid ARMs or FRMs with original terms to maturity of not more than 30 years and will be either fully amortizing or interest-only for up to ten years, and fully amortizing thereafter. Subject to availability of this asset class for purchase, we intend to acquire first lien mortgages secured primarily by residential single family one to four unit homes in the United States, that can be owner occupied primary residences, second homes or investment properties, and that can be detached homes, attached homes, townhouses, cooperatives, condominiums or planned-unit-development properties. FRMs bear an interest rate that is fixed for the term of the loan and do not adjust. The interest rates on ARMs generally adjust monthly (although some may adjust less frequently) to an increment over a specified interest rate index. Hybrid ARMs have interest rates that are fixed for a specified period of time (typically three to ten years) and, thereafter, adjust to an increment over a specified interest rate index. ARMs and Hybrid ARMs generally have periodic and lifetime constraints on how much the loan interest rate can change on any predetermined interest rate reset date.

We currently do not intend to originate mortgage loans or provide other types of financing directly to the owners of residential real estate. We intend to acquire prime jumbo mortgage loans that are underwritten to our specifications. We may acquire prime jumbo mortgage loans underwritten to our specifications from Freedom Mortgage or other originators. To the extent Freedom Mortgage originates prime jumbo mortgage loans that satisfy our investment parameters and guidelines, we expect to negotiate an arrangement with Freedom Mortgage so we have the right to purchase such loans. Any such arrangement will be subject to the review and approval our independent directors.

To the extent that we purchase prime jumbo mortgage loans, our Manager intends to perform financial, operational and legal due diligence to assess the risks of acquisition. Our Manager's investment process is discussed under the caption "—Our Investment Process—Prime Jumbo Mortgage Loans" below.

We may acquire prime jumbo mortgage loans for our portfolio with the intention of either holding them in our residential mortgage loan portfolio or securitizing them and retaining them in our portfolio as securitized mortgage loans. See "—Financing Strategy" below.

Other Residential Mortgage Assets

From time to time and as market conditions warrant, we may acquire other residential mortgage assets, including MSRs and non-Agency RMBS. We currently do not intend to acquire subprime or Alt-A mortgage loans. In the future, subject to the receipt of appropriate licensing and Agency approvals, we may pursue flow and bulk acquisitions of MSRs through our TRS, Cherry Hill TRS, LLC. Our ability to acquire MSRs will be subject to the applicable REIT qualification tests. We likely will have to hold any MSRs through our TRS, which will be subject to corporate income tax. The tax liability of our TRS (if it holds MSRs) would negatively impact our returns from those assets. In addition, non-Agency RMBS, if we decide to purchase them, are subject to risk of default, among other risks, and could result in greater losses. For a discussion of the risks associated with an investment in these asset classes, please refer to "Risk Factors—Risks Related to Our Business."

Subject to qualifying and maintaining our qualification as a REIT, over time, we may acquire securities, including debt and equity tranches of securitizations backed by various asset classes, and common stock, preferred stock and debt of other real estate-related entities.

Our Investment Guidelines

Our board of directors will adopt a set of investment guidelines that sets forth our target assets and other criteria used to evaluate specific assets as well as the overall portfolio composition. Our Manager will make determinations as to the percentage of assets that will be invested in each of the target asset classes, consistent with the investment guidelines adopted by our board. Our Manager's acquisition decisions will depend on prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments. As a result, we cannot predict the percentage of assets that will be acquired in any of the target asset classes at any given time, and such allocations may differ from any allocations provided in this prospectus. In addition, our investment guidelines may be changed from time to time by our board of directors without the approval of our stockholders. Changes to our investment guidelines may include, without limitation, modification or expansion of the types of assets which we may acquire. To the extent that our board of directors approves material changes to our investment guidelines, we will inform stockholders of such changes through disclosure in our periodic reports and other filings required under the Exchange Act.

Our Manager's Investment Committee, which will be comprised of members of our senior management team and Freedom Mortgage's senior management team, will review our compliance with our guidelines periodically and our board of directors will receive a report each quarter in conjunction with its review of our quarterly results. Our board of directors also will review our portfolio of assets and related compliance with our policies, procedures and guidelines at each regularly scheduled board meeting. An independent committee of our board of directors will review the material terms of any transaction between us and Freedom Mortgage, including the pricing terms, to determine if the terms of those transactions are fair and reasonable. In particular, prior to entering into any such transaction with Freedom Mortgage, an independent committee of our board will review and approve any flow parameters and agreements to purchase Excess MSRs or bulk Excess MSR purchases we may make with Freedom Mortgage as well as any parameters and agreements pursuant to which we will acquire prime jumbo mortgage loans or other loans originated by Freedom Mortgage. We expect to also retain an independent valuation service to assist our management and our independent directors in making pricing determinations on Excess MSRs and other assets we purchase from Freedom Mortgage.

We expect our board of directors to adopt the following guidelines for our assets and borrowings:

- No acquisition will be made if it causes us to fail to qualify as a REIT;
- No acquisition will be made if it causes us to be required to register as an investment company under the Investment Company Act;
- Our investments will be predominantly in our target assets; and
- Until appropriate assets can be identified, our Manager may deploy the proceeds of this and any future offerings in interest bearing, short term investments, including money market accounts and/or funds that are consistent with our intention to qualify as a REIT.

These guidelines may be changed from time to time by a majority of our board of directors without the approval of our stockholders.

Our Portfolio

Our Initial Excess MSRs

Upon completion of this offering and the concurrent private placement, we will enter into two separate Excess MSR acquisition and recapture agreements with Freedom Mortgage. Pursuant to the first agreement, we will acquire from Freedom Mortgage an 85% participation interest in the Excess MSRs in Pool 1. These Excess

MSRs relate to a pool of predominantly fixed rate, Ginnie Mae-eligible FHA and VA mortgage loans, substantially all of which were originated by Freedom Mortgage after January 1, 2012. We expect Pool 1 to have an aggregate outstanding UPB of approximately $10.1 billion as of the closing of this offering. The purchase price for our Excess MSRs in Pool 1 is approximately $60 million and will be funded with a portion of the net proceeds of this offering and the concurrent private placement.

Pursuant to the second agreement, we will acquire from Freedom Mortgage a 50% participation interest in the Excess MSRs in Pool 2. These Excess MSRs relate to a pool of adjustable rate Ginnie Mae-eligible VA hybrid ARMs. Freedom Mortgage acquired the servicing rights to Pool 2 in bulk from a third party seller on August 30, 2013. The mortgage loans in Pool 2 were originated by the third party seller after January 1, 2011. Ginnie Mae approved the transfer of servicing rights from the seller to Freedom Mortgage. We expect Pool 2 to have an aggregate outstanding UPB of approximately $10.7 billion as of the closing of this offering. The purchase price for our Excess MSRs in Pool 2 is approximately $40 million and will be funded with a portion of the net proceeds of this offering and the concurrent private placement.

Freedom Mortgage will continue to own the MSRs on, and will be the primary servicer of, the mortgage loans in the Initial Pools. Freedom Mortgage will also retain the remaining participation interests in the Excess MSRs in the Initial Pools. We will not have any servicing duties, advance obligations or liabilities associated with servicing the mortgage loans in either pool, and Freedom Mortgage will be responsible for the duties, advance obligations and liabilities associated with servicing the mortgage loans in the Initial Pools.

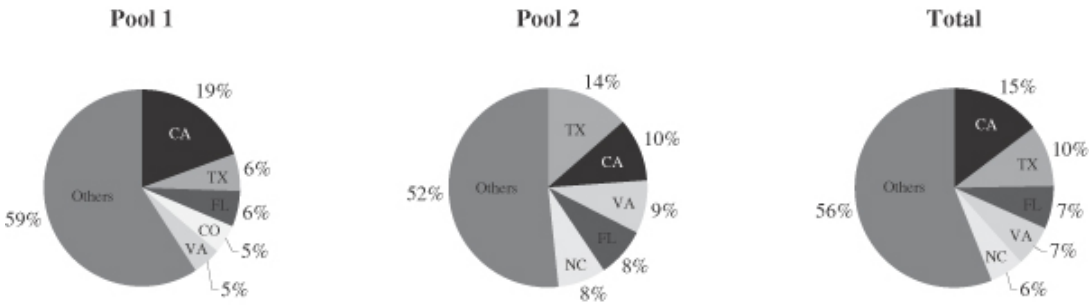
Set forth below are certain summary characteristics for the mortgage loans in each of the Initial Pools. We believe the characteristics set forth in the table and chart below are representative of the characteristics of the pools as it will be constituted at the closing of this offering, although the Aggregate UPB and certain weighted averages may vary due to prepayments and defaults:

	As of June 30, 2013 Pool 1	As of July 20, 2013 Pool 2	Total
Aggregate UPB	$ 10.1 billion	$ 10.7 billion	$ 20.8 billion
Average UPB	$ 202,289	$ 167,667	$ 182,832
Fully Amortizing FRMs(1)	99%	0%	48%
Fully Amortizing ARMs(1)	1%	100%	52%
Weighted average note rate	3.50%	2.67%	3.07%
Weighted average gross servicing fee	28 basis points	44 basis points	36 basis points
Weighted average remaining term	340 months	345 months	343 months
Weighted average seasoning	7 months	13 months	10 months
Weighted average FICO(2)	707	665	688
Weighted average LTV(3)	94%	N/A	94%
Streamline Refinance Loans(1)	85%	100%	93%
Delinquency (30+ days)(1)	2%	6%	4%
Aggregate UPB of mortgage loans in foreclosure	$ 21.8 million	$ 65.0 million	$ 86.8 million
Loan Type			
FHA(1)(4)	43%	—	21%
VA(1)(4)	57%	100%	79%
Other			
FICO >= 650(1)	84%	50%	67%
LTV >= 90%(5)	12%	N/A	6%

(1) As a percentage of Aggregate UPB.
(2) Reflects a non-zero weighted average.

(3) Reflects a non-zero weighted average LTV for loans that are non-Streamline Refinance Loans.
(4) All FHA and VA mortgage loans are insured by FHA or partially guaranteed by VA, respectively.
(5) As a percentage of Aggregate UPB of non-Streamline Refinance Loans.

The following charts illustrate the top-five state concentrations for the underlying mortgage loans in Pool 1, Pool 2 and the Initial Pools as of June 30, 2013:



To the extent the aggregate UPB of the mortgage loans in Pool 1 is less than $10.1 billion prior to our acquisition of the initial Excess MSRs in Pool 1, Freedom Mortgage will augment Pool 1 with a sufficient amount of additional mortgage loans so that Pool 1, in combination with such additional loans, has an aggregate UPB of approximately $10.1 billion. Any such additional mortgage loans will have been originated by Freedom Mortgage and will have characteristics substantially similar to the mortgage loans set forth in the table above.

Agency RMBS

In addition to our initial investments in Excess MSRs, we plan to invest the remainder of the net proceeds of this offering and the concurrent private placement in Agency RMBS, primarily through the acquisition of Agency whole-pools, on a leveraged basis. While we intend to invest in both Agency RMBS backed by FRMs and hybrid ARMs, we expect to be initially invested primarily in Agency whole-pools backed by 30-year, 20-year and 15-year FRMs that offer favorable prepayment and duration characteristics. We believe these types of Agency RMBS are readily available in the market. We believe seasoned pools, low loan balance pools and HARP loan pools have strong call protection characteristics. We also believe new production, unseasoned, current coupon pools are attractive due to low initial prepayment characteristics.

Our Asset Acquisition Process

Our asset acquisition process benefits from the resources and professionals of our Manager and Freedom Mortgage. The process will be managed by our Manager's Investment Committee, which will include, among others: Mr. Middleman, the founder, Chairman and Chief Executive Officer of Freedom Mortgage, who also serves as our Chairman; Mr. Lown, our President and Chief Investment Officer; and Mr. Levine, our Chief Financial Officer, Secretary and Treasurer. Mr. Lown and Mr. Levine also serve as officers of our Manager and of Freedom Mortgage. The Investment Committee will operate under investment guidelines and meet periodically to develop a set of preferences for the composition of our portfolio. The primary focus of our Manager's Investment Committee will be to review and approve our investment policies and our portfolio composition and related compliance with our guidelines. Our Manager's Investment Committee will have authority delegated by our board of directors to authorize transactions consistent with our investment guidelines. Any transactions deviating in a material way from these guidelines must be approved by our board of directors.

The following describes our Manager's investment process with respect to our primary targeted asset classes, Excess MSRs, Agency RMBS and prime jumbo mortgage loans.

Excess MSR Investment Process

Sourcing: We expect to source a substantial portion of our Excess MSRs in partnership with Freedom Mortgage. In connection with the completion of this offering, we will enter into strategic alliance agreements with Freedom Mortgage, including a flow and bulk Excess MSR purchase agreement. Our strategic alliance agreements are intended to provide us with a predictable and proprietary source of Excess MSR acquisition opportunities. Accordingly, we will not be dependent on competitive bidding in order to construct a portfolio of Excess MSR assets. Under our strategic alliance agreements: (i) Freedom Mortgage will be obligated to offer us, on a monthly flow basis, the right to co-invest in the Excess MSRs related to Freedom Mortgage's MSRs on mortgage loans pooled and sold by Freedom Mortgage on a servicing retained basis during the previous month; and (ii) Freedom Mortgage will be obligated to offer us the right to co-invest in the Excess MSRs related to any MSRs on mortgage loans Freedom Mortgage acquires through a bulk purchase from a third-party servicer. Freedom Mortgage generally will be required to co-invest with us on the Excess MSRs we obtain from them to ensure our incentives are aligned. Freedom Mortgage will be required to agree to not sell, transfer, or otherwise, encumber without our consent, the MSRs to which our Excess MSRs relate and their co-investment in the Excess MSRs, provided, however, our consent is not required if the transfer of the MSRs is directed by an Agency. We will not be obligated to purchase any Excess MSR assets from Freedom Mortgage pursuant to our strategic alliance agreements or otherwise. We also intend to take advantage of our senior management team's network of relationships with financial institutions and other participants in the residential mortgage markets to source and acquire Excess MSRs from third-party servicers. We believe these relationships will enable our Manager to identify new investment opportunities as we seek to deploy our capital and maximize our risk-adjusted returns. Although we have the ability to acquire Excess MSRs for pools that are of a lower credit quality than our Initial Pools, we currently do not intend to invest in Excess MSRs on these types of pools.

At the beginning of each quarter, we and Freedom Mortgage will agree on the parameters that will be used to determine the price to be paid for our investment in the Excess MSRs on mortgage loans pooled and sold by Freedom Mortgage during that quarter, called flow production. Those parameters may include, but will not be limited to (1) the basic servicing fee on the quarterly flow production, which, in turn, results in a weighted average rate at which the Excess MSRs are expected to accrue, (2) the aggregate original principal balance of the flow production expected, (3) the weighted average gross coupon on the flow production, (4) the weighted average remaining term to maturity of the flow production and (5) other characteristics of the flow production that may affect the rate at which those loans are expected to prepay, whether voluntarily or involuntarily. If the flow production varies from those parameters, we and Freedom Mortgage will agree upon adjustments to the price. We would determine the actual price paid mechanically by running the characteristics of a particular month's flow production through the pricing grid previously agreed upon. If there were to be a rapid and unexpected change in the general interest rate environment or the characteristics of Freedom Mortgage's flow production, we would expect we and Freedom Mortgage would agree to changes in the pricing parameters. In any case, our independent directors will approve the pricing parameters we have agreed to for the acquisition of flow production.

The split between the basic servicing fee and the excess servicing fee for future pools, and the terms of any related recapture provisions, could differ from those for the Initial Pools. The split and recapture provisions for future pools will be agreed upon by Freedom Mortgage and us prior to entering into future Excess MSR transactions and the split, the recapture provisions, if any, and all other pricing parameters, will be approved by our independent directors. The split between the basic and excess servicing fees for future pools will be determined by negotiation of the basic servicing fee, which, at the time the basic servicing fee is determined, will represent Freedom Mortgage's anticipated direct costs of servicing the mortgage loans in the pool, Freedom Mortgage's anticipated sub-servicer oversight costs, if any, and the reasonable compensation to be paid to Freedom Mortgage for servicing the mortgage loans in the pool.

If we are presented with the opportunity to invest in Excess MSRs related to MSRs acquired by Freedom Mortgage from third-party services on a bulk basis, we and Freedom Mortgage will either agree at the time on a price for our co-investment, which will require approval by our independent directors, or we will decline the

offered opportunity to co-invest with Freedom Mortgage. If we decline, Freedom Mortgage will be free to proceed on its own or offer the opportunity to another party with no further obligation to us. In addition, Freedom Mortgage may, but is not obligated to, offer us the opportunity to invest on a bulk basis in Excess MSRs related to MSRs owned by Freedom Mortgage. In that case the price and percentage of our investment, which could be 100% in such a case, will be negotiated and approved by our independent directors.

Although MSRs are traded frequently, and we expect trading activity to accelerate in the future, there is no organized or recognized market for the offer and sale of MSRs or Excess MSRs. In addition there are many characteristics that can potentially affect the performance of the underlying mortgage loans and consequently, the price at which an investor may be willing to invest. There often will be a spread between the bid and the asked price which is often a function of the needs and desires of the parties involved many of which may have nothing to do with the value of the MSR. As a result, there is no recognized market to which we can look to accurately compare prices for our investments in Excess MSRs.

Screening/Risk Management: We will seek to reduce our exposure to interest rate and subsequent prepayment risks through the structuring of our investments in Excess MSRs. In conjunction with any acquisition of Excess MSRs, we will seek to enter into recapture agreements with Freedom Mortgage and other servicers from whom we acquire Excess MSRs. For a summary of the recapture terms related to our investments in Excess MSRs, see "—Our Company" above. Our Manager will evaluate each investment opportunity based on its expected risk-adjusted return relative to other comparable investment opportunities available to us. Each investment will be screened by our Manager to determine its impact on our REIT qualification and our exclusion from regulation under the Investment Company Act. Prior to making an investment decision, our Manager expects to determine whether an investment will cause the portfolio to be too heavily weighted to any specific loan characteristics such as geographic location or product type.

Initial Due Diligence/Underwritings: As part of the investment evaluation process as it relates to acquisitions from Freedom Mortgage, our Manager intends to obtain fair market valuations from a qualified independent third-party service providers to assist in determining the acquisition pricing and to ensure terms are appropriate and conform to current market standards. Prior to any acquisition of an Excess MSRs, we intend to perform due diligence on the proposed investment including conducting a detailed review of the servicer's operations and financial condition. Our underwriting process will include assessing among other items, the servicer's ability to fulfill their contractual obligations to us under the respective excess servicing acquisition agreement and to the Agencies and investors under the related servicing contracts. In addition we intend to engage third-party specialists to assist us in our due diligence and underwriting efforts, which will include examining the proposed investment's underlying loan portfolio's origination and servicing files.

Investment Committee: All of our investments will require approval by our Manager's Investment Committee and must comply with a set of investment parameters and agreements approved by our independent directors. Our Manager's Investment Committee expects to meet regularly or as otherwise needed to evaluate potential investments and review our investment portfolio. Additionally, the members of our Manager's Investment Committee are anticipated to be available to guide our Manager's investment professionals throughout their evaluation, underwriting and structuring of prospective investments. Generally, our Manager's senior management team will be responsible for presenting to our Manager's Investment Committee a memorandum on the investment opportunities that provides an overview of the collateral, due diligence conducted, key financial metrics and analyses, as well as investment considerations and risk mitigants.

Asset Management and Portfolio Monitoring: Our Manager will set up servicer oversight procedures in order to track the performance of the servicer and proactively address and resolve any issues in connection with its obligations under our acquisition and recapture agreements, as well as require notification and updated reporting as to its compliance and performance status under their related Agency servicing agreements. Servicer oversight procedures will include monthly performance reporting on the underlying loan portfolios of our Excess MSR investments and performance reporting on the servicer including agency scorecards, internal and external

audit reports and performance reporting on any related sub-servicers for servicing functions outsourced by the servicer. In addition, we will obtain quarterly valuations on our Excess MSR investment portfolio from qualified specialists.

Agency RMBS Investment Process

Our Manager expects to identify Agency RMBS investment opportunities through its network of broker-dealer relationships. Our Manager will be responsible for sourcing and screening our target Agency RMBS asset acquisition opportunities and assessing asset suitability. Our Manager expects to conduct interest rate and prepayment analysis, evaluate cash flows and collateral performance, related servicer and originator performance information. Upon identification of an acquisition opportunity, the asset will be screened and monitored by our Manager to determine its impact on qualifying and maintaining our qualification as a REIT and maintaining our exemption from registration under the Investment Company Act. When evaluating Agency RMBS, our Manager will analyze various factors affecting the rate at which mortgage prepayments occur, including changes in the level and directional trends in housing prices, interest rates, general economic conditions, the age of the mortgage loan, the location of the property and other social and demographic conditions.

Prime Jumbo Mortgage Loan Investment Process

We expect our Manager to take advantage of the broad network of relationships of the mortgage investment team provided by our Manager to identify opportunities for us to acquire our prime jumbo mortgage loans. These individuals have extensive long-term relationships with financial intermediaries, including primary dealers, investment banks, brokerage firms, repurchase agreement counterparties, leading mortgage originators and commercial banks. We also expect our Manager's relationship with Freedom Mortgage to provide access to its loan origination platform and longstanding relationships in the mortgage banking industry and in the future we may enter into a sourcing agreement with Freedom Mortgage in order to obtain access to a pipeline of prime jumbo mortgage loans. We believe these relationships will enable our Manager to identify new investment opportunities as we seek to deploy our capital and maximize our risk-adjusted returns. As our Manager identifies originators, banks, investment banks and broker-dealers with whom it expects to enter into strategic origination and sourcing arrangements, each prospective partner will be vetted through a thorough financial and background analysis, including a review of their operations, transaction history, financial statements and business model. We expect our Manager to identify opportunities for us to acquire our prime jumbo mortgage loans. Our Manager will be responsible for sourcing and screening our target prime jumbo mortgage loan acquisition opportunities and assessing loan suitability. Each prospective originator will be vetted through a thorough financial and background analysis and we will also conduct a due diligence review of each servicer before executing a servicing agreement. Upon identification of an investment opportunity, our Manager also expects to evaluate it based on its expected risk-adjusted return relative to other comparable investment opportunities available to us. Each investment will be screened by our Manager to determine its impact on our REIT qualification and our exclusion from regulation as an investment company under the Investment Company Act. The terms of any leverage available to us for use in funding an investment purchase will also be taken into consideration, as are any risks posed by illiquidity or correlations with other securities in the portfolio. Our Manager will then analyze target loan pools and conduct follow-up due diligence as part of the underwriting process. Prior to purchasing any such loan, we will verify that each asset meets our stringent underwriting requirements. Ultimately, all investments made by our company will require approval by our Manager's Investment Committee and must comply with a set of investment parameters and agreements approved by our independent directors. Additionally, our Manager will seek to reduce downside risk related to unanticipated credit events through the use of active asset surveillance to evaluate collateral pool performance and will proactively manage positions consistent with qualifying and maintaining our qualification as a REIT.

Interest Rate Hedging and Risk Management

We intend to opportunistically manage our interest rate risk by using various hedging strategies to mitigate such risks, subject to qualifying and maintaining our qualification as a REIT. The interest rate hedging

instruments that we intend to use include, without limitation: interest rate swaps (floating-to-fixed, fixed-to-floating, or more complex swaps such as floating-to-inverse floating, callable or non-callable); CMOs; TBAs; U.S. treasury securities; swaptions, caps, floors and other derivatives on interest rates; futures and forward contracts; and options on any of the foregoing.

Subject to qualifying and maintaining our qualification as a REIT and maintaining our exclusion from regulation as an investment company under the Investment Company Act, we may utilize certain derivative financial instruments and other hedging instruments to mitigate interest rate risk we expect to arise from our repurchase agreement financings associated with our Agency RMBS. Specifically, we may seek to manage our exposure to interest rate risk in part by entering into short positions in interest rate swaps to offset the potential adverse effects that changes in interest rates will have on our borrowing costs. We may be exposed to mismatches between the interest we earn on our investments and our borrowing costs, caused by fluctuations in short-term interest rates. An interest rate swap is an agreement to exchange interest rate cash flows, calculated on a notional principal amount, at specified payment dates during the life of the agreement. Typically, one party pays a fixed interest rate and receives a floating interest rate and the other party pays a floating interest rate and receives a fixed interest rate. Each party's payment obligation is computed using a different interest rate. In an interest rate swap, the notional principal is never exchanged.

In addition to investing in specific pass-through securities, we may utilize forward-settling purchases and sales of Agency RMBS where the underlying pools of mortgage loans are "To-Be-Announced," or "TBAs." Pursuant to these TBA transactions, we will agree to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. We will engage in TBA transactions for purposes of managing certain risks associated with the Agency RMBS we will own. The principal risks that we will use TBAs to mitigate are interest rate and yield spread risks. For example, we may hedge the interest rate and/or yield spread risk inherent in the Agency RMBS we will own by taking short positions in TBAs that are similar in character. Alternatively, we may engage in TBA transactions because we find them attractive on their own, from a relative value perspective or otherwise. Our ability to engage in TBA transactions may be limited by our intention to qualify and remain qualified as a REIT.

On December 7, 2012, the CFTC issued a no-Action Letter that provides mortgage REITs relief from such registration, or the No-Action Letter, if they meet certain conditions and submit a claim for such no-action relief. We believe we meet the conditions set forth in the No-Action Letter and we have filed our claim with the CFTC in order to rely on the no-action relief from registration. However, if in the future we do not meet the conditions set forth in the No-Action Letter or the relief provided by the No-Action Letter becomes unavailable for any other reason, we may need to seek to obtain another exemption from registration or our Manager could be required to register as a "commodity pool operator" with the CFTC and would become subject to additional disclosure, recordkeeping and reporting requirements, which would increase our expenses.

Liquidity Management

As part of the risk management and liquidity management functions that our Manager will perform for us, our Manager will compute a "cash buffer," which, at any given point in time, will represent the amount of our free cash in excess of what our Manager estimates would be required, especially in times of market dislocation, to support our particular assets and liabilities at such time. Thus, rather than focusing solely on our leverage, our Manager will typically seek to maintain a positive cash buffer. However, our Manager is not required to maintain a positive cash buffer and may choose not to maintain a positive cash buffer at certain times, for example, if it believes there are compelling market opportunities to pursue.

Our Financing Strategies and Use of Leverage

We do not currently intend to leverage our investments in Excess MSRs. We intend to finance our Agency RMBS with what we believe to be a prudent amount of leverage, which will vary from time to time based upon

the particular characteristics of our portfolio, availability of financing and market conditions. Our borrowings will primarily consist of repurchase transactions under master repurchase agreements. Our repurchase transactions will be collateralized by our Agency RMBS. In a repurchase transaction, we will sell an asset to a counterparty at a discounted value, or the loan amount, and simultaneously agree to repurchase the same asset from such counterparty at a price equal to the loan amount plus an interest factor. Despite being legally structured as sales and subsequent repurchases, repurchase transactions are generally accounted for as debt secured by the underlying assets. During the term of a repurchase transaction, we will generally receive the income and other payments distributed with respect to the underlying assets and pay interest to the counterparty. While the proceeds of our repurchase financings often will be used to purchase additional Agency RMBS subject to the same master repurchase agreement, our financing arrangements are not expected to restrict our ability to use proceeds from these arrangements to support our other liquidity needs. Our master repurchase agreements will typically be documented under the standard form master repurchase agreement published by SIFMA.

As of the date of this prospectus, we have entered into repurchase agreements with multiple counterparties, including affiliates of certain of the underwriters, and we are also in the process of negotiating additional repurchase agreements with various other counterparties, which we intend to use for the purchase of Agency RMBS. This financing is uncommitted and continuation of such financing cannot be assured. These agreements are subject to the successful completion of this offering.

We may utilize other types of borrowings in the future, including term facilities or other more complex financing structures. Additionally, we may take advantage of available borrowings, if any, under new programs established by the U.S. Government to finance our assets. We also may raise capital by issuing unsecured debt, preferred or common stock or trust preferred securities.

Although we are not required to maintain any particular minimum or maximum target debt-to-equity leverage ratio with respect to our Agency RMBS assets, the amount of leverage we may employ for this asset class will depend upon the availability of particular types of financing and our Manager's assessment of the credit, liquidity, price volatility, financing counterparty risk and other factors. Our Manager's Investment Committee will have discretion, without the need for further approval by our board of directors, to change the amount of leverage we utilize for our Agency RMBS. We do not have a targeted debt-to-equity ratio for our Agency RMBS, although we expect currently that our debt-to-equity ratio initially will be approximately 8:1 for our Agency RMBS assets and could be as high as 10:1 depending on market conditions. We intend to use leverage for the primary purpose of financing our Agency RMBS portfolio and not for the purpose of speculating on changes in interest rates. We may, however, be limited or restricted in the amount of leverage we may employ by the terms and provisions of any financing or other agreements that we may enter into in the future, and we may be subject to margin calls as a result of our financing activity. In the future, we expect to acquire prime jumbo mortgage loans. We anticipate evaluating leverage policies for prime jumbo mortgage loans at such time. Currently, we do not intend to acquire non-Agency RMBS, but we may do so in the future, and we anticipate evaluating leverage policies for this asset class if and when we begin to acquire this asset class.

Conflicts of Interest

Our Manager is an affiliate of Freedom Mortgage. Both our Manager and Freedom Mortgage are wholly owned and controlled by Mr. Middleman. Prior to the completion of this offering, we had no independent directors and Mr. Middleman was our sole director.

We are dependent on our Manager for our day-to-day management, and we do not have any employees. Our executive officers and the officers and employees of our Manager are also officers or employees of Freedom Mortgage and, with the exception of those officers that are dedicated to us, we compete with Freedom Mortgage for access to those individuals. The ability of our Manager's officers and personnel, with the exception of those officers that are dedicated to us, to engage in other business activities, including the management of Freedom Mortgage, may reduce the time our Manager and certain of its officers and personnel spend managing us.

Our management agreement with our Manager, our strategic alliance agreements between us and Freedom Mortgage and the Excess MSR acquisition and recapture agreements and any other agreements that we may enter into with Freedom Mortgage in the future, whether pursuant to our strategic alliance agreements or otherwise, have been or will be negotiated between related parties and their respective terms, including the purchase price we will pay to Freedom Mortgage for Excess MSRs, including our investments in Excess MSRs, and the fees and other amounts payable, may not be as favorable to us as if they were negotiated on an arm's-length basis with unaffiliated third parties. Furthermore, we may choose not to enforce, or to enforce less vigorously, our rights under such agreements because of our desire to maintain our ongoing relationships with Freedom Mortgage and our Manager. In order to help minimize conflicts of interest with Freedom Mortgage, prior to entering into any transaction with Freedom Mortgage, our independent directors will review the material terms of any such transaction, including any pricing terms, to determine if the terms of the transaction are fair and reasonable. In particular, prior to entering into any such transaction, our independent directors will review and approve the parameters and agreements related to flow purchases of Excess MSRs from, and bulk purchases of Excess MSR we may make with, Freedom Mortgage, as well as any parameters and agreements pursuant to which we may acquire from Freedom Mortgage prime jumbo mortgage loans or other loans or assets in the future. We expect to also retain an independent valuation service to assist our management and our independent directors in making pricing determinations on Excess MSR assets we purchase from Freedom Mortgage.

Our business strategy is highly dependent upon the services provided by our Manager under the terms of our management agreement and our strategic alliance agreements with Freedom Mortgage. Although our independent directors have the ability to terminate our management agreement in the case of a material breach of a term of the agreement by our Manager, because the termination of our management agreement would result in the loss of personnel key to running our business, our independent directors may be less willing to enforce vigorously the provisions of our management agreement against our Manager. Furthermore, the termination of our strategic alliance agreements with Freedom Mortgage, primarily the flow and bulk Excess MSR purchase agreement, would have a material adverse effect on certain aspects of our business.

Although we believe that our co-investment strategy under our strategic alliance agreements generally aligns our and Freedom Mortgage's economic interests with respect to Excess MSRs, Freedom Mortgage is a separate and distinct company with its own business interests and will be under no obligation to maintain its current business strategy. In addition, to the extent we seek to leverage Freedom Mortgage's relationships with third parties to generate future investment opportunities, Freedom Mortgage will be under no obligation to co-invest with us in the future or assist us in generating such opportunities, other than pursuant to the terms of our strategic alliance agreements. Freedom Mortgage will be under no obligation, under the terms of our strategic alliance agreements or otherwise, to offer prime jumbo mortgage loans or residential mortgage assets other than Excess MSRs and Freedom Mortgage may offer those assets to third parties without offering such assets to us.

In addition, there may be conflicts of interest inherent in our relationship with our Manager and its affiliates to the extent Freedom Mortgage or our Manager invests in or creates new vehicles to invest in Excess MSRs or other assets in which we may invest or whose investment objectives overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. Members of our board of directors and employees of our Manager who are our officers may serve as officers and/or directors of these other entities. In addition, in the future our Manager or its affiliates may have investments in and/or earn fees from such other investment vehicles that are higher than their economic interests in us and which may therefore create an incentive to allocate investments to such other investment vehicles.

Our management agreement with our Manager generally does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that invest in investments that meet our investment objectives, except that under our management agreement neither our Manager nor any entity controlled by or under common control with our Manager is permitted to raise or sponsor any new pooled investment vehicle whose investment policies, guidelines or plans target as its primary investment category investments in Excess MSRs.

We have not adopted a policy that expressly prohibits our directors, officers, security holders or affiliates from having a direct or indirect pecuniary interest in any asset to be acquired or disposed of by us or any of our subsidiaries or in any transaction to which we or any of our subsidiaries is a party or has an interest, nor do we have a policy that expressly prohibits any such persons from engaging for their own account in business activities of the types conducted by us. However, our code of business conduct and ethics will contain a conflicts of interest policy that will prohibit our directors, officers and employees, as well as employees of our Manager and Freedom Mortgage who provide services to us, from engaging in any transaction that involves an actual or apparent conflict of interest with us, absent approval by our board of directors or except as provided in our management agreement with our Manager or in our strategic alliance agreements with Freedom Mortgage. In addition, nothing in our management agreement with our Manager binds or restricts our Manager or any of its affiliates, officers or employees from buying, selling or trading any securities or commodities for their own accounts or for the accounts of others for whom our Manager or any of its affiliates, officers or employees may be acting.

Our Manager is authorized to follow very broad investment guidelines. Our independent directors will periodically review our investment guidelines and our portfolio. However, our independent directors generally will not review our proposed asset acquisitions (other than pursuant to the protocols established for asset acquisitions with Freedom Mortgage, including in accordance with our strategic alliance agreements or otherwise), dispositions or other management decisions. In addition, in conducting periodic reviews, the independent directors will rely primarily on information provided to them by our Manager. Furthermore, our Manager may arrange for us to use complex strategies or to enter into complex transactions that may be difficult or impossible to unwind by the time they are reviewed by our board of directors. Our Manager has great latitude within our broad investment guidelines to determine the types of assets it may decide are proper for purchase by us. The management agreement with our Manager does not restrict the ability of its officers and employees from engaging in other business ventures of any nature, whether or not such ventures are competitive with our business.

Policies with Respect to Certain Other Activities

If our board of directors determines that additional funding is required, we may raise such funds through additional offerings of equity or debt securities, the retention of cash flow and other funds from debt financing, including repurchase transactions, or a combination of these methods. In the event that our board of directors determines to raise additional equity capital, it has the authority, without stockholder approval, to issue additional shares of common stock or preferred stock in any manner and on such terms and for such consideration as it deems appropriate, at any time. We may in the future, offer equity or debt securities in exchange for assets. We will engage in the purchase and sale of assets. We have not in the past and will not in the future underwrite the securities of other issuers. Our board of directors may change any of these policies without prior notice to you or a vote of our stockholders.

Competition

In acquiring our assets, we compete with other mortgage REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, financial institutions, governmental bodies and other entities. Many of our competitors are significantly larger than us, have greater access to capital and other resources and may have other advantages over us. In addition to existing companies, other companies may be organized for similar purposes, including companies focused on purchasing mortgage assets. A proliferation of such companies may increase the competition for equity capital and thereby adversely affect the market price of our common shares. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of assets and establish more relationships than us.

Additionally, we may also compete with the U.S. Federal Reserve and the U.S. Treasury to the extent they purchase assets meeting our objectives pursuant to various purchase programs.

In the face of this competition, we have access to our Manager's and Freedom Mortgage's professionals and their industry expertise, which may provide us with a competitive advantage and help us assess risks and determine appropriate pricing for certain potential assets. In addition, we believe that these relationships enable us to compete more effectively for attractive asset acquisition opportunities. However, we may not be able to achieve our business goals or expectations due to the competitive risks that we face.

Operating and Regulatory Structure

Tax Requirements

We will elect and intend to qualify to be taxed as a REIT commencing with our short taxable year ending December 31, 2013. Provided that we qualify and maintain our qualification as a REIT, we generally will not be subject to U.S. federal income tax on our REIT taxable income that is currently distributed to our stockholders. REITs are subject to a number of organizational and operational requirements, including a requirement that they currently distribute at least 90% of their annual REIT taxable income excluding net capital gains. We cannot assure you that we will be able to comply with such requirements in the future. Failure to qualify as a REIT in any taxable year would cause us to be subject to U.S. federal income tax on our taxable income at regular corporate rates (and any applicable state and local taxes). Even if we qualify for taxation as a REIT, we may be subject to certain federal, state, local and non-U.S. taxes on our income. For example, if we form a TRS, the income generated by that subsidiary will be subject to U.S. federal, state and local income tax.

Investment Company Act

We intend to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act.

Section 3(a)(1)(A) of the Investment Company Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis, which we refer to as the 40% test. Excluded from the term ''investment securities,'' among other things, are U.S. Government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exclusion from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

We will be organized as a holding company and will conduct business primarily through our subsidiaries. We and our operating partnership intend to conduct our operations so that we do not come within the definition of an investment company by ensuring that less than 40% of the value of our total assets on an unconsolidated basis consist of "investment securities" as defined by the Investment Company Act, or the 40% Test. In addition, we believe neither we nor our operating partnership is considered an investment company under Section 3(a)(1)(A) of the Investment Company Act because neither we nor our operating partnership will engage primarily or hold ourselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, through our operating partnership's wholly-owned or majority-owned subsidiaries, we and our operating partnership will be primarily engaged in the non-investment company businesses of these subsidiaries, namely the business of purchasing or otherwise acquiring mortgages and other interests in real estate.

We will rely upon certain exemptions from registration as an investment company under the Investment Company Act including, in the case of our subsidiary, Cherry Hill QRS I, LLC, Section 3(c)(5)(C) of the Investment Company Act. Section 3(c)(5)(C), as interpreted by the staff of the SEC, requires an entity to invest at least 55% of its assets in "mortgages and other liens on and interests in real estate," which we refer to as

"qualifying real estate interests," and at least 80% of its assets in qualifying real estate interests plus "real estate-related assets." In satisfying the 55% requirement, the entity may treat securities issued with respect to an underlying pool of mortgage loans in which it holds all of the certificates issued by the pool as qualifying real estate interests. We will treat the Agency whole-pool pass-through securities in which we intend to invest as qualifying real estate interests for purposes of the 55% requirement. The Excess MSRs we intend to acquire and the Agency CMOs we may acquire will not be treated as qualifying real estate interests for purposes of the 55% requirement, but will be treated as real estate-related assets that qualify for the 80% test. In addition, Cherry Hill QRS I, LLC will treat its investment in Cherry Hill QRS II, LLC as a real estate-related asset because substantially all of the assets held by Cherry Hill QRS II, LLC will be real estate-related assets.

We may form certain other subsidiaries of our operating partnership that will invest in residential mortgage assets. These subsidiaries will rely upon the exemption from registration as an investment company under the Investment Company Act pursuant to Section 3(c)(1) or 3(c)(7) of the Investment Company Act. The securities issued by any subsidiary of our operating partnership that we may form in the future and that are exempted from the definition of "investment company" based on Section 3(c)(1) or 3(c)(7) of the Investment Company Act, together with any other investment securities we may own, may not have a value in excess of 40% of the value of our total assets on an unconsolidated basis.

We will monitor our compliance with the 40% Test and the holdings of our subsidiaries to ensure that each of our subsidiaries is in compliance with an applicable exemption or exclusion from registration as an investment company under the Investment Company Act. In the event that we, or our operating partnership, were to acquire assets that could make either entity fall within the definition of investment company under Section 3(a)(1)(A) or Section 3(a)(1)(C) of the Investment Company Act, we believe that we would still qualify for an exclusion from registration pursuant to Section 3(c)(5)(C).

Qualification for exclusion from registration under the Investment Company Act will limit our ability to make certain investments. In addition, complying with the tests for exclusion from registration could restrict the time at which we can acquire and sell assets. To the extent that the SEC or its staff provides more specific guidance regarding any of the matters bearing upon such exclusions, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC or its staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen.

On August 31, 2011, the SEC published a concept release entitled "Companies Engaged in the Business of Acquiring Mortgages and Mortgage Related Instruments" (Investment Company Act Rel. No. 29778). This release notes that the SEC is reviewing the 3(c)(5)(C) exemption relied upon by companies similar to us that invest in mortgage loans and mortgage-backed securities. There can be no assurance that the laws and regulations governing the Investment Company Act status of companies similar to ours, or the guidance from the SEC or its staff regarding the treatment of assets as qualifying real estate assets or real estate-related assets, will not change in a manner that adversely affects our operations as a result of this review. To the extent that the SEC or its staff provides more specific guidance regarding any of the matters bearing upon our exclusion from the need to register under the Investment Company Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC or its staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies that we have chosen. Furthermore, although we intend to monitor the assets of Cherry Hill QRS I, LLC, there can be no assurance that Cherry Hill QRS I, LLC will be able to maintain this exclusion from registration. In that case, our investment in Cherry Hill QRS I, LLC would be classified as an investment security, and we might not be able to maintain our overall exclusion from registering as an investment company under the Investment Company Act.

The loss of our exemption from regulation pursuant to the Investment Company Act could require us to restructure our operations, sell certain of our assets or abstain from the purchase of certain assets, which could have an adverse effect on our financial condition and results of operations. See "Risk Factors—Maintenance of our exclusion from registration under the Investment Company Act imposes significant limitations on our operations."

Investment Advisers Act of 1940

Our Manager is registered as an investment adviser under the Investment Advisers Act of 1940, as amended, or the Advisers Act, and is subject to the regulatory oversight of the Investment Management Division of the SEC.

Staffing and Management

We currently do not have any employees. All of our executive officers are employees of our Manager or Freedom Mortgage. See “Management—Management Agreement.”

Legal Proceedings

Neither we nor our Manager is currently subject to any legal proceedings that we or our Manager considers to be material. Nevertheless, we, our Manager and Freedom Mortgage operate in highly regulated markets that are under regulatory scrutiny. Freedom Mortgage has received, and we expect in the future may receive, inquiries and requests for documents and information from various regulators regarding its origination activities. Please refer to “Risk Factors—Risks Related to Our Business—Governmental investigations or examinations, or private lawsuits, including purported class action lawsuits, involving Freedom Mortgage could have a material adverse effect on Freedom Mortgage and its ability to perform its obligations under our strategic alliance agreements.”

MANAGEMENT

Our Director, Director Nominees and Executive Officers

Our board of directors currently consists of one director. We intend to appoint four additional directors to our board of directors upon completion of this offering, three of whom will be independent directors. Our directors each have been or will be elected to serve until the next annual meeting of stockholders and until their successors are duly elected and qualify. Our executive officers have each been elected to hold office, subject to our bylaws, until their respective successors are elected and qualify, their respective death or their respective resignation or removal in the manner provided for in the bylaws. Our charter and bylaws provide that a majority of the entire board of directors may at any time increase or decrease the number of directors. However, the number of directors may never be less than the minimum number required by the MGCL or, unless our bylaws are amended, more than 15 and the tenure of office of a director may not be affected by any decrease in the number of directors.

The following sets forth certain information with respect to our director, our director nominees and our executive officers:

Name	Age	Position Held with Us
Stanley Middleman	59	Chairman of the Board of Directors
Jeffrey Lown II	49	President and Chief Investment Officer and Director Nominee
Martin Levine	61	Chief Financial Officer, Treasurer and Secretary
Joseph Murin	64	Independent Director Nominee*
Jonathan Kislak	64	Independent Director Nominee*
Robert Salcetti	59	Independent Director Nominee*

* Our board of directors has determined that this director nominee is independent for purposes of the NYSE corporate governance listing requirements.

Set forth below is biographical information for our director and our director nominees and our executive officers.

Director and Director Nominees

Stanley Middleman has served as our Chairman since our inception in October 2012. He is also the founder, Chairman and Chief Executive Officer of Freedom Mortgage and the sole member of our Manager. He is an active member of the Mortgage Bankers Association and served on numerous advisory boards including Freddie Mac from 2002 to 2010, Ellie Mae, Inc. (a provider of business automation software for the U.S. mortgage industry) from 2000 to 2001, and Fannie Mae from 2005 to 2006. As a consequence of Mr. Middleman's 27 years' experience in a wide range of financial and residential mortgage markets, including having served as Chairman and Chief Executive Officer of Freedom Mortgage since its founding in 1990, we believe he is well qualified to provide valuable advice to our board of directors in many important areas.

Jeffrey Lown II has agreed to become a director upon completion of this offering. Mr. Lown has served as our President and Chief Investment Officer since our inception in October 2012 and as our Manager's President and Chief Investment Officer since its inception in November 2012. Mr. Lown has over 20 years of combined experience in the financial services industry and the residential mortgage markets. Mr. Lown joined Freedom Mortgage in April 2012 and has served as Executive Vice President in charge of strategic funding projects and capital markets. Prior to joining Freedom Mortgage, Mr. Lown served as a Portfolio Manager at Avenue Capital Group from April 2011 to January 2012. Prior to co-founding and serving as a principal of GreenLake Investment Partners, LLC in the fall of 2010, Mr. Lown spent 11 months at NewOak Capital LLC as head of the residential mortgage loan business and as a member of the bank advisory group. Prior to joining NewOak

Capital, Mr. Lown was a fellow at the Office of Thrift Supervision, or OTS, from March 2008 through September 2009. At OTS, he served as an advisor to the Senior Deputy Director's office, and focused on residential mortgage loan origination and residential asset valuation and RMBS. Noteworthy assignments included participating in the creation of the Obama administration's "Making Home Affordable" modification program, the review of TARP Capital Purchase Program applications for OTS thrifts and working with the Acting Deputy Director of Examinations, Supervision, and Consumer Protection and regional staff on troubled institutions. Before OTS, from April 2002 to March 2008, Mr. Lown worked at UBS Securities LLC in mortgage trading. While at UBS Securities, Mr. Lown managed an internal mortgage origination platform specializing in Alt-A mortgage loans, overseeing all units within the organization, including sales, capital markets and operations. Mr. Lown began his career at Salomon Brothers (now Citigroup) in 1991, where he spent 11 years working for the mortgage trading desk. The last six years at Citigroup were in the Mortgage Finance Group where Mr. Lown held several positions both in investment banking and mortgage finance roles. While serving in these positions, he developed strong credit, contract finance and securitization skills. As a consequence of Mr. Lown's 20 years' experience in the residential mortgage markets and his position with our company, we believe Mr. Lown is well qualified to provide valuable advice to our board of directors in many important areas.

Joseph Murin has agreed to become a director upon completion of this offering and is independent in accordance with the NYSE corporate governance standards. Since September 2009, Mr. Murin has served as the Chairman of The Collingwood Group LLC, a Washington, D.C.-based strategic investment and advisory firm serving the financial services industry that he co-founded in 2009. Since September 2012, Mr. Murin has served as President of NewDay Financial LLC, a mortgage lender that provides homeowners with FHA, VA and reverse mortgage loans, and as Chairman of the Board of Directors of Chrysalis Holdings, LLC, a private investment firm focused on building and growing successful businesses that provide home financing, data analytics and technology solutions in the mortgage banking and financial services industries. From October 2001 to October 2007, Mr. Murin served, and since December 2009, he has served, as a director on the Point Park University. From July 2011 to August 2012, Mr. Murin served as the Chief Executive Officer of National Real Estate Information Services, a portfolio company owned by funds managed by affiliates of Fortress Investment Group, LLC. President George W. Bush nominated Mr. Murin in October 2007 to serve as President of Ginnie Mae, a position which he held from July 2008 to August 2009. He also served as a consultant to the White House until he was confirmed by the U.S. Senate from January 2008 until May 2008. Prior to his nomination to serve as President of Ginnie Mae, Mr. Murin was with HUD for two years, to which he brought more than 40 years of diverse experience in the financial services, mortgage and banking industries. This experience includes having served as the Chief Executive Officer of a number of financial organizations such as Century Mortgage Co. from September 1986 to January 1989, Lender's Service Inc. from May 1991 to December 2001, and Mortgage Settlement Network Innovations from September 2004 to August 2007. Mr. Murin served as a director for iGATE Corporation (NASDAQ: IGTE) from August 2009 to April 2013. Mr. Murin holds a bachelor's degree in business from National Louis University. As a consequence of Mr. Murin's more than 40 years experience in the financial services, mortgage and banking industries, including his service as President of Ginnie Mae, we believe he is well qualified to provide valuable advice to our board of directors in many important areas.

Jonathan Kislak has agreed to become a director upon the completion of this offering and is independent in accordance with the NYSE corporate governance standards. Since 1999, Mr. Kislak has been Chairman of the Board at Antares Capital Corporation, a private venture capital firm. Mr. Kislak also serves as a director (since January 2008) and chairs the Audit Committee (since January 2011) of the Federal Home Loan Bank of Atlanta. Prior to joining Antares Capital Corporation, Mr. Kislak served as Chairman of the Board at Kislak Capital Corporation, an investor in early stage companies, from 1991 to 1999. Mr. Kislak served as Chairman of the Board of Kislak Financial Corporation (holding company for Kislak National Bank), from 1993 until its sale in January 2005. Mr. Kislak's government experience includes service as Deputy Under Secretary for Small Community and Rural Development of the Department of Agriculture from 1989 through 1991. At the Department of Agriculture, he was responsible for policy development and management oversight for the Farmer's Home Administration, the Rural Electrification Administration, and the Federal Crop Insurance Corporation. Prior to joining the Bush administration, Mr. Kislak was employed by the J.I. Kislak Organization, a mortgage banking and real estate investment company, in various capacities in the real estate and financial

services markets, including mortgage banking, insurance brokerage, real estate brokerage and real estate development. Mr. Kislak led the growth of the J.I. Kislak Mortgage Corporation from $300 million to over $5 billion as its President from 1983 to 1989. Mr. Kislak began his career in 1970 at the Federal Home Loan Bank of Boston as a Regional Representative responsible for processing branch applications for the New England region. Mr. Kislak graduated with a Bachelor of Arts in Economics, magna cum laude, from Harvard College. Mr. Kislak brings to our board of directors over 40 years of experience in the financial services and mortgage industry sectors. Due to the depth of his experience as a banker, mortgage banker, and investor with a broad background in business, investments, and government, we believe he is well qualified to serve as a director of our company.

Robert Salcetti has agreed to become a director upon the completion of this offering and is independent in accordance with the NYSE corporate governance standards. Mr. Salcetti previously served as a Managing Director at JPMorgan Chase from 1996 to 2008. Prior to his tenure at JPMorgan Chase, Mr. Salcetti held the position of Managing Director at Chase Manhattan Bank and Senior Vice President of TCB/Chemical Bank and its predecessor, Texas Commerce Bank. Mr. Salcetti earned a degree of Bachelor of Science in Business Administration from Carlow College in Pittsburgh, Pennsylvania. Since January 2011, Mr. Salcetti has served as a director of Ocwen Financial Corporation (NYSE: OCN) and has served on its Audit and Nomination/Governance Committees. He also has chaired Ocwen's Compliance Committee since its inception in March 2013. Mr. Salcetti brings to our board of directors over 35 years of experience in the financial services and mortgage industry sectors. With his extensive experience, which includes leading operations that designed, provided and managed credit facilities for loan warehousing financing, advances and mortgage servicing rights financing, Mr. Salcetti is able to offer guidance to our board of directors from both an operational and strategic perspective.

Executive Officers

For biographical information of Mr. Lown, see "—Director and Director Nominees" above.

Martin Levine has served as our Chief Financial Officer, Treasurer and Secretary since our inception in October 2012 and as our Manager's Chief Financial Officer, Treasurer and Secretary since its inception in November 2012. Mr. Levine joined Freedom Mortgage in 2012 and has over 30 years of industry expertise. Mr. Levine was brought on to Freedom Mortgage's senior management to spearhead the firm's servicing oversight operations and financial reporting of its multi-billion dollar servicing portfolio. Prior to joining Freedom Mortgage, Mr. Levine was Executive in Charge of Loan Administration at Real Estate Mortgage Network, Inc. from April 2008 to May 2011, where he was responsible for handling and resolving all legacy issues. From July 1999 to March 2007, Mr. Levine was Executive Vice President and Chief Operating Officer at Opteum Financial Services, a taxable REIT subsidiary of Opteum Mortgage Management, Inc. At Opteum, Mr. Levine was in charge of managing all aspects of the daily operations of Opteum's TRS including finance, human resources, technology, risk management, compliance and audit functions. During his eight year tenor at Opteum, Mr. Levine set the vision, offered executive sponsorship and ensured execution of multi-business strategic initiatives including heading up risk management of the firm's portfolio of retained mortgage servicing rights and successfully implementing a change of process and system to comply with the Sarbanes Oxley Act. Prior to Opteum, Mr. Levine held various positions in the financial services industry. From July 1987 to June 1999, he served as Executive Vice President of Operations at First Town Mortgage Corporation, a licensed mortgage banking institution, headquartered in Secaucus, New Jersey. Prior to First Town Mortgage, Mr. Levine held the position of Vice President of Corporate Operations at Kaplan Companies, a diversified real estate management company, from March 1986 to July 1987. Prior to Kaplan, Mr. Levine served as Vice President, Chief Financial Officer and Treasurer for Pan American Properties a publicly listed real estate investment trust from October 1982 to February 1986. Prior to Pan American Properties, Mr. Levine spent the first nine years of his career working as a licensed CPA for large public accounting firms including Kenneth Leventhal & Company (from January 1981 to October 1982), Coopers and Lybrand (from January 1980 to January 1981) and Touche, Ross and Company (from July 1973 to January 1980). In April 2007, SouthStar Funding LLC, or SouthStar Funding, a subprime and Alt-A mortgage loan originator, filed a voluntary petition for bankruptcy protection under Chapter 7 of the U.S. Bankruptcy Code, and the bankruptcy case was closed on April 5, 2011. At the time

the voluntary petition was filed, Mr. Levine, our Chief Financial Officer, served on SouthStar Funding's board of managers. Mr. Levine had previously served as an officer of SouthStar Funding until November 2005 when Opteum Financial Services, LLC, SouthStar Funding's parent company, was sold to Bimini Mortgage Management, Inc.

Corporate Governance – Board of Directors and Committees

Our business will be managed under the oversight and direction of our board of directors, which will establish investment guidelines for our Manager to follow in its day-to-day management of our business. Upon the completion of this offering, we expect a majority of the members of our board of directors will be "independent," as defined by the rules of the NYSE. Future directors will be recommended by our nominating and corporate governance committee for nomination by our board of directors.

The directors will be informed about our business at meetings of our board of directors and its committees and through supplemental reports and communications. We expect our independent directors will meet regularly in executive sessions without the presence of our corporate officers.

Upon the completion of this offering, our board of directors will form an audit committee, a compensation committee and a nominating and corporate governance committee and adopt charters for each of these committees. Each of these committees will be composed exclusively of independent directors, as defined by the listing standards of the NYSE. Moreover, our compensation committee will be composed exclusively of individuals intended to be, to the extent required by Rule 16b-3 of the Exchange Act, non-employee directors and will, at such times as we are subject to Section 162(m) of the Code, qualify as outside directors for purposes of Section 162(m) of the Code.

Audit Committee

Our board of directors will establish an audit committee. The audit committee will consist of Mr. Murin, Mr. Kislak and Mr. Salcetti, each of whom will be an independent director and "financially literate" under the rules of the NYSE. Mr. Kislak will chair the audit committee and will serve as the audit committee financial expert, as that term is defined by the SEC.

The audit committee will assist the board of directors in overseeing:

- our accounting and financial reporting processes;
- the integrity and audits of our consolidated financial statements;
- our compliance with legal and regulatory requirements;
- the qualifications and independence of our independent auditors;
- the performance of our independent auditors; and
- the performance of our internal audit function.

Compensation Committee

Our board of directors will establish a compensation committee. The compensation committee will consist of Mr. Murin, Mr. Kislak and Mr. Salcetti, each of whom will be an independent director. Mr. Salcetti will chair our compensation committee.

The compensation committee's principal functions will be to:

- evaluate the performance of our officers;
- evaluate the performance of our Manager;

- review the compensation and fees payable to our Manager under our management agreement;
- review and approve the amount of any wages, salaries and benefits paid or reimbursed pursuant to our management agreement with respect to the dedicated or partially dedicated chief financial officer our Manager intends to provide to us and any dedicated or partially dedicated controller, internal legal counsel and/or investor relations professional, if our Manager elects to provide any of them to us; and
- administer the issuance of common stock and other equity-based awards issued to our officers, directors and other participants in our equity incentive plans, including our 2013 Equity Incentive Plan.

Nominating and Corporate Governance Committee

Our board of directors will establish a nominating and corporate governance committee. The nominating and corporate governance committee will consist of Mr. Murin, Mr. Kislak and Mr. Salcetti, each of whom will be an independent director. Mr. Murin will chair the nominating and corporate governance committee.

The nominating and corporate governance committee will be responsible for:

- providing counsel to our board of directors with respect to the organization, function and composition of our board of directors and its committees;
- overseeing the self-evaluation of our board of directors and our board of director's evaluation of management;
- periodically reviewing and, if appropriate, recommending to our board of directors changes to our corporate governance policies and procedures; and
- identifying and recommending to the board of directors potential director candidates for nomination.

Compensation Committee Interlocks and Insider Participation

We do not anticipate that any of our executive officers will serve as members of the board of directors or compensation committee of any other entity that has one or more executive officers serving as a member of our board of directors.

Code of Business Conduct and Ethics

Our board of directors will establish a code of business conduct and ethics that will apply to our officers and directors, the officers, directors and employees of our Manager and any officers, directors or employees of Freedom Mortgage who provide services to us. Among other matters, our code of business conduct and ethics will be designed to deter wrongdoing and to promote the following:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
- full, fair, accurate, timely and understandable disclosure in our reports filed with the SEC, if any, and other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the code to appropriate persons identified in the code; and
- accountability for adherence to the code of business conduct and ethics.

Any waiver of the code of business conduct and ethics for our executive officers, directors or any employees may be made only by our nominating and corporate governance committee, and will be promptly disclosed as required by law or stock exchange regulations.

Limitations on Liabilities and Indemnification of Directors and Officers

For information concerning limitations of liability and indemnification applicable to our directors, executive officers and, in certain circumstances, employees, see "Certain Provisions of Maryland Law and of Our Charter and Bylaws," and "Certain Relationships and Related Party Transactions—Indemnification."

Compensation of Directors

Any member of our board of directors who is also an employee of our Manager or Freedom Mortgage or their respective affiliates will not receive additional compensation for serving on our board of directors. Each independent director is expected to receive an annual cash retainer of $50,000 and $10,000 in awards to be granted pursuant to our 2013 Equity Incentive Plan, which awards are expected to be granted after the completion of this offering. We will reimburse our directors for their travel expenses incurred in connection with their attendance at full board and committee meetings. Members of our board of directors are also eligible to receive awards under our 2013 Equity Incentive Plan. In addition to the $10,000 in awards under our 2013 Equity Incentive Plan to be granted to each of our independent directors, upon completion of this offering, we expect to grant 2,500 LTIP units under our 2013 Equity Incentive Plan to each of our independent directors. These LTIP units will be fully vested on the date of grant. See "Management—2013 Equity Incentive Plan" and "Our Operating Partnership and the Partnership Agreement—LTIP Units."

Executive Compensation

We will not pay any annual cash compensation to our executive officers. The management agreement permits our Manager to provide us with a dedicated or partially dedicated chief financial officer, controller, internal legal counsel and/or investor relations professional. If our Manager elects to provide us with a chief financial officer, controller, internal legal counsel and/or investor relations professional, our Manager will be entitled to be reimbursed for the costs of the wages, salaries and benefits incurred by our Manager with respect to such personnel, based on the percentage of their working time and efforts spent on matters related to our company. Our Manager intends to provide us with a chief financial officer (who will also serve as our treasurer and secretary), who may from time to time assist Freedom Mortgage with certain tasks. The amount of the wages, salary and benefits paid or reimbursed with respect to the chief financial officer our Manager intends to provide to us, as well as the amount of any wages, salaries and benefits paid or reimbursed with respect to any controller, internal legal counsel and/or investor relations professional our Manager elects to provide to us, will also be subject to the approval of the compensation committee of our board of directors.

2013 Equity Incentive Plan

Prior to completion of this offering, our board of directors will adopt, and our initial stockholder will approve, our 2013 Equity Incentive Plan to allow us to attract and retain independent directors, executive officers and other key employees and to allow our Manager, our operating partnership and Freedom Mortgage to attract and retain investment professionals who will provide services to us and align the interests of these individuals with the interests of our stockholders. Our 2013 Equity Incentive Plan provides for the grant of options to purchase shares of our common stock, stock awards, stock appreciation rights, performance units, incentive awards and other equity-based awards (including LTIP units). Our Manager, our operating partnership and Freedom Mortgage are not eligible to participate in our 2013 Equity Incentive Plan because participation in our 2013 Equity Incentive Plan is limited to individuals.

Administration

Our 2013 Equity Incentive Plan is administered by the Compensation Committee, except that our 2013 Equity Incentive Plan will be administered by our board of directors with respect to awards made to directors who are not employees. We use the term "administrator" to refer to the Compensation Committee or our board of

directors, as applicable. The administrator approves all terms of awards under our 2013 Equity Incentive Plan. The administrator also approves who will receive grants under our 2013 Equity Incentive Plan and the number of shares of our common stock subject to each grant.

Eligibility

Our officers, employees and directors and the officers and employees of our affiliates are eligible to participate in our 2013 Equity Incentive Plan. In addition, individuals who provide services to us or an affiliate, including through their employment with our Manager, our operating partnership or Freedom Mortgage, are eligible to receive awards under our 2013 Equity Incentive Plan.

Share Authorization

Our 2013 Equity Incentive Plan provides for grants of up to an aggregate of 5.0% of the outstanding shares of our common stock (on a fully diluted basis) at the time of the award, subject to a maximum aggregate number of shares of our common stock that may be issued under our 2013 Equity Incentive Plan of 1,500,000 shares.

In connection with stock splits, dividends, recapitalizations and certain other events, our board of directors will make equitable adjustments that it deems appropriate in the aggregate number of shares of our common stock that may be issued under our 2013 Equity Incentive Plan and the terms of outstanding awards.

If any options or stock appreciation rights terminate, expire or are canceled, forfeited, exchanged or surrendered without having been exercised or are paid in cash without delivery of common stock or if any stock awards, performance units or other equity-based awards are forfeited, the shares of our common stock subject to such awards will again be available for purposes of our 2013 Equity Incentive Plan. Shares of our common stock tendered or withheld to satisfy the exercise price or for tax withholding are not available for future grants under our 2013 Equity Incentive Plan.

No awards under the 2013 Equity Incentive Plan were outstanding prior to completion of this offering. The initial grants described below will become effective upon completion of this offering.

Awards Under the 2013 Equity Incentive Plan

Options. Our 2013 Equity Incentive Plan authorizes the grant of stock options that do not qualify as incentive stock options (under Section 422 of the Code). The exercise price of each option will be determined by the administrator, provided that the price cannot be less than 100% of the fair market value of the shares of our common stock on the date on which the option is granted. Except for adjustments to equitably reflect stock splits, stock dividends or similar events, the exercise price of an outstanding option may not be reduced without the approval of our stockholders. In addition, no payment may be made in cancellation of an option without the approval of stockholders if, on the date of cancellation, the option price per share exceeds fair market value. The exercise price for any option is generally payable (1) in cash, (2) by certified check, (3) by the surrender of shares of our common stock (or attestation of ownership of shares of our common stock) with an aggregate fair market value on the date on which the option is exercised, equal to the exercise price, or (4) by payment through a broker in accordance with procedures established by the Federal Reserve Board. The term of an option cannot exceed ten years from the date of grant.

Stock Awards. Our 2013 Equity Incentive Plan also provides for the grant of stock awards. A stock award is an award of shares of our common stock that may be subject to restrictions on transfer and other restrictions as the administrator determines in its sole discretion on the date of grant. The restrictions, if any, may lapse over a specified period of time or through the satisfaction of conditions, in installments or otherwise, as the administrator may determine. A participant who receives a stock award will have all of the rights of a stockholder as to those

shares, including, without limitation, voting rights and rights to receive distributions. However, dividends payable on shares of common stock subject to a stock award that does not become transferable and nonforfeitable solely on account of continued employment or service will be distributed only when, and to the extent that, the underlying stock award is nonforfeitable and transferable and the administrator may provide that such dividends shall be deemed to have been reinvested in additional shares of Common Stock. During the period, if any, when stock awards are non-transferable or forfeitable, (1) a participant is prohibited from selling, transferring, pledging, exchanging, hypothecating or otherwise disposing of his or her stock award shares, (2) we will retain custody of the certificates and (3) a participant must deliver a stock power to us for each stock award.

Stock Appreciation Rights. Our 2013 Equity Incentive Plan authorizes the grant of stock appreciation rights. A stock appreciation right provides the recipient with the right to receive, upon exercise of the stock appreciation right, cash, shares of our common stock or a combination of the two. The amount that the recipient will receive upon exercise of the stock appreciation right generally will equal the excess of the fair market value of the shares of our common stock on the date of exercise over the shares' fair market value on the date of grant (the initial value). Stock appreciation rights will become exercisable in accordance with terms determined by the Compensation Committee. Stock appreciation rights may be granted in tandem with an option grant or as independent grants. The term of a stock appreciation right cannot exceed ten years from the date of grant. Except for adjustments to equitably reflect stock splits, stock dividends or similar events, the exercise price of an outstanding stock appreciation right may not be reduced without the approval of stockholders. In addition, no payment may be made in cancellation of an stock appreciation right without the approval of stockholders, if on the cancellation date, the initial value exceeds the fair market price.

Performance Units. Our 2013 Equity Incentive Plan also authorizes the grant of performance units. Performance units represent the participant's right to receive an amount, based on the value of a specified number of shares of our common stock, if performance goals established by the administrator are met. The administrator will determine the applicable performance period, the performance goals and such other conditions that apply to the performance unit. Performance goals may relate to our financial performance or the financial performance of our operating partnership, the participant's performance or such other criteria determined by the administrator. If the performance goals are met, performance units will be paid in cash, shares of our common stock, other securities or property or a combination thereof.

Incentive Awards. Our 2013 Equity Incentive Plan also authorizes the Compensation Committee to make incentive awards. An incentive award entitles the participant to receive a payment if certain requirements are met. The Compensation Committee will establish the requirements that must be met before an incentive award is earned and the requirements may be stated with reference to one or more performance measures or criteria prescribed by the Compensation Committee. A performance goal or objective may be expressed on an absolute basis or relative to the performance of one or more similarly situated companies or a published index and may be adjusted for unusual or non-recurring events, changes in applicable tax laws or accounting principles. An incentive award that is earned will be settled in a single payment which may be in cash, common stock or a combination of cash and common stock.

Other Equity-Based Awards (Including LTIP Units). The administrator may grant other types of stock-based awards as other equity-based awards under our 2013 Equity Incentive Plan, including LTIP units. Other equity-based awards are payable in cash, shares of our common stock or shares or units of such other equity, or a combination thereof, as determined by the administrator. The terms and conditions of other equity-based awards are determined by the administrator.

LTIP units are a special class of partnership interest in our operating partnership. Each LTIP unit awarded will be deemed equivalent to an award of one share of our common stock under our 2013 Equity Incentive Plan, reducing the plan's share authorization for other awards on a one-for-one basis. We will not receive a tax deduction for the value of any LTIP units granted to our employees. The vesting period for any LTIP units, if

any, will be determined by the administrator at the time of issuance. LTIP units, whether vested or not, will receive the same quarterly per unit distributions as OP units, which distributions will generally equal per-share distributions on shares of our common stock. This treatment with respect to quarterly distributions is similar to the expected treatment of our stock awards, which will generally receive full dividends whether vested or not. Initially, LTIP units will not have full parity with OP units with respect to liquidating distributions. Under the terms of the LTIP units, our operating partnership will revalue its assets upon the occurrence of certain specified events, and any increase in our operating partnership's valuation from the time of grant until such event will be allocated first to the holders of LTIP units to equalize the capital accounts of such holders with the capital accounts of OP unitholders. Upon equalization of the capital accounts of the holders of LTIP units with the other holders of OP units, the LTIP units will achieve full parity with OP units for all purposes, including with respect to liquidating distributions. If such parity is reached, vested LTIP units may be converted into an equal number of OP units at any time, and thereafter enjoy all the rights of OP units, including redemption/exchange rights. However, there are circumstances under which such parity would not be reached. Until and unless such parity is reached, the value that a holder of LTIP units will realize for a given number of vested LTIP units will be less than the value of an equal number of shares of our common stock.

Dividend Equivalents. The administrator may grant dividend equivalents in connection with the grant of performance units and other equity-based awards. Dividend equivalents may be paid currently or accrued as contingent cash obligations (in which case they may be deemed to have been reinvested in shares of our common stock or otherwise reinvested) and may be payable in cash, shares of our common stock or other property or a combination of the two. The administrator will determine the terms of any dividend equivalents. Dividend equivalents payable with respect to any award that does not vest or become exercisable solely on account of continued employment or service will be distributed only when, and to the extent, the underlying award is vested or earned.

Change in Control

If we experience a change in control, the administrator may, at its discretion, provide that outstanding options, stock appreciation rights, stock awards, performance units, incentive awards or other equity-based awards that are not exercised prior to the change in control will be assumed by the surviving entity, or will be replaced by a comparable substitute award of substantially equal value granted by the surviving entity. The administrator may also provide that outstanding options and stock appreciation rights will be fully exercisable upon the change in control, restrictions and conditions on outstanding stock awards will lapse upon the change in control and performance units, incentive awards or other equity-based awards will become earned and nonforfeitable in their entirety. The administrator may also provide that participants must surrender their outstanding options and stock appreciation rights, stock awards, performance units, incentive awards and other equity-based awards in exchange for a payment, in cash or shares of our common stock or other securities or consideration received by stockholders in the change in control transaction, equal to the value received by stockholders in the change in control transaction (or, in the case of options and stock appreciation rights, the amount by which that transaction value exceeds the exercise price or initial value).

In summary, a change of control under our 2013 Equity Incentive Plan occurs if: (1) a person, entity or affiliated group (with certain exceptions) acquires, in a transaction or series of transactions, more than 50% of the outstanding shares of our common stock on a fully diluted basis or the total combined voting power of our outstanding securities; (2) there occurs a merger, consolidation, reorganization or business combination, unless the holders of our voting securities immediately prior to such transaction have more than 50% of the combined voting power of the securities in the successor entity or its parent; (3) we sell or dispose of all or substantially all of our assets; or (4) incumbent directors cease to be a majority of our board of directors.

The Code has special rules that apply to "parachute payments," i.e., compensation or benefits the payment of which is contingent upon a change in control. If certain individuals receive parachute payments in excess of a

safe harbor amount prescribed by the Code, the payor is denied a federal income tax deduction for a portion of the payments, and the recipient must pay a 20% excise tax, in addition to income tax, on a portion of the payments.

If we experience a change in control, benefits provided under our 2013 Equity Incentive Plan could be treated as parachute payments. In that event, our 2013 Equity Incentive Plan provides that the plan benefits, and all other parachute payments provided under other plans and agreements, will be reduced to the safe harbor amount, i.e., the maximum amount that may be paid without excise tax liability or loss of deduction, if the reduction allows the recipient to receive greater after-tax benefits. The benefits under our 2013 Equity Incentive Plan and other plans and agreements will not be reduced, however, if the recipient will receive greater after-tax benefits (taking into account the 20% excise tax payable by the recipient) by receiving the total benefits. Our 2013 Equity Incentive Plan also provides that these provisions do not apply to a participant who has an agreement with us providing that the individual is entitled to indemnification or other payment from us for the 20% excise tax.

Amendment; Termination

Our board of directors may amend or terminate our 2013 Equity Incentive Plan at any time, provided that no amendment may adversely impair the rights of participants under outstanding awards. Our stockholders must approve any amendment if such approval is required under applicable law or stock exchange requirements. Our stockholders also must approve any amendment that materially increases the benefits accruing to participants under our 2013 Equity Incentive Plan, materially increases the aggregate number of shares of our common stock that may be issued under our 2013 Equity Incentive Plan (other than on account of stock dividends, stock splits, other changes in capitalization or increases by the Plan Percentage in connection with offerings of our common stock, in each case, as described above) or materially modifies the requirements as to eligibility for participation in our 2013 Equity Incentive Plan. Unless terminated sooner by our board of directors or extended with stockholder approval, our 2013 Equity Incentive Plan will terminate on the day before the tenth anniversary of the adoption of our 2013 Equity Incentive Plan.

Initial Awards

Upon completion of this offering, we expect to grant an aggregate of 37,500 LTIP units under our 2013 Equity Incentive Plan to our executive officers and directors and to certain employees of our Manager and Freedom Mortgage who provide services to us. The LTIP units granted to our executive officers and our Chairman of the Board, Mr. Middleman, and to employees of our Manager and Freedom Mortgage who provide services to us will vest ratably over a three-year period beginning on the one-year anniversary of the closing of this offering. The LTIP units granted to our independent directors will be fully vested on the date of grant.

After the completion of this offering, we expect to grant $10,000 in awards to each of our independent directors pursuant to our 2013 Equity Incentive Plan. These awards, including the form in which they will be made, will be approved by the compensation committee of our board. See “Management—Compensation of Directors.”

Promoter

We consider Mr. Middleman, who is the sole owner of Freedom Mortgage and our Manager, to be our “promoter” within the meaning of Rule 405 under the Securities Act. In connection with our initial capitalization, Mr. Middleman purchased 1,000 shares of our common stock for total cash consideration of $1,000. We will repurchase these shares from Mr. Middleman at the closing of this offering for $1,000. Mr. Middleman currently serves as our sole director.

OUR MANAGER AND THE MANAGEMENT AGREEMENT

Overview

Our Manager is responsible for our investment strategies and decisions and our day-to-day operations, subject to the supervision and oversight of our board of directors. Mr. Middleman, our Chairman of the board of directors, is the sole member of our Manager. Freedom Mortgage and its employees will support our Manager in providing services to us pursuant to the terms of a services agreement that has been entered into by our Manager and Freedom Mortgage. We will rely on our Manager and Freedom Mortgage to provide or obtain on our behalf the personnel and services necessary for us to conduct our business, and we have no employees or facilities of our own. Our executive officers and the officers and employees of our Manager are also officers or employees of Freedom Mortgage, and, with the exception of those officers that are dedicated to us, we will compete with Freedom Mortgage for access to these individuals. The executive offices of our Manager are located at 301 Harper Drive, Suite 110, Moorestown, New Jersey 08057, and the telephone number of our Manager's executive offices is (877) 870-7005.

Our Manager has established an Investment Committee that will advise and consult with our senior management team with respect to, among other things, our investment policies, portfolio holdings, financing and hedging strategies and investment guidelines. The members of our Manager's Investment Committee include, among others: Mr. Middleman, our Chairman; Mr. Lown, our President and Chief Investment Officer; and Mr. Levine, our Chief Financial Officer, Treasurer and Secretary.

Key Personnel of Our Manager and Freedom Mortgage

The following table sets forth certain information with respect to each of the key personnel of our Manager and Freedom Mortgage who are primarily responsible for making investments in our target assets and operating our company:

Name	Age	Relationship to/Position with Our Manager	Position with Freedom Mortgage
Stanley Middleman	59	Sole Member	Founder, Chairman of the Board of Directors and Chief Executive Officer
Jeffrey Lown II	49	President and Chief Investment Officer	Executive Vice President
Martin Levine	61	Chief Financial Officer, Treasurer and Secretary	Executive Vice President
Julian Evans	43	Senior Portfolio Manager	Senior Vice President

For biographical information regarding Messrs. Middleman, Lown and Levine, see "Management—Our Directors, Director Nominees and Executive Officers—Director and Director Nominees" and "—Executive Officers." Biographical information for Mr. Evans, our manager's Senior Portfolio Manager who will be provided to us pursuant to the terms of our management agreement, appears below.

Julian Evans joined Freedom Mortgage in April 2013 as a Senior Vice President and has over 20 years of experience in the financial services industry. Prior to joining Freedom Mortgage, Mr. Evans served as Head of the MBS Sector Team and Senior Portfolio Manager for Deutsche Asset Management from April 2004 to September 2012. At Deutsche Asset Management, Mr. Evans led a team that managed RMBS assets for institutional, insurance and retail clients. In his role, Mr. Evans was responsible for establishing the mortgage strategy for the investment platform and was a member of Deutsche Asset Management's Asset Allocation Committee. Prior to joining Deutsche Asset Management, Mr. Evans worked for Times Square Capital Management, an institutional money manager from August 1999 to April 2004. At Times Square Capital, Mr. Evans served as vice president, was the head trader for mortgage and asset-backed securities. Before Times Square Capital, Mr. Evans was a senior analyst at Bear, Sterns & Co. in the Global Credit Department, where he

assessed the creditworthiness of Bear Sterns' institutional counterparties. Mr. Evans began his career at Chemical Bank (now JP Morgan Chase) in 1992 where he spent two years working as an analyst in the Not-for Profit and Health Care Division. While at Chemical Bank, Mr. Evans participated in the institution's credit training program. In 1999, Mr. Evans received an MBA from the Stephen M. Ross School of Business at the University of Michigan. In addition, Mr. Evans holds a Bachelor of Arts degree from Trinity College, Hartford CT, which he received in 1992.

The Management Agreement

We have entered into a management agreement with our Manager pursuant to which our Manager is required to manage our business affairs in conformity with policies and investment guidelines that are approved and monitored by our board of directors. Our Manager is subject to the direction and oversight of our board of directors. Our Manager is responsible for, among other things:

- the identification, selection, purchase and sale of our portfolio investments;
- our financing and risk management activities;
- providing us with investment advisory services; and
- providing us with a management team and appropriate personnel.

In addition, our Manager is responsible for our day-to-day operations and will perform (or cause to be performed) such services and activities relating to our assets and operations, including the assets and operations of our subsidiaries, as may be necessary or appropriate, including the following:

- serving as our consultant with respect to the periodic review of our investment guidelines and other policies and criteria for our other borrowings and operations for the approval by our board of directors;
- investigating, analyzing and selecting possible investment opportunities and originating, acquiring, structuring, financing, retaining, selling, negotiating for prepayment, restructuring or disposing of investments consistent with the investment guidelines;
- with respect to any prospective investment by us and any sale, exchange or other disposition of any investment by us, conducting negotiations on our behalf with sellers and purchasers and their respective agents, representatives and investment bankers, and owners of privately and publicly held real estate companies;
- with respect to any prospective investment in Excess MSRs, negotiating agreements, including, and not limited to, acknowledgement agreements, flow acquisition agreements and bulk acquisition agreements;
- engaging and supervising, on our behalf and at our sole cost and expense, third-party service providers that are not affiliated with Freedom Mortgage who provide legal, accounting, due diligence, transfer agent, registrar, leasing services, servicing, subservicing, banking, investment banking, mortgage brokerage, real estate brokerage, securities brokerage and other financial services and such other services as may be required relating to our investments or potential investments and to our other business and operations;
- coordinating and supervising, on our behalf and at our sole cost and expense, other third-party service providers to us;
- serving as our consultant with respect to arranging for any issuance of mortgage-backed securities from pools of prime jumbo mortgage loans owned by us;
- coordinating and managing operations of any joint venture or co-investment interests held by us and conducting all matters with any joint venture or co-investment partners;

- providing executive and administrative personnel, office space and office services required in rendering services to us;
- administering our day-to-day operations and performing and supervising the performance of such other administrative functions necessary to our management as may be agreed upon by our Manager and our board of directors, including, without limitation, the collection of revenues and the payment of our debts and obligations and maintenance of appropriate computer services to perform such administrative functions;
- in connection with any on-going obligations under the Sarbanes-Oxley Act, the Exchange Act, the Dodd-Frank Act and other applicable law, engaging and supervising, on our behalf and at our sole cost and expense, third-party consultants and other service providers to assist us in complying with the requirements of the Sarbanes-Oxley Act, the Exchange Act, the Dodd-Frank Act and other applicable law;
- communicating on our behalf with the holders of any of our equity or debt securities as required to satisfy the reporting and other requirements of any governmental bodies or agencies or trading markets and to maintain effective relations with such holders;
- counseling our board of directors in connection with policy decisions to be made by our board of directors;
- counseling us, and when appropriate, evaluating and making recommendations to our board of directors regarding hedging, financing and securitization strategies and engaging in hedging, financing, borrowing and securitization activities on our behalf, consistent with our investment guidelines;
- counseling us with respect to the qualification and maintenance of our status as a REIT and monitoring our compliance with the various REIT qualification tests and other rules set out in the Code and the applicable U.S. Treasury regulations, or U.S. Treasury Regulations;
- counseling us with respect to the maintenance of our exclusion from status as an investment company under the Investment Company Act and monitoring compliance with the requirements for maintaining such exclusion and using commercially reasonable efforts to cause us to maintain such exclusion from status as an investment company under the Investment Company Act;
- assisting us in developing criteria for asset purchase commitments that are tailored to our investment objectives and making available to us its knowledge and experience with respect to our target assets;
- furnishing reports to our board of directors regarding the activities and services performed for us or any of our subsidiaries by our Manager as reasonably requested by our board of directors from time to time;
- monitoring the operating performance of our investments and providing such periodic reports with respect thereto to our board of directors as they shall reasonably determine from time to time to be necessary or appropriate, including comparative information with respect to such operating performance and budgeted or projected operating results;
- investing or reinvesting any money or securities on our behalf (including investing in short-term investments pending investment in other investments, payment of fees, costs and expenses, or distributions to our stockholders), and advising us with respect to our capital structure and capital raising;
- causing us to retain, at our sole cost and expense, qualified independent accountants and legal counsel, as applicable, to assist in developing appropriate accounting procedures, compliance procedures and testing systems with respect to financial reporting obligations and, compliance with the provisions of the Code and the U.S. Treasury Regulations applicable to REITs, and to conduct quarterly compliance reviews with respect thereto;

- causing us and each of our subsidiaries to qualify to do business in all jurisdictions where qualification is necessary and to obtain and maintain all appropriate licenses;
- assisting us with respect to our compliance with all applicable regulatory requirements in respect of our business activities, including preparing or causing to be prepared all financial statements required under applicable regulations and contractual undertakings and all reports and documents, if any, required under the Exchange Act, the Securities Act or by any national securities exchange;
- taking all necessary actions to enable us to make required tax filings and reports and compliance with the provisions of the Code, and U.S. Treasury Regulations, including, without limitation, the provisions applicable to our qualification as a REIT for U.S. federal income tax purposes;
- handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) in which we may be involved or to which we may be subject arising out of our day-to-day operations (other than with our Manager or its affiliates), subject to such limitations, parameters or directions as may be imposed from time to time by our board of directors;
- using commercially reasonable efforts to cause expenses incurred by or on behalf of our company to be commercially reasonable or commercially customary and within any budgeted parameters or expense guidelines set by our board of directors from time to time;
- advising on, and obtaining on our behalf, credit facilities or other financings for our investments consistent with our investment guidelines;
- advising us with respect to and structuring long-term financing vehicles for our portfolio of assets, and offering and selling securities publicly or privately in connection with any such structured financing;
- performing such other services as may be required from time to time for management and other activities relating to our assets as our board of directors shall reasonably request;
- using commercially reasonable efforts to cause us to comply with all applicable laws;
- negotiating and entering into and executing, on our behalf, repurchase agreements, interest rate agreements, swap agreements, brokerage agreements, resecuritizations, securitization warehouse facilities and other agreements and instruments required for us to conduct our business;
- serving as our consultant with respect to decisions regarding any of our financings, hedging activities or borrowings undertaken by us, including (1) assisting us in developing criteria for debt and equity financing that is specifically tailored to our investment objectives, and (2) advising us with respect to obtaining appropriate financing for the our company's and our subsidiaries' investments;
- providing us with portfolio management;
- arranging marketing materials, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote our business; and
- maintaining our website.

Pursuant to the management agreement, our Manager will not assume any responsibility other than to render the services called for thereunder in good faith and is not responsible for any action of our board of directors in following or declining to follow our Manager's advice or recommendations.

Our Manager, Freedom Mortgage, and their affiliates and each of their officers, directors, trustees, members, stockholders, partners, managers, investment committee members, employees, agents, successors and assigns, each of which we sometimes refer to as a Manager indemnified party, will not be liable to us for any acts or omissions arising out of or in connection with our company or the performance of our Manager's duties and obligations to us under the management agreement, except by reason of acts or omissions found by a court of competent jurisdiction to be due to the bad faith, gross negligence, willful misconduct, fraud or reckless disregard of duties by any Manager indemnified party.

Pursuant to the management agreement, except by reason of acts or omissions found by a court of competent jurisdiction to be due to the bad faith, gross negligence, willful misconduct, fraud or reckless disregard of duties by any Manager indemnified party, no Manager indemnified party will be liable for (i) trade errors that may result from ordinary negligence that are otherwise taken in good faith and in accordance with or pursuant to the management agreement, such as errors in the investment-decision process (for example, a transaction was effected in violation of our investment guidelines) or in the trade process (for example, a buy order was entered instead of a sell order or the wrong security was purchased or sold or the security was purchased or sold at the wrong price), or (ii) acts or omissions of any Manager indemnified party made or taken in accordance with written advice provided to the Manager indemnified party by professional consultants selected, engaged or retained by our Manager, Freedom Mortgage or their affiliates with commercially reasonable care, including without limitation counsel, accountants, investment bankers, financial advisers, and appraisers, that are otherwise taken in good faith and in accordance with or pursuant to the management agreement; provided that such advice relates to matters which are not customarily the expertise of an investment manager providing services substantially similar to those to be provided pursuant to the management agreement, or that such advice relates to matters about which such an investment manager would customarily seek such advice in the ordinary course of business. Notwithstanding the foregoing, no provision of the management agreement will constitute a waiver or limitation of our rights under federal or state securities laws.

Under the management agreement, we will be required to indemnify, defend and hold harmless each Manager indemnified party from and against any and all costs, losses, claims, damages, liabilities, expenses (including reasonable legal and other professional fees and disbursements), judgments, fines and settlements suffered or sustained by any of them by reason of (i) any acts, omissions or alleged acts or omissions arising out of or in connection with our company or performed by a Manager indemnified party in good faith and in accordance with or pursuant to our Manager's duties and obligations under the management agreement, and (ii) any and all claims, demands, actions, suits or proceedings (civil, criminal, administrative or investigative), actual or threatened, in which any such person may be involved, as a party or otherwise, arising out of or in connection with such acts or omissions performed in good faith and in accordance with the management agreement, except to the extent such costs are determined to be due to such Manager indemnified party's bad faith, gross negligence, willful misconduct or fraud.

Our Manager will agree in the management agreement to indemnify our company and our subsidiaries and each of their respective directors, officers, employees and managers, each of which we sometimes refer to as a Company indemnified party, with respect to all costs, losses, claims, damages, liabilities, expenses (including reasonable legal and other professional fees and disbursements), judgments, fines and settlements suffered or sustained by reason of (i) acts or omissions or alleged acts or omissions of our Manager constituting bad faith, willful misconduct or gross negligence of our Manager, Freedom Mortgage or their respective officers or employees or the reckless disregard of our Manager's duties under the management agreement or (ii) claims by Freedom Mortgage's or our Manager's employees relating to the terms and conditions of their employment with Freedom Mortgage or our Manager. Our Manager intends to obtain errors and omissions and other insurance, which is customarily carried by property and investment managers.

Pursuant to the terms of the management agreement, our Manager will be required to provide a management team (including, without limitation, a president and a chief financial officer, a chief investment officer, a controller and a secretary) along with appropriate support personnel, to deliver the management services to us, with the members of such management team, other than those that may be dedicated or substantially dedicated to us, devoting such portion of their time to the management of us as is reasonably necessary and appropriate for the proper performance of all of our Manager's duties, commensurate with the level of our activity from time to time. The management agreement permits our Manager to provide us with a dedicated or partially dedicated chief financial officer, controller, internal legal counsel and/or investor relations professional. If our Manager elects to provide us with a dedicated or partially dedicated chief financial officer, controller, internal legal counsel and/or investor relations professional, our Manager will be entitled to be reimbursed for the costs of the wages, salaries and benefits incurred by our Manager with respect to such personnel, provided that if our

Manager elects to provide any of these personnel on a partially dedicated basis, we will be required to reimburse only a pro rata portion of the costs of the wages, salaries and benefits incurred by our Manager with respect to such personnel based on the percentage of their working time and efforts spent on matters related to our company. Our Manager intends to provide us with a chief financial officer (who will also serve as our treasurer and secretary), who may from time to time assist Freedom Mortgage with certain tasks. The amount of the wages, salary and benefits paid or reimbursed with respect to the chief financial officer our Manager intends to provide to us, as well as the amount of any wages, salaries and benefits paid or reimbursed with respect to any controller, internal legal counsel and/or investor relations professional our Manager elects to provide to us, will also be subject to the approval of the compensation committee of our board of directors. We will have the benefit of our Manager's reasonable judgment and effort in rendering services and, in furtherance of the foregoing, our Manager will not undertake activities which, in its reasonable judgment, will materially adversely affect the performance of its obligations under the management agreement.

Term and Termination

The initial term of the management agreement will expire on the third anniversary of the closing of this offering and will be automatically renewed for a one-year term on such date and on each anniversary of such date thereafter unless terminated or not renewed as described below.

Either we or our Manager may elect not to renew the management agreement upon expiration of its initial term or any renewal term by providing written notice of non-renewal at least 180 days, but not more than 270 days, before expiration. In the event we elect not to renew the term, we will be required to pay our Manager a termination fee equal to three times the average annual management fee earned by our Manager during the two four-quarter periods ending as of the end of the fiscal quarter preceding the date of termination.

We may terminate the management agreement at any time for cause effective upon 30 days prior written notice of termination from us to our Manager, in which case no termination fee would be due, for the following reasons:

- our Manager's continued material breach of any provision of the management agreement (including the failure of our Manager to use commercially reasonable efforts to comply with our investment guidelines) following a period of 30 days after written notice thereof;
- our Manager's fraud, misappropriation of funds, or embezzlement against us;
- our Manager's gross negligence in the performance of its duties under the management agreement;
- our Manager, Freedom Mortgage or any of their affiliates who provide services to us under the management agreement is convicted of, or pleads nolo contendere to, a felony violation of any U.S. federal securities laws;
- the occurrence of certain events with respect to the bankruptcy or insolvency of our Manager or Freedom Mortgage;
- upon a change of control (as defined in the management agreement) of our Manager; or
- our Manager's failure to provide or procure adequate or appropriate personnel necessary to source for us investment opportunities and to manage and develop our portfolio following a period of 60 days after written notice thereof.

For purposes of the management agreement, a "change of control" means the sale, lease or transfer of all or substantially all of the assets of our Manager, to any person other than Freedom Mortgage or its affiliates, or the direct or indirect acquisition by any person, other than Freedom Mortgage and any of its affiliates, by way of merger, consolidation or other business combination or purchase of beneficial ownership of 50% or more of the total voting power of the voting capital interests of or pecuniary interests in our Manager.

Following the completion of this offering, our board of directors will review our Manager's performance annually and, as a result of such review, upon the affirmative vote of at least two-thirds of the members of our board of directors or of the holders of a majority of our outstanding common stock, we may terminate the management agreement based upon unsatisfactory performance by our Manager that is materially detrimental to us or a determination by our independent directors that the management fees payable to our Manager are not fair, subject to the right of our Manager to prevent such a termination by agreeing to a reduction of the management fees payable to our Manager. Upon any termination of the management agreement based on unsatisfactory performance or unfair management fees, we are required to pay our Manager the termination fee described above.

Our Manager may terminate the management agreement, without payment of the termination fee, in the event we become regulated as an investment company under the Investment Company Act. Our Manager may also terminate the management agreement upon 60 days' written notice if we default in the performance of any material term of the management agreement and the default continues for a period of 30 days after written notice to us, whereupon we would be required to pay our Manager the termination fee described above.

Our Manager may generally only assign the management agreement with the written approval of a majority of our independent directors. However, our Manager may assign to one or more of its affiliates the performance of any of its responsibilities under the management agreement without the approval of our independent directors so long as our Manager remains liable for any such affiliate's performance and such assignment does not require our approval under the Investment Advisers Act.

Management Fees and Reimbursement of Expenses

We do not maintain an office or employ personnel. Instead we rely on the facilities and resources of our Manager to conduct our operations. Expense reimbursements to our Manager are made within 60 days following delivery of the expense statement by our Manager. Our Manager is not entitled to receive any incentive fee under the management agreement.

Management Fees

Under the management agreement, we will pay our Manager a management fee quarterly in arrears in an amount equal to 1.50% per annum of our stockholders' equity, with stockholders' equity being calculated, as of the end of any fiscal quarter, as (a) the sum of (1) the net proceeds from any issuances of common stock or other equity securities issued by us or our operating partnership (without double counting) since inception, plus (2) our and our operating partnership's (without double counting) retained earnings calculated in accordance with GAAP at the end of the most recently completed fiscal quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less (b) any amount that we or our operating partnership have paid to repurchase shares of our common stock or other equity securities issued by us or our operating partnership since inception. For purposes of the management agreement, "stockholders' equity" excludes: (1) any unrealized gains, losses or other non-cash items that have impacted stockholders' equity as reported in our financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income; and (2) one-time events pursuant to changes in GAAP, and certain non-cash items not otherwise described above in each case, after discussions between our Manager and our independent directors and approval by a majority of our independent directors.

Our Manager will calculate the management fee within 45 days following the last day of each quarter and such calculation will be delivered to us. We will be obligated to pay the management fee within ten business days after receipt of the calculation from our Manager.

Our Manager will earn a larger management fee as a result of future offerings of securities by us or our operating partnership to the extent our stockholders' equity increases.

In addition to the management fee payable to our Manager, our Manager's personnel and Freedom Mortgage's personnel who provide services to us are eligible to receive equity-based awards under our 2013 Equity Inventive Plan in order to attract and retain these individuals and align their interests with the interests of our stockholders. See "Management—2013 Equity Incentive Program."

Reimbursement of Expenses

We pay all of our direct operating expenses, except those specifically required to be borne by our Manager under the management agreement. Our Manager is responsible for all costs incident to the performance of its duties under the management agreement, including compensation of our Manager's employees and other related expenses. The expenses required to be paid by us include, but are not limited to:

- issuance and transaction costs incident to the acquisition, disposition and financing of our investments including but not limited to brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees, interest expense, withholding and transfer fees, taxes, research related expenses, third-party valuation and pricing services, professional and consulting fees (including, without limitation, expenses of consultants and experts) relating to our investments and other expenses related to the purchase or sale of such investments);
- legal, regulatory, compliance, tax, accounting, consulting, auditing and administrative fees and expenses and fees and expenses for other similar services rendered by third-party service providers;
- the compensation and expenses of our directors and the cost of liability insurance to indemnify our directors and officers;
- the costs associated with the establishment and maintenance of any credit facilities and our other indebtedness (including commitment fees, accounting fees, legal fees, closing costs, etc.);
- expenses associated with our other securities offerings, including this offering;
- expenses relating to the payment of distributions;
- expenses connected with communications to holders of our securities in maintaining relations with such holders and in complying with the continuous reporting and other requirements of the Exchange Act, the SEC and other governmental bodies;
- transfer agent, registrar and exchange listing fees;
- the costs of printing and mailing proxies, reports and other materials to our stockholders;
- costs associated with any research, data, data services, computer software or hardware, electronic equipment, or purchased information technology services from third-party vendors;
- reasonable costs and out-of-pocket expenses incurred on our behalf by directors, trustees, officers, employees or other agents of our Manager for travel in connection with services provided under the management agreement;
- the allocable share of any costs and expenses incurred by our Manager or its affiliates with respect to market information systems and publications, research publications and materials;
- settlement, clearing, trade confirmation and reconciliation, and custodial fees and expenses;
- all taxes and license fees;
- all insurance costs incurred with respect to insurance policies obtained in connection with the operation of our business including, but not limited to, insurance covering activities of our Manager and its employees relating to the performance of our Manager's duties and obligations under the management agreement;
- costs and expenses incurred in contracting third parties for the servicing and special servicing of our assets;

- all other actual out-of-pocket costs and expenses relating to our business and investment operations, including, without limitation, the costs and expenses of acquiring, owning, protecting, maintaining, developing and disposing of investments, including appraisal, reporting, audit and legal fees;
- any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against us or any of our subsidiaries, or against any of our or our subsidiaries' directors, directors or officers in his or her capacity as such for which we or any subsidiary are required to indemnify such trustee, director or officer by any court or governmental agency, or settlement of pending or threatened proceedings;
- the costs of maintaining compliance with all federal, state and local rules and regulations, including securities regulations, or any other regulatory agency, all taxes and license fees and all insurance costs incurred on our behalf relating to our activities;
- expenses relating to any office or office facilities, including disaster backup recovery sites and facilities, maintained expressly for us and separate from offices of our Manager and reasonably required for our operations;
- the costs of the wages, salaries and benefits incurred by our Manager with respect to a dedicated or partially dedicated chief financial officer, controller, internal legal counsel and/or investor relations professional, as described above;
- costs associated with our marketing materials, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote our business;
- costs of maintaining our website; and
- all other costs and expenses approved by our board of directors.

In addition, other than as expressly described above, we are not required to pay any portion of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of our Manager and its affiliates.

Services Agreement

Our Manager is a party to a services agreement with Freedom Mortgage, pursuant to which Freedom Mortgage will provide to our Manager the personnel, services and resources as needed by our Manager to enable our Manager to carry out its obligations and responsibilities under the management agreement. We are a named third-party beneficiary to the services agreement and, as a result, have, as a non-exclusive remedy, a direct right of action against Freedom Mortgage in the event of any breach by our Manager of any of its duties, obligations or agreements under the management agreement that arise out of or result from any breach by Freedom Mortgage of its obligations under the services agreement. The term of the services agreement is one year from the closing of this offering, subject to renewal for successive annual periods by our Manager and Freedom Mortgage. In addition, the services agreement will terminate upon the termination of the management agreement. Pursuant to the services agreement, our Manager will make certain payments to Freedom Mortgage in connection with the services provided. Our Manager and Freedom Mortgage are under the common ownership and control of Mr. Middleman, our Chairman. As a result, all management fee compensation earned by our Manager and all service agreement fees paid by our Manager to Freedom Mortgage accrue to the common benefit of Mr. Middleman.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Acquisition of Our Initial Excess MSRs

Upon completion of this offering and the concurrent private placement, we will enter into two separate Excess MSR acquisition and recapture agreements with Freedom Mortgage. See "Business—Our Portfolio—Our Initial Excess MSRs." The purchase prices for our initial Excess MSR investments were negotiated by us and Freedom Mortgage and were each derived by applying a multiple that we believe reflected prevailing market conditions at the time the respective purchase prices were negotiated. Each purchase price has been derived by applying the negotiated multiple to our portion of the weighted average excess servicing fees anticipated on each investment and the aggregate UPB of the related mortgage loans.

Freedom Mortgage will continue to own the MSRs on, and will be the primary servicer of, the mortgage loans in the Initial Pools. Freedom Mortgage will also retain the remaining participation interests in the Excess MSRs in the Initial Pools. We will not have any servicing duties, advance obligations or liabilities associated with servicing the mortgage loans in either pool, and Freedom Mortgage will be responsible for the duties, advance obligations and liabilities associated with servicing the mortgage loans in the Initial Pools.

In connection with our investments in Excess MSRs, Freedom Mortgage will agree, unless directed by an Agency, not to sell, transfer or otherwise encumber the MSRs to which our Excess MSRs relate or its participation interest in each of the Initial Pools without our prior consent. Freedom Mortgage will also agree to replenish our participation interest in the Excess MSRs on the mortgage loans in each of the Initial Pools in the event those mortgage loans are refinanced by Freedom Mortgage through its retail channel at no cost to us. See "Business—Our Company" for a more detailed description of the recapture terms related to the mortgage loans in the Initial Pools.

Strategic Alliance Agreements

In addition to our initial investments in Excess MSRs, we expect to source and acquire a substantial portion of our Excess MSRs in partnership with Freedom Mortgage in the future. In connection with the completion of this offering, we will enter into a strategic alliance agreement and a flow and bulk Excess MSR purchase agreement with Freedom Mortgage. These agreements are expected to provide us with access to a robust pipeline of Excess MSR acquisition opportunities. The Excess MSRs we intend to acquire from Freedom Mortgage will relate primarily to Ginnie Mae-eligible mortgage loans. Under our strategic alliance agreements:

- Freedom Mortgage will be obligated to offer us, in good faith, on a monthly flow basis, the right to co-invest at least 65% but not more than 85% in the Excess MSRs related to Freedom Mortgage's MSRs on mortgage loans pooled and sold by Freedom Mortgage on a servicing retained basis during the previous month; and
- Freedom Mortgage will be obligated to offer us, in good faith, the right to co-invest at least 40% but not more than 85% in the Excess MSRs related to any MSRs on mortgage loans Freedom Mortgage acquires through a bulk purchase from a third-party servicer.

Under our strategic alliance agreements, the amount of each co-investment in Excess MSRs offered to us by Freedom Mortgage and the recapture terms related to the pool of loans underlying each co-investment in Excess MSRs will be determined by us and Freedom Mortgage at the time our co-investment is made based on policies and procedures approved by our independent directors. Pursuant to the strategic alliance agreements, Freedom Mortgage may select an alternative servicer that must be reasonably satisfactory to us, subject to related Agency approval, if Freedom Mortgage loses its status as a servicer. We will not be obligated to purchase any Excess MSRs offered to us by Freedom Mortgage pursuant to our strategic alliance agreements or otherwise. See "Business—Our Company" for a more detailed description of our strategic alliance agreements.

Management Agreement

We have entered into a management agreement with our Manager, pursuant to which our Manager will provide for the day-to-day management of our operations. The management agreement requires our Manager to manage our business affairs in conformity with the policies and the investment guidelines that are approved and monitored by our board of directors. All of our executive officers and the officers and employees of our manager are also officers or employees of Freedom Mortgage. As a result, the management agreement between us and our Manager was negotiated between related parties, and the terms, including fees payable, may not be as favorable to us as if it had been negotiated with an unaffiliated third party. See "Our Manager and the Management Agreement," "Business—Conflicts of Interest" and "Risk Factors—Risks Related to our Relationship with our Manager and Freedom Mortgage."

Services Agreement

Our Manager is a party to a services agreement with Freedom Mortgage, pursuant to which Freedom Mortgage provides to our Manager the personnel, services and resources as needed by our Manager to enable our Manager to carry out its obligations and responsibilities under the management agreement. We are a named third-party beneficiary to the services agreement and, as a result, have, as a non-exclusive remedy, a direct right of action against Freedom Mortgage in the event of any breach by our Manager of any of its duties, obligations or agreements under the management agreement that arise out of or result from any breach by Freedom Mortgage of its obligations under the services agreement. The term of the services agreement is one year from the closing of this offering, subject to renewal for successive annual periods by our Manager and Freedom Mortgage. In addition, the services agreement will terminate upon the termination of the management agreement. Pursuant to the services agreement, our Manager makes certain payments to Freedom Mortgage in connection with the services provided. Our Manager and Freedom Mortgage are under the common ownership and control of Mr. Middleman, our Chairman. As a result, all management fee compensation earned by our Manager and all service agreement fees paid by our Manager to Freedom Mortgage accrue to the common benefit of Mr. Middleman.

Indemnification Agreements

We intend to enter into indemnification agreements with each of our current and future directors and executive officers which will require us to indemnify such persons to the fullest extent permitted by the MGCL and to pay such persons' expenses, including attorneys' fees, in defending any civil, criminal or other proceedings related to their service on our behalf in advance of final disposition of such proceeding. See "Certain Provisions of Maryland Law and Our Charter and Bylaws—Limitations on Liabilities and Indemnification of Directors and Officers."

Investment in Common Stock

In connection with the initial capitalization of our company, we issued 1,000 shares of our common stock to Mr. Middleman, our Chairman, for total cash consideration of $1,000. The shares were issued in reliance on the exemption set forth in Section 4(a)(2) of the Securities Act. We will repurchase these shares from Mr. Middleman at the closing of this offering for $1,000. Mr. Middleman will purchase directly from us in the concurrent private placement $20.0 million in shares of our common stock, at a price per share equal to the public offering price. The shares to be issued to Mr. Middleman in the concurrent private placement will be issued in reliance on the exemption set forth in Section 4(a)(2) of the Securities Act.

Registration Rights

Upon completion of this offering and the concurrent private placement, we will enter into a registration rights agreement with Mr. Middleman pursuant to which we will agree to register the resale of the shares of common stock Mr. Middleman has agreed to acquire in the concurrent private placement. We refer to these

shares of common stock as the "registrable shares." The registration rights agreement requires us to file a "shelf registration statement" to register the resale of the registrable shares as soon as practicable after we become eligible to use Form S-3, and we must maintain the effectiveness of such shelf registration statement until all the registrable shares have been sold under the shelf registration statement or become eligible for sale, without restriction, pursuant to Rule 144 under the Securities Act.

Equity Awards Under Our 2013 Equity Incentive Plan

Upon completion of this offering, we expect to grant an aggregate of 37,500 LTIP units to our executive officers and directors and to certain employees of our Manager and Freedom Mortgage who provide services to us under our 2013 Equity Incentive Plan. The LTIP units granted to our executive officers and our Chairman of the Board, Mr. Middleman, and to employees of our Manager and Freedom Mortgage who provide services to us will vest ratably over a three-year period beginning on the one-year anniversary of the closing of this offering. The LTIP units granted to our independent directors will be fully vested on the date of grant.

After the completion of this offering, we expect to grant $10,000 in awards to each of our independent directors pursuant to our 2013 Equity Incentive Plan. These awards, including the form in which they will be made, will be approved by the compensation committee of our board. See "Management—Compensation of Directors."

Payment of Underwriting Discount, Structuring Fee and Offering Expenses

Our Manager has agreed to pay the entire underwriting discount payable with respect to the shares of common stock sold in this offering. Our Manager will also pay certain of the underwriters a structuring fee equal to $ (% of the gross proceeds of this offering to us). Our Manager has agreed to pay all offering-related expenses in excess of the lesser of 1.5% of the gross proceeds of this offering and the concurrent private placement and $2.25 million.

Related Party Transaction Policies

We expect that, in connection with the closing of this offering, our board of directors will adopt a policy regarding the approval of any "related person transaction," which is any transaction or series of transactions in which we or any of our subsidiaries is or are to be a participant, where the amount involved exceeds $120,000, and a "related person" (as defined under SEC rules) has a direct or indirect material interest. Under the policy, a related person would need to promptly disclose to our Secretary any related person transaction and all material facts about the transaction. Our Secretary would then assess and promptly communicate that information to the audit committee of our board of directors. Based on its consideration of all of the relevant facts and circumstances, our audit committee will decide whether or not to approve such transaction. If we were to become aware of an existing related person transaction that has not been pre-approved under this policy, the transaction would be referred to this committee, which would evaluate all options available, including ratification, revision or termination of such transaction. Our policy will require any director who may be interested in a related person transaction to recuse himself or herself from any consideration of such related person transaction.

Pursuant to the MGCL, a contract or other transaction between us and a director or between us and any other corporation or other entity in which any of our directors is a director or has a material financial interest is not void or voidable solely on the grounds of such common directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the director's vote in favor thereof, provided that:

- the fact of the common directorship or interest is disclosed or known to our board of directors or a committee of our board, and our board or such committee authorizes, approves or ratifies the transaction or contract by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum;

- the fact of the common directorship or interest is disclosed or known to our stockholders entitled to vote thereon, and the transaction or contract is authorized, approved or ratified by a majority of the votes cast by the stockholders entitled to vote other than the votes of shares owned of record or beneficially by the interested director or corporation, firm or other entity; or
- the transaction or contract is fair and reasonable to us at the time it is authorized, ratified or approved.

DESCRIPTION OF CAPITAL STOCK

The following is a summary of the rights and preferences of our capital stock and related provisions of our charter and bylaws as they will be in effect upon the closing of this offering. While we believe that the following description covers the material terms of our capital stock, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire prospectus, our charter and bylaws and the other documents we refer to for a more complete understanding of our capital stock. Copies of our charter and bylaws will be filed as exhibits to the registration statement of which this prospectus is a part. See “Where You Can Find More Information.”

General

We are authorized to issue 600,000,000 shares of stock consisting of (i) 500,000,000 shares of common stock and (ii) 100,000,000 shares of preferred stock, each with a par value of $0.01 per share. Under Maryland law, stockholders generally are not liable for a corporation’s debt or obligations.

Common Stock

Immediately before the completion of this offering, we will amend and restate our charter and our bylaws. Subject to the preferential rights, if any, of holders of any other class or series of stock and to the provisions of our charter regarding restrictions on ownership and transfer of our stock, holders of shares of our common stock are entitled to receive distributions if, when and as authorized by our board of directors and declared by us out of assets legally available for distribution.

Subject to the provisions of our charter regarding restrictions on ownership and transfer of our stock and except as may otherwise be specified in the terms of any class or series of capital stock, each outstanding share of our common stock entitles the holder thereof to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as may be provided with respect to any other class or series of stock, the holders of such shares will possess the exclusive voting power. There is no cumulative voting in the election of our directors, and directors will be elected by a plurality of the votes cast in the election of directors.

Holders of shares of our common stock generally have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any securities of the Company. Subject to the provisions of our charter regarding restrictions on ownership and transfer of our stock, all holders of our common stock will have equal liquidation and other rights.

Our charter authorizes our board of directors, without stockholder approval, to reclassify any unissued shares of our common stock into other classes or series of stock and to establish the number of shares of common stock in each class or series and to set the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each such class or series.

Preferred Stock

Our charter authorizes our board of directors, without stockholder approval, to classify any unissued shares of preferred stock and to reclassify any previously classified but unissued shares of any class or series of preferred stock. Prior to issuance of shares of each class or series, our board of directors is required by the MGCL and our charter to set the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each such class or series. Thus, our board of directors could authorize the issuance of shares of preferred stock that have priority over our common stock with respect to dividends or rights upon liquidation or with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control of the Company

that might involve a premium price for holders shares of our common stock or otherwise be in their best interests. As of the date of this prospectus, no shares of preferred stock are outstanding, and we have no present plans to issue any preferred stock.

Power to Increase or Decrease Authorized Stock and Issue Additional Shares of our Common Stock and Preferred Stock

Our charter authorizes our board of directors, with the approval of a majority of our entire board of directors, and without stockholder approval, to amend our charter to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series without stockholder approval. We believe that the power of our board of directors to increase or decrease the number of authorized shares of stock and to classify or reclassify unissued shares of our common stock or preferred stock and thereafter to cause us to issue such classified or reclassified shares of stock will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. The additional classes or series, as well as the additional shares of common stock or preferred stock will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board of directors does not presently intend to do so, it could authorize us to issue a class or series that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change in control of the Company that might involve a premium price for our common stockholders or otherwise be in their best interests.

Restrictions on Ownership and Transfer

In order to qualify as a REIT for each taxable year beginning after December 31, 2013, our shares of stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Also, for our taxable years beginning after December 31, 2013, no more than 50% of the value of our outstanding shares of stock may be owned, directly or constructively, by five or fewer individuals (as defined in the Code to include certain entities) during the second half of any calendar year.

Because our board of directors believes it is at present essential for us to qualify as a REIT, our charter provides that, subject to certain exceptions, upon completion of this offering, no person or entity may beneficially or constructively own more than 9.0% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock, excluding any outstanding shares of stock not treated as outstanding for federal income tax purposes, or the ownership limit. In addition, our charter provides that Mr. Middleman, our Chairman and the founder of Freedom Mortgage, may beneficially or constructively own up to 13.5% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock.

Our charter also prohibits any person from (i) beneficially or constructively owning shares of our stock following the completion of this offering if such ownership would (a) result in our being “closely held” under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or (b) otherwise cause us to fail to qualify as a REIT and (ii) transferring shares of our stock after the date upon which we first have 100 stockholders if such transfer would result in our stock being beneficially owned by fewer than 100 persons. Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our stock that will or may violate any of the foregoing restrictions on transfer and ownership, or who is the intended transferee of shares of our stock which are transferred to the trust (as described below), will be required to give written notice immediately to us or in the case of a proposed or attempted transaction, to give at least 15 days’ prior written notice, and provide us with such other information as we may request in order to determine the effect, if any, of such transfer on our status as a REIT. The foregoing restrictions on transfer and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT, or that compliance with the restrictions on transfer and ownership is no longer required for us to qualify as a REIT.

Our board of directors, in its sole discretion, may exempt (prospectively or retroactively) a person from certain of the restrictions described above and may establish or increase an excepted holder limit for such person. The person seeking an exemption must provide to our board of directors any such representations, covenants and undertakings as our board of directors may deem appropriate in order to conclude that granting the exemption and/or establishing or increasing an excepted holder limit, as the case may be, will not cause us to fail to qualify as a REIT. Our board of directors may also require a ruling from the IRS or an opinion of counsel, in either case in form and substance satisfactory to the board of directors in its sole discretion, as it may deem necessary or advisable in order to determine that granting the exemption will not cause us to lose our qualification as a REIT. In connection with granting a waiver of the ownership limit or creating an excepted holder limit or at any other time, our board of directors may from time to time increase or decrease the ownership limit, except that a decreased ownership limit will not be effective for any person whose ownership of our stock exceeds the decreased ownership limit at the time of the decrease until the person's ownership of our stock equals or falls below the decreased ownership limit, although any further acquisition of our stock in excess of the decreased ownership limit will violate the decreased ownership limit. Our board of directors may not increase or decrease any ownership limit if the new ownership limit would allow five or fewer individuals (including certain entities) to beneficially own more than 49.9% in value of our outstanding stock.

If shares of our stock are certificated, all such certificates will bear a legend referring to the restrictions described above (or a declaration that we will furnish a full statement about certain restrictions on transferability to a stockholder on request and without charge).

Any attempted transfer of our stock that, if effective, would result in a violation of the foregoing restrictions, will cause the number of shares of stock causing the violation (rounded up to the nearest whole share) to be automatically transferred to a charitable trust for the benefit of one or more charitable beneficiaries and the proposed transferee will not acquire any rights in such shares, except that any transfer that, if effective, would result in the violation of the restriction relating to shares of our stock being beneficially owned by fewer than 100 persons will be void ab initio. The automatic transfer will be effective as of the close of business on the business day (as defined in our charter) prior to the date of the transfer. If, for any reason, the transfer to the trust would not be effective to prevent the violation of the foregoing restrictions, our charter provides that the purported transfer in violation of the restrictions will be void ab initio. Shares of our stock held in the trust will be issued and outstanding shares of stock. The proposed transferee will not benefit economically from ownership of any shares of stock held in the trust, will have no rights to dividends or other distributions and no rights to vote or other rights attributable to the shares of stock held in the trust. The proposed transferee will have no claims, courses of action, or any other recourse whatsoever against the purported transferor of such stock.

The trustee of the trust will have all voting rights and rights to dividends or other distributions with respect to shares of stock held in the trust. These rights will be exercised for the exclusive benefit of the charitable beneficiary. Any dividend or other distribution paid to the proposed transferee prior to our discovery that shares of stock have been transferred to the trust must be paid by the recipient to the trustee upon demand. Any dividend or other distribution authorized but unpaid will be paid when due to the trustee. Any dividend or other distribution paid to the trustee will be held in trust for the charitable beneficiary. Subject to Maryland law, effective as of the date that the shares have been transferred to the charitable trust, the trustee will have the authority (at the trustee's sole discretion) (i) to rescind as void any vote cast by the proposed transferee prior to our discovery that the shares have been transferred to the trust and (ii) to recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary. However, if we have already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast the vote.

Within 20 days of receiving notice from us that shares of our stock have been transferred to the trust, the trustee must sell the shares to a person designated by the trustee, whose ownership of the shares will not violate the above ownership and transfer limitations. Upon such sale, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee and to the charitable beneficiary as follows. The proposed transferee will receive the lesser of (i) the price paid by the proposed transferee for the shares or, if the proposed transferee did not give value for the shares in

connection with the event causing the shares to be held in the trust (*e.g.*, a gift, devise or other similar transaction), the market price (as defined in our charter) of the shares on the day of the event causing the shares to be held in the trust and (ii) the price per share received by the trustee from the sale or other disposition of the shares (net of any commissions and other expenses). Any net sale proceeds in excess of the amount payable to the proposed transferee will be paid immediately to the charitable beneficiary. The trustee may reduce the amount payable to the proposed transferee by the amount of dividends and other distributions paid to the proposed transferee and owed by the proposed transferee to the trustee. If, prior to our discovery that shares of our stock have been transferred to the trust, the shares are sold by the proposed transferee, then (i) the shares will be deemed to have been sold on behalf of the trust and (ii) to the extent that the proposed transferee received an amount for the shares that exceeds the amount the proposed transferee was entitled to receive, the excess must be paid to the trustee upon demand.

In addition, shares of our stock held in the trust will be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in the transfer to the trust (or, if the event that resulted in the transfer to the trust did not involve a purchase of the shares of our stock at market price, e.g., in the case of a devise or gift, the market price of the shares of our stock on the day of the event causing these shares to be held in trust) and (ii) the market price on the date we accept, or our designee accepts, the offer, which we may reduce by the amount of dividends and other distributions paid to the proposed transferee and owed by the proposed transferee to the trustee. We may pay the amount of such reduction to the trustee for the benefit of the charitable beneficiary. We will have the right to accept the offer until the trustee has sold the shares. Upon a sale to us, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee and any dividends or other distributions held by the trustee will be paid to the charitable beneficiary.

Our charter provides that to the extent we incur any tax under the Code as the result of any “excess inclusion income” of ours being allocated to a “disqualified organization” that holds our stock in record name, we shall reduce distributions to such stockholder in an amount equal to such tax paid by us that is attributable to such stockholder’s ownership in accordance with applicable U.S. Treasury Regulations. We do not currently intend to make investments or engage in activities that generate “excess inclusion income,” but our charter does not prevent “disqualified organizations” from owning our common stock. See “Material U.S. Federal Income Tax Considerations—Taxation of Our Company” and “—Requirements for Qualification—Taxable Mortgage Pools” for a discussion of “disqualified organizations” and “excess inclusion income.”

Every owner of 5% or more (or such lower percentage as required by the Code or the regulations promulgated thereunder), in number or value, of all classes or series of our stock, including shares of common stock, within 30 days after the end of each taxable year, must give written notice to us stating the name and address of such owner, the number of shares of each class and series of our stock which the owner beneficially owns and a description of the manner in which the shares are held. Each owner must also provide to us such additional information as we may request in order to determine the effect, if any, of the beneficial ownership on our status as a REIT and to ensure compliance with the ownership limit. In addition, each owner of our stock must, upon demand, provide to us such information as we may request in order to determine our status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance and to ensure compliance with the restrictions on ownership and transfer of shares of our stock.

These ownership and transfer limitations could delay, defer or prevent a transaction or a change in control that might involve a premium price for our securities or might otherwise be in the best interests of our stockholders.

Stock Exchange Listing

Our common stock has been approved for listing on the NYSE, subject to official notice of issuance, under the symbol “CHMI.”

Transfer Agent and Registrar

We expect the transfer agent and registrar for our common stock to be Computershare Trust Company, N.A.

SHARES ELIGIBLE FOR FUTURE SALE

Upon the completion of this offering and the concurrent private placement, we will have an aggregate of 7,500,000 shares of common stock outstanding (8,475,000 shares if the underwriters exercise in full their over-allotment option), excluding the 1,000 shares we issued to Mr. Middleman in connection with our initial capitalization, which we will repurchase from Mr. Middleman at the closing of this offering for $1,000. No assurance can be given as to the likelihood that an active market for our common shares will develop, the liquidity of any such market, the ability of our stockholders to sell their shares or the prices that our stockholders may obtain for any of their shares. No prediction can be made as to the effect, if any, that future sales of our common stock or the availability of our common stock for future sale will have on the market price prevailing from time to time. Sales of substantial amounts of our common stock, or the perception that such sales could occur, may affect adversely prevailing market prices of our common stock. See "Risk Factors—Risks Related to This Offering."

Rule 144

As defined in Rule 144, an "affiliate" of an issuer is a person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the issuer. Any shares of our common stock held by our affiliates, including the shares Mr. Middleman will purchase from us in the concurrent private placement, are restricted securities as that term is defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if registered under the securities laws or if they qualify for an exemption from registration under Rule 144, as described below.

In general, under Rule 144, a person (or persons whose shares are aggregated) who is not an affiliate of ours and has not been one of our affiliates at any time during the three months preceding a sale, and who has beneficially owned the restricted securities proposed to be sold for at least one year, including the holding period of any prior owner other than an affiliate, is entitled to sell his or her securities without registration and without complying with the manner of sale, current public information, volume limitation or notice provisions of Rule 144. In addition, under Rule 144, once we have been subject to the reporting requirements of the Exchange Act for at least 90 days, a person (or persons whose securities are aggregated) who is not an affiliate of ours and has not been one of our affiliates at any time during the three months preceding a sale, may sell his or her securities without registration after only a six-month holding period, subject only to the continued availability of current public information about us. Any sales by affiliates under Rule 144, even after the applicable holding periods described above, are subject to requirements and or limitations with respect to volume, manner of sale, notice and the availability of current public information about us.

2013 Equity Incentive Plan

Our 2013 Equity Incentive Plan provides for the grant of options to purchase shares of our common stock, stock awards, stock appreciation rights, performance units, incentive awards and other equity-based awards (including LTIP units). Our 2013 Equity Incentive Plan provides for grants of up to an aggregate of 5.0% of the outstanding shares of our common stock (on a fully diluted basis) at the time of the award, subject to a maximum aggregate number of shares of our common stock that may be issued under our 2013 Equity Incentive Plan of 1,500,000 shares. We intend to file with the SEC a registration statement on Form S-8 covering the shares of our common stock issuable under our 2013 Equity Incentive Plan.

Upon completion of this offering, we expect to grant an aggregate of 37,500 LTIP units under our Equity Incentive Plan to our executive officers and directors and to employees of our Manager and Freedom Mortgage who provide services to us. For a description of our 2013 Equity Incentive Plan and the initial LTIP unit awards to be made pursuant to such plan, see "Management—Compensation of Directors" and "Management—2013 Equity Incentive Plan."

After the completion of this offering, we expect to grant $10,000 in awards to each of our independent directors pursuant to our 2013 Equity Incentive Plan. These awards, including the form in which they will be made, will be approved by the compensation committee of our board. See "Management—Compensation of Directors."

Lock-up Agreements

For a description of certain lock-up agreements, see “Underwriting.” In addition, Mr. Middleman, our Chairman, will purchase directly from us in the concurrent private placement $20.0 million in shares of our common stock, at a per share price equal to the public offering price. These shares and any other shares of our common stock Mr. Middleman and his controlled affiliates, including Freedom Mortgage and our Manager, may acquire, within 12 months of the completion of this offering, will be subject to a lock-up agreement between Mr. Middleman and the underwriters for one year.

Registration Rights

Upon completion of this offering and the concurrent private placement, we will enter into a registration rights agreement with Mr. Middleman pursuant to which we will agree to register the resale of the shares of common stock. Mr. Middleman has agreed to acquire in the concurrent private placement. We refer to these shares of common stock as the “registrable shares.” The registration rights agreement requires us to file a “shelf registration statement” to register the resale of the registrable shares as soon as practicable after we become eligible to use Form S-3, and we must maintain the effectiveness of such shelf registration statement until all the registrable shares have been sold under the shelf registration statement or become eligible for sale, without restriction, pursuant to Rule 144 under the Securities Act.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information following the closing of this offering, regarding the ownership of each class of our capital stock by:

- each of our directors, including our independent directors;
- each of our executive officers; and
- all of our directors and executive officers as a group.

Unless otherwise indicated, each listed person's beneficial ownership includes:

- all shares the investor actually owns beneficially or of record;
- all shares over which the investor has or shares voting or dispositive control (such as in the capacity as a general partner of an investment fund); and
- all shares the investor has the right to acquire within 60 days (such as shares of restricted common stock that are currently vested or which are scheduled to vest within 60 days).

Other than Mr. Middleman, we are not aware of any holder of more than 5% of our capital stock. Unless otherwise indicated, all shares are owned directly, and the indicated person has sole voting and investment power. Except as indicated in the footnotes to the table below, the business address of the stockholders listed below is the address of our principal executive office, 301 Harper Drive, Suite 110, Moorestown, New Jersey 08057.

Name and Address	Number of Shares Beneficially Owned	Percentage of All Shares Immediately After Offering and the Concurrent Private Placement(1)
Stanley Middleman(2)(3)	1,000,000	13.3%
Jeffrey Lown II(3)	—	—
Martin Levine(3)	—	—
Joseph Murin(3)(4)	—	—
Jonathan Kislak(3)(4)	—	—
Robert Salcetti(3)(4)	—	—
All directors, executive officers and independent directors as a group (6 persons) (3)	1,000,000	13.3%

* Less than one percent.

(1) Assumes a total of 7,500,000 shares of common stock are outstanding immediately after the closing of this offering and the concurrent private placement. Does not reflect 975,000 shares of common stock issuable upon exercise of the underwriters' over-allotment option.

(2) Excludes 1,000 shares of our common stock issued and sold to Mr. Middleman in connection with our initial capitalization. We will repurchase these shares from Mr. Middleman at the closing of this offering for $1,000.

(3) Upon completion of this offering, we will grant an aggregate of 37,500 LTIP units to our executive officers and directors and to certain employees of our Manager and Freedom Mortgage who provide services to us pursuant to our 2013 Equity Incentive Plan. The LTIP units granted to our executive officers and our Chairman of the Board, Mr. Middleman, and to employees of our Manager and Freedom Mortgage who provide services to us will vest ratably over a three-year period beginning on the one-year anniversary of the closing of this offering. The LTIP units granted to our independent directors will be fully vested on the date of grant. The number and percentage shown in the table above excludes: (i) 5,000 shares of common stock issuable upon exchange of 5,000 LTIP units to be granted to Mr. Middleman; (ii) 8,750 shares of common stock issuable upon exchange of 8,750 LTIP units to be granted to Mr. Lown; (iii) 5,000 shares of common stock issuable upon exchange of 5,000 LTIP units to be granted to Mr. Levine; and (iv) 2,500 shares of common stock issuable upon exchange of 2,500 LTIP units to be granted to each of our independent directors.

(4) Excludes $10,000 in awards we expect to grant to each of our independent directors under our 2013 Equity Incentive Plan after the completion of this offering as part of their compensation for agreeing to serve on our board of directors in 2013.

CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

The following is a summary of the material provisions of Maryland law applicable to us and of our charter and bylaws as they will be in effect upon completion of this offering. While we believe that the following description covers the material provisions of Maryland law applicable to us and the material terms of our charter and bylaws as they will be in effect upon completion of the offering, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire prospectus, our charter and bylaws and the other documents we refer to for a more complete understanding of our capital stock. Copies of our charter and bylaws will be filed as exhibits to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

Our Board of Directors

Our charter and bylaws provide that the number of our directors will not be less than the minimum number required under the MGCL, which is one, and, unless our bylaws are amended, not more than 15 and may be increased or decreased pursuant to our bylaws by a vote of the majority of our entire board of directors. Our charter provides that at such time as we become eligible to elect to be subject to Title 3, Subtitle 8 of the MGCL (which we expect will be upon the completion of this offering) and subject to the rights of holders of one or more classes or series of preferred stock, any and all vacancies on the board of directors may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which such vacancy occurred and until a successor is elected and qualifies. Each member of our board of directors is elected by our stockholders to serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualifies. Holders of shares of our common stock will have no right to cumulative voting in the election of directors, and directors will be elected by a plurality of the votes cast in the election of directors.

Removal of Directors

Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed at any time, but only for cause and only by the affirmative vote of holders of shares entitled to cast at least two-thirds of the votes entitled to be cast generally in the election of directors. "Cause" is defined in our charter, with respect to any particular director, as the conviction of a felony or a final judgment of a court of competent jurisdiction holding that such director caused demonstrable, material harm to us through bad faith or active and deliberate dishonesty. This provision, when coupled with the exclusive power of our board of directors to fill vacant directorships, may preclude stockholders from removing incumbent directors except for cause and by a substantial affirmative vote and filling the vacancies created by such removal with their own nominees.

Business Combinations

Under the MGCL, certain "business combinations" (including a merger, consolidation, statutory share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and an interested stockholder (i.e., any person (other than the corporation or any subsidiary) who beneficially owns 10% or more of the voting power of the corporation's outstanding voting stock after the date on which the corporation had 100 or more beneficial owners of its stock, or an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation after the date on which the corporation had 100 or more beneficial owners of its stock) or an affiliate of an interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any such business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of

such corporation and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (2) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder, unless, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. The board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by it.

As permitted by the MGCL, our board of directors has adopted a resolution exempting any business combination between us and any other person, provided that the business combination is first approved by our board of directors (including a majority of directors who are not affiliates or associates of such persons). However, our board of directors may repeal or modify this resolution at any time in the future, in which case the applicable provisions of this statute will become applicable to business combinations between us and interested stockholders.

Control Share Acquisitions

The MGCL provides that holders of "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights with respect to the control shares except to the extent approved by the affirmative vote of two-thirds of the votes entitled to be cast on the matter with respect to such shares, excluding votes cast by (1) the person who makes or proposes to make a control share acquisition, (2) an officer of the corporation or (3) an employee of the corporation who is also a director of the corporation. "Control shares" are voting shares of stock of the corporation which, if aggregated with all other such shares of stock of the corporation previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise, directly or indirectly, voting power in electing directors within one of the following ranges of voting power: (1) one-tenth or more but less than one-third, (2) one-third or more but less than a majority or (3) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply to, among other things: (1) shares acquired in a merger, consolidation or statutory share exchange if the corporation is a party to the transaction or (2) acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any acquisition by any person of shares of our stock; however, our board of directors may repeal such bylaw provision, in whole or in part at any time. There can be no assurance that such provision will not be amended or eliminated at any time in the future.

Maryland Unsolicited Takeovers Act

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of five provisions of the MGCL which provide, respectively, that:

- the corporation's board of directors will be divided into three classes;
- the affirmative vote of two-thirds of all the votes entitled to be cast by stockholders generally in the election of directors is required to remove a director;
- the number of directors may be fixed only by vote of the directors;
- a vacancy on the board of directors may be filled only by the remaining directors and that directors elected to fill a vacancy will serve for the remainder of the full term of the class of directors in which the vacancy occurred; and
- the request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting is required for stockholders to require the calling of a special meeting of stockholders.

Without our having elected to be subject to Subtitle 8, our charter and bylaws already (1) require the affirmative vote of holders of shares entitled to cast at least two-thirds of all the votes entitled to be cast generally in the election of directors to remove a director from our board of directors, (2) vest in our board of directors the exclusive power to fix the number of directors, by vote of a majority of our entire board of directors, and (3) require, unless called by the Chairman of our board of directors, our Chief Executive Officer, our President or our board of directors, the request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at the meeting to call a special meeting of stockholders. Our charter provides that, subject to our eligibility to make an election under Subtitle 8, vacancies on our board of directors may be filled only by the affirmative vote of a majority of the remaining directors then in office, even if the remaining directors do not constitute a quorum, and directors elected to fill a vacancy will serve for the full term of the directorship in which the vacancy occurred and until his or her successor is duly elected and qualifies. Our board of directors is not currently classified. In the future, our board of directors may elect, without stockholder approval, to classify our board of directors or elect to be subject to any of the other provisions of Subtitle 8.

Charter Amendments and Extraordinary Transactions

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a statutory share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation's charter. Our charter generally provides that charter amendments requiring stockholder approval must be declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. However, our charter's provisions regarding the removal of directors and restrictions on ownership and transfer of our stock, and amendments to the vote required to amend these provisions, may be amended only if such amendment is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast not less than two-thirds of all the votes entitled to be cast on the matter. In addition, we generally may not merge with or into another company, sell all or substantially all of our assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless such transaction

is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. However, because operating assets may be held by a corporation's subsidiaries, as in our situation, this may mean that one of our subsidiaries could transfer all of its assets without any vote of our stockholders.

Bylaw Amendments

Our board of directors has the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

Advance Notice of Director Nominations and New Business

Our bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to our board of directors and the proposal of other business to be considered by our stockholders at an annual meeting of stockholders may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of our board of directors or (3) by a stockholder who was a stockholder of record both at the time of giving of notice and at the time of the meeting, who is entitled to vote at the meeting on the election of the individual so nominated or on such other business and who has complied with the advance notice procedures set forth in our bylaws, including a requirement to provide certain information about the stockholder and its affiliates and the nominee or business proposal, as applicable.

With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting. Nominations of individuals for election to our board of directors may be made at a special meeting of stockholders at which directors are to be elected only (1) by or at the direction of our board of directors or (2) provided that the special meeting has been properly called for the purpose of electing directors, by a stockholder who was a stockholder of record both at the time of giving of notice and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions set forth in our bylaws, including a requirement to provide certain information about the stockholder and its affiliates and the nominee.

Anti-Takeover Effect of Certain Provisions of Maryland Law and of Our Charter and Bylaws

Our charter and bylaws and Maryland law contain provisions that may delay, defer or prevent a change in control or other transaction that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders, including supermajority vote and cause requirements for removal of directors, provisions that vacancies on our board of directors may be filled only by the remaining directors, for the full term of the directorship in which the vacancy occurred, the power of our board of directors to increase or decrease the aggregate number of authorized shares of stock or the number of shares of any class or series of stock, to cause us to issue additional shares of stock of any class or series and to fix the terms of one or more classes or series of stock without stockholder approval, the restrictions on ownership and transfer of our stock and advance notice requirements for director nominations and stockholder proposals. Likewise, if the provision in the bylaws opting out of the control share acquisition provisions of the MGCL or the resolution of our board of directors opting out of the business combination provisions of the MGCL were repealed or rescinded, or if a business combination was not first approved by our board of directors, these provisions of the MGCL could have similar anti-takeover effects.

Limitation of Directors' and Officers' Liability and Indemnification

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision that eliminates such liability to the maximum extent permitted by Maryland law.

Our charter and bylaws provide for indemnification of our officers and directors against liabilities to the maximum extent permitted by the MGCL, as amended from time to time.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify a director or officer for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received by such director or officer, unless in either case a court orders indemnification, and then only for expenses. In addition, the MGCL permits a Maryland corporation to advance reasonable expenses to a director or officer upon its receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or officer or on the director's or officer's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our charter authorizes us and our bylaws obligate us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of such a proceeding to:

- any present or former director or officer of the Company who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity; and
- any individual who, while a director or officer of the Company and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, REIT, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us, with the approval of our board of directors, to indemnify and advance expenses to any individual who served our predecessor in any of the capacities described above and to any employee or agent of the Company or our predecessor.

Upon completion of this offering, we will enter into indemnification agreements with each of our directors and executive officers that will provide for indemnification and advance of expenses to the maximum extent permitted by Maryland law. See "Certain Relationships and Related Transactions—Indemnification Agreements."

REIT Qualification

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without approval of our stockholders, if it determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

OUR OPERATING PARTNERSHIP AND THE PARTNERSHIP AGREEMENT

The following summary of the terms of the agreement of limited partnership of our operating partnership does not purport to be complete and is subject to and qualified in its entirety by reference to the Amended and Restated Agreement of Limited Partnership of Cherry Hill Operating Partnership, LP. See "Where You Can Find More Information."

Management

Our operating partnership is organized as a Delaware limited partnership. We are the sole general partner of our operating partnership. We will conduct substantially all of our operations and make substantially all of our investments through the operating partnership and its subsidiaries. Pursuant to the partnership agreement, as the general partner of our operating partnership, we will have full, exclusive and complete responsibility and discretion in the management and control of the operating partnership, including the ability to cause the operating partnership to enter into certain major transactions including investments, acquisitions, dispositions and financings (including the sale of limited partnership interests to us or to third party investors), to make distributions to partners, and to cause changes in the operating partnership's business and investment activities.

The partnership agreement will require that the operating partnership be operated in a manner that enables us to satisfy the requirements for being classified as a REIT, to avoid any federal income or excise tax liability imposed by the Code (other than any federal income tax liability associated with our retained capital gains) and to ensure that the partnership will not be classified as a "publicly traded partnership" taxable as a corporation under Section 7704 of the Code.

Transferability of Interests

We may not voluntarily withdraw from our operating partnership or transfer or assign our interest in our operating partnership or engage in any merger, consolidation or other combination, or sale of all or substantially all of our assets in a transaction which results in a change of control of our company unless:

- we receive the consent of limited partners holding more than 50% of the partnership interests of the limited partners (other than those held by our company or its subsidiaries);
- as a result of such transaction, all limited partners will receive for each partnership unit an amount of cash, securities or other property equal or substantially equivalent in value to the greatest amount of cash, securities or other property paid in the transaction to a holder of one share of our common stock, provided that if, in connection with the transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of more than 50% of the outstanding shares of our common stock, each holder of partnership units shall be given the option to exchange its partnership units for an amount of cash, securities or other property equal or substantially equivalent in value to the greatest amount of cash, securities or other property that a limited partner would have received had it (1) exercised its redemption right (described below) and (2) sold, tendered or exchanged pursuant to the offer shares of our common stock received upon exercise of the redemption right immediately prior to the expiration of the offer; or
- we are the surviving entity in the transaction and either (1) our stockholders do not receive cash, securities or other property in the transaction or (2) all limited partners (other than our company or our subsidiaries) receive for each partnership unit an amount of cash, securities or other property equal or substantially equivalent in value to the greatest amount of cash, securities or other property received in the transaction by our stockholders.

We also may merge with or into or consolidate with another entity if immediately after such merger or consolidation (1) substantially all of the assets of the successor or surviving entity, other than partnership units held by us, are contributed, directly or indirectly, to the partnership as a capital contribution in exchange for partnership units with a fair market value equal to the value of the assets so contributed as determined by the

survivor in good faith and (2) the survivor expressly agrees to assume all of our obligations under the partnership agreement and the partnership agreement shall be amended after any such merger or consolidation so as to arrive at a new method of calculating the amounts payable upon exercise of the redemption right that approximates the existing method for such calculation as closely as reasonably possible.

We also may (1) transfer all or any portion of our general partnership interest to (a) a wholly owned subsidiary or (b) a parent company or a majority-owned subsidiary of a parent company, and following such transfer may withdraw as the general partner and (2) engage in a transaction required by law or by the rules of any national securities exchange on which shares of our common stock are listed.

We also may (1) merge or consolidate our operating partnership with or into any other domestic or foreign partnership, limited partnership, limited liability company or corporation or (2) sell all or substantially all of the assets of our operating partnership, and may amend the partnership agreement in connection with any such transaction, if we receive the consent of limited partners holding more than 50% of the partnership interests of the limited partners (other than those held by our company or its subsidiaries).

Capital Contribution

We will contribute, directly, to our operating partnership, substantially all of the net proceeds of this offering and the concurrent private placement in exchange for OP units and as result will own substantially all of the limited partnership interests in our operating partnership upon completion of this offering and the concurrent private placement. The partnership agreement provides that if the operating partnership requires additional funds at any time in excess of funds available to the operating partnership from borrowing or capital contributions, we may borrow such funds from a financial institution or other lender and lend such funds to the operating partnership on the same terms and conditions as are applicable to our borrowing of such funds. Under the partnership agreement, we are obligated to contribute substantially all of the net proceeds of any future offering of shares as additional capital to the operating partnership. If we contribute additional capital to the operating partnership, we will receive additional partnership units and our percentage interest will be increased on a proportionate basis based upon the amount of such additional capital contributions and the value of the operating partnership at the time of such contributions. Conversely, the percentage interests of the other limited partners, if any, will be decreased on a proportionate basis in the event of additional capital contributions by us. In addition, if we contribute additional capital to the operating partnership, we will revalue the assets of the operating partnership to its fair market value (as determined by us) and the capital accounts of the partners will be adjusted to reflect the manner in which the unrealized gain or loss inherent in such assets (that has not been reflected in the capital accounts previously) would be allocated among the partners under the terms of the partnership agreement if there were a taxable disposition of such assets for their fair market value (as determined by us) on the date of the revaluation. The operating partnership may issue preferred partnership interests, in connection with acquisitions of assets or otherwise, which could have priority over OP units with respect to distributions from the operating partnership, including the OP units we own as the general partner.

Redemption Rights

Pursuant to the partnership agreement, beginning one year after the issuance of any OP units, limited partners (other than us) have redemption rights, which enable them to cause the operating partnership to redeem their OP units in exchange for cash or, at our option, our shares of our common stock on a one-for-one basis. The cash redemption amount per unit is based on the market price of our common stock at the time of redemption. The number of shares of our common stock issuable upon redemption of limited partnership interests held by limited partners may be adjusted upon the occurrence of certain events such as stock dividends, stock subdivisions or combinations. Notwithstanding the foregoing, a limited partner will not be entitled to exercise its redemption rights if the delivery of shares of our common stock to the redeeming limited partner would:

- result in any person owning, directly or indirectly, common stock in excess of the stock ownership limit in our charter;

- result in our common stock being owned by fewer than 100 persons (determined without reference to any rules of attribution);
- result in our being "closely held" within the meaning of Section 856(h) of the Code;
- cause us to fail to qualify as a REIT under the Code; or
- cause the acquisition of our common stock by such redeeming limited partner to be "integrated" with any other distribution of common stock for purposes of complying with the registration provisions of the Securities Act.

We may, in our sole and absolute discretion, waive any of these restrictions.

Partnership Expenses

In addition to the administrative and operating costs and expenses incurred by the operating partnership, the operating partnership generally will pay all of our administrative costs and expenses, including:

- all expenses relating to our continuity of existence and our subsidiaries' operations;
- all expenses relating to offerings and registration of securities;
- all expenses associated with the preparation and filing of any of our periodic or other reports and communications under federal, state or local laws or regulations;
- all expenses associated with our compliance with laws, rules and regulations promulgated by any regulatory body; and
- all of our other operating or administrative costs incurred in the ordinary course of business on behalf of the operating partnership.

These expenses, however, do not include any of our administrative and operating costs and expenses incurred that are attributable to assets that are owned by us directly rather than by the operating partnership or its subsidiaries.

Responsibilities as General Partner

Our directors have duties under applicable Maryland law to, among other things, manage us in a manner consistent with our best interests. At the same time, we, as the general partner of our operating partnership, will have fiduciary duties to manage our operating partnership in a manner beneficial to our operating partnership and its partners. Our duties, as general partner to our operating partnership and its limited partners, therefore, may come into conflict with the duties of our directors to us. We will be under no obligation to give priority to the separate interests of the limited partners of our operating partnership or our company in deciding whether to cause the operating partnership to take or decline to take any actions. In the event of a conflict between the interests of our stockholders and the interests of the limited partners of our operating partnership, we will endeavor in good faith to resolve the conflict in a manner not adverse to either our stockholders or the limited partners; provided, that for so long as we own a controlling interest in our operating partnership, any such conflict that we, in our sole and absolute discretion, determine cannot be resolved in a manner not adverse to either our stockholders or the limited partners of our operating partnership will be resolved in favor of our stockholders.

The limited partners of our operating partnership expressly acknowledge that, as the general partner of our operating partnership, we are acting for the benefit of the operating partnership, the limited partners and our company collectively.

Distributions

The partnership agreement will provide that the operating partnership will distribute cash from operations (including net sale or refinancing proceeds, but excluding net proceeds from the sale of the operating

partnership's assets in connection with the liquidation of the operating partnership) at such time and in such amounts as determined by us in our sole discretion, to us and the limited partners in accordance with their respective percentage interests in the operating partnership.

Upon liquidation of the operating partnership, after payment of, or adequate provision for, debts and obligations of the partnership, including any partner loans, any remaining assets of the partnership will be distributed to us and the limited partners with positive capital accounts in accordance with their respective positive capital account balances.

LTIP Units

In general, LTIP units are a class of partnership units in our operating partnership and will receive the same quarterly per unit distributions as the other outstanding OP units in our operating partnership. Initially, each LTIP unit will have a capital account balance of zero and, therefore, will not have full parity with OP units with respect to liquidating distributions. However, the operating partnership agreement provides that "book gain," or economic appreciation, in our assets realized by our operating partnership as a result of the actual sale of all or substantially all of our operating partnership's assets or the revaluation of our operating partnership's assets as provided by applicable U.S. Treasury Regulations, will be allocated first to the LTIP unit holders until the capital account per LTIP unit is equal to the average capital account per-unit of our OP units in our operating partnership. The partnership agreement provides that our operating partnership's assets will be revalued upon the occurrence of certain events, specifically additional capital contributions by us or other partners, the redemption of a partnership interest, a liquidation (as defined in the U.S. Treasury Regulations) of our operating partnership or the issuance of a partnership interest (including LTIP units) to a new or existing partner as consideration for the provision of services to, or for the benefit of, our operating partnership.

Upon equalization of the capital accounts of the LTIP unit holders with the average per-unit capital account of our OP units, the LTIP units will achieve full parity with the OP units for all purposes, including with respect to liquidating distributions. If such parity is reached, LTIP units will vest, and vested LTIP units, subject to the terms and conditions of the partnership agreement, may be converted into an equal number of OP units at any time, and thereafter enjoy all the rights of OP units. If a sale or revaluation of assets occurs at a time when our operating partnership's assets have appreciated sufficiently since the last revaluation, the LTIP units would achieve full parity with the OP units upon such sale or revaluation. In the absence of sufficient appreciation in the value of our operating partnership's assets at the time of a sale or revaluation, full parity would not be reached.

Consequently, an LTIP unit may never become convertible because the value of our operating partnership's assets has not appreciated sufficiently between revaluation dates to equalize capital accounts. Until and unless parity is reached, the value for a given number of vested LTIP units will be less than the value of an equal number of shares of our common stock.

Allocations

Profits and losses of the partnership (including depreciation and amortization deductions) for each fiscal year generally will be allocated to us and the other limited partners in accordance with the respective percentage interests in the partnership. Notwithstanding the foregoing, our operating partnership will allocate gain on the sale of all or substantially all of its assets first to holders of LTIP units, and will, upon the occurrence of certain specified events, revalue its assets with any net increase in valuation allocated first to the LTIP units, in each case to equalize the capital accounts of such holders with the average capital account per unit of the general partner's OP units. All of the foregoing allocations are subject to compliance with the provisions of Sections 704(b) and 704(c) of the Code and U.S. Treasury Regulations promulgated thereunder. To the extent U.S. Treasury Regulations promulgated pursuant to Section 704(c) of the Code permit, we, as the general partner, will have the authority to elect the method to be used by the operating partnership for allocating items with respect to contributed property acquired in connection with this offering for which fair market value differs from the adjusted tax basis at the time of contribution, and such election will be binding on all partners.

Term

The operating partnership will continue until dissolved upon:

- our bankruptcy, dissolution removal or withdrawal (unless the limited partners elect to continue the partnership);
- the passage of 90 days after the sale or other disposition of all or substantially all of the assets of the partnership;
- the redemption of all partnership units (other than those held by us, if any); or
- an election by us in our capacity as the general partner.

Tax Matters

We are the tax matters partner of the operating partnership and, as such, have authority to handle tax audits and to make tax elections under the Code on behalf of the operating partnership.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

This section summarizes the material U.S. federal income tax considerations that you, as a stockholder, may consider relevant. Hunton & Williams LLP has acted as our counsel, has reviewed this summary, and is of the opinion that the discussion contained herein is accurate in all material respects. Because this section is a summary, it does not address all aspects of taxation that may be relevant to particular stockholders in light of their personal investment or tax circumstances, or to certain types of stockholders that are subject to special treatment under the U.S. federal income tax laws, such as:

- insurance companies;
- tax-exempt organizations (except to the extent discussed in "—Taxation of Tax-Exempt U.S. Holders" below);
- financial institutions or broker-dealers;
- non-U.S. individuals and non-U.S. corporations (except to the extent discussed in "—Taxation of Non-U.S. Holders" below);
- U.S. expatriates;
- persons who mark-to-market our common stock;
- subchapter S corporations;
- U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar;
- regulated investment companies and REITs, and their investors;
- trusts and estates (except to the extent discussed herein);
- persons who receive our common stock through the exercise of employee stock options or otherwise as compensation;
- persons holding our common stock as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment;
- persons subject to the alternative minimum tax provisions of the Code;
- persons holding our common stock through a partnership or similar pass-through entity; and
- persons holding a 10% or more (by vote or value) beneficial interest in our common stock.

This summary assumes that stockholders hold our common stock as a capital asset for U.S. federal income tax purposes, which generally means as property held for investment.

The statements in this section are not intended to be, and should not be construed as, tax advice. The statements in this section are based on the Code, current, temporary and proposed U.S. Treasury regulations, the legislative history of the Code, current administrative interpretations and practices of the IRS, and court decisions. The reference to IRS interpretations and practices includes the IRS practices and policies endorsed in private letter rulings, which are not binding on the IRS except with respect to the taxpayer that receives the ruling. In each case, these sources are relied upon as they exist on the date of this discussion. Future legislation, U.S. Treasury regulations, administrative interpretations and court decisions could change current law or adversely affect existing interpretations of current law on which the information in this section is based. Any such change could apply retroactively. We have not received any rulings from the IRS concerning our qualification as a REIT. Accordingly, even if there is no change in the applicable law, no assurance can be provided that the statements made in the following discussion, which do not bind the IRS or the courts, will not be challenged by the IRS or will be sustained by a court if so challenged.

WE URGE YOU TO CONSULT YOUR TAX ADVISER REGARDING THE SPECIFIC TAX CONSEQUENCES TO YOU OF THE PURCHASE, OWNERSHIP AND SALE OF OUR COMMON STOCK

AND OF OUR ELECTION TO BE TAXED AS A REIT. SPECIFICALLY, YOU SHOULD CONSULT YOUR TAX ADVISER REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX CONSEQUENCES OF SUCH PURCHASE, OWNERSHIP, SALE AND ELECTION, AND REGARDING POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

Taxation of Our Company

We have in effect an election to be taxed as a pass-through entity under subchapter S of the Code, but intend to revoke such election prior to the closing of this offering. We will elect and intend to qualify to be taxed as a REIT under Sections 856 through 860 of the Code commencing with our short taxable year ending on December 31, 2013. We believe that, commencing with our short taxable year ending December 31, 2013, we will be organized and will operate in such a manner as to qualify for taxation as a REIT under the federal income tax laws, and we intend to continue to operate in such a manner, but no assurances can be given that we will operate in a manner so as to qualify or remain qualified as a REIT. This section discusses the laws governing the federal income tax treatment of a REIT and its stockholders. These laws are highly technical and complex.

In connection with this offering, Hunton & Williams LLP will render an opinion that, commencing with our short taxable year ending on December 31, 2013, we will be organized in conformity with the requirements for qualification and taxation as a REIT under the U.S. federal income tax laws, and our proposed method of operation will enable us to satisfy the requirements for qualification and taxation as a REIT under the U.S. federal income tax laws for our short taxable year ending December 31, 2013 and subsequent taxable years. Investors should be aware that Hunton & Williams LLP's opinion will be based upon customary assumptions, will be conditioned upon certain representations made by us as to factual matters, including representations regarding the nature of our assets and the conduct of our business, will not be binding upon the IRS or any court and will speak as of the date issued. In addition, Hunton & Williams LLP's opinion will be based on existing federal income tax law governing qualification as a REIT, which is subject to change either prospectively or retroactively. Moreover, our qualification and taxation as a REIT depend upon our ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the federal income tax laws. Those qualification tests involve the percentage of income that we earn from specified sources, the percentage of our assets that fall within specified categories, the diversity of our share ownership, and the percentage of our earnings that we distribute. Hunton & Williams LLP will not review our compliance with those tests on a continuing basis. Accordingly, no assurance can be given that our actual results of operations for any particular taxable year will satisfy such requirements. Hunton & Williams LLP's opinion does not foreclose the possibility that we may have to use one or more of the REIT "savings" provisions discussed below, which could require us to pay an excise or penalty tax (which could be material) in order for us to maintain our REIT qualification. For a discussion of the tax consequences of our failure to qualify as a REIT, see "—Failure to Qualify."

If we qualify as a REIT, we generally will not be subject to federal income tax on our REIT taxable income that we currently distribute to our stockholders, but taxable income generated by any domestic taxable REIT subsidiaries, or TRSs, will be subject to regular corporate income tax. However, we will be subject to federal tax in the following circumstances:

- We will pay federal income tax on our taxable income, including net capital gain, that we do not distribute to stockholders during, or within a specified time period after, the calendar year in which the income is earned.
- We may be subject to the "alternative minimum tax" on any items of tax preference, including any deductions of net operating losses, that we do not distribute or allocate to stockholders.
- We will pay income tax at the highest corporate rate on:
  - net income from the sale or other disposition of property acquired through foreclosure, or foreclosure property, that we hold primarily for sale to customers in the ordinary course of business, and

- other non-qualifying income from foreclosure property.

- We will pay a 100% tax on net income earned from sales or other dispositions of property, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business.
- If we fail to satisfy the 75% gross income test or the 95% gross income test, as described below under "—Gross Income Tests," but nonetheless continue to qualify as a REIT because we meet other requirements, we will be subject to a 100% tax on:
  - the greater of the amount by which we fail the 75% gross income test or the 95% gross income test, multiplied, in either case, by
  - a fraction intended to reflect our profitability.
- If we fail to satisfy the asset tests (other than a de minimis failure of the 5% asset test, the 10% vote test or the 10% value test, as described below under "—Asset Tests"), as long as the failure was due to reasonable cause and not to willful neglect, we dispose of the assets or otherwise comply with such asset tests within six months after the last day of the quarter in which we identify such failure and we file a schedule with the IRS describing the assets that caused such failure, we will pay a tax equal to the greater of $50,000 or the product of the highest U.S. federal corporate tax rate (currently, 35%) and the net income from the non-qualifying assets during the period in which we failed to satisfy such asset tests.
- If we fail to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, and the failure was due to reasonable cause and not to willful neglect, we will be required to pay a penalty of $50,000 for each such failure.
- We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet recordkeeping requirements intended to monitor our compliance with rules relating to the composition of a REIT's stockholders, as described below in "—Requirements for Qualification."
- If we fail to distribute during a calendar year at least the sum of: (i) 85% of our REIT ordinary income for the year, (ii) 95% of our REIT capital gain net income for the year and (iii) any undistributed taxable income from earlier periods, we will pay a 4% nondeductible excise tax on the excess of the required distribution over the amount we actually distributed, plus any retained amounts on which income tax has been paid at the corporate level.
- We may elect to retain and pay income tax on our net long-term capital gain. In that case, a U.S. stockholder would be taxed on its proportionate share of our undistributed long-term capital gain (to the extent that we make a timely designation of such gain to the stockholder) and would receive a credit or refund for its proportionate share of the tax we paid.
- We will be subject to a 100% excise tax on transactions between us and a TRS that are not conducted on an arm's-length basis.
- The earnings of any TRS that we form will be subject to U.S. federal corporate income tax.
- If we acquire any asset from a C corporation, or a corporation that generally is subject to full corporate level tax, in a merger or other transaction in which we acquire a basis in the asset that is determined by reference either to the C corporation's basis in the asset or to another asset, we will pay tax at the highest regular corporate rate applicable if we recognize gain on the sale or disposition of the asset during the 10-year period after we acquire the asset. The amount of gain on which we will pay tax is the lesser of:
  - the amount of gain that we recognize at the time of the sale or disposition, and
  - the amount of gain that we would have recognized if we had sold the asset at the time we acquired it, assuming that the C corporation will not elect, in lieu of this treatment, to be subject to an immediate tax when the asset is acquired.

- If we were to own a residual interest in a real estate mortgage investment conduit, or REMIC, we would be taxable at the highest corporate rate on the portion of any excess inclusion income that we derive from the REMIC residual interests equal to the percentage of our common stock that is held in record name by "disqualified organizations." Although the law is unclear, IRS guidance indicates that similar rules may apply to a REIT that owns an equity interest in a taxable mortgage pool. To the extent that we own a REMIC residual interest or a taxable mortgage pool through a TRS, we will not be subject to this tax. A "disqualified organization" includes (i) the United States; (ii) any state or political subdivision of the United States; (iii) any foreign government; (iv) any international organization; (v) any agency or instrumentality of any of the foregoing; (vi) any other tax-exempt organization (other than a farmer's cooperative described in section 521 of the Code) that is exempt from income taxation and is not subject to taxation under the unrelated business taxable income provisions of the Code; and (vii) any rural electrical or telephone cooperative. We do not currently intend to hold REMIC residual interests, but we may engage in securitization transactions and other financing activities that may result in treatment of us or a portion of our assets as a taxable mortgage pool. For a discussion of "excess inclusion income," see "—Requirements for Qualification—Taxable Mortgage Pools and Excess Inclusion Income."

In addition, notwithstanding our qualification as a REIT, we may also have to pay certain state and local income taxes, because not all states and localities treat REITs in the same manner that they are treated for U.S. federal income tax purposes. Moreover, as further described below, any domestic TRS in which we own an interest will be subject to federal, state and local corporate income tax on its taxable income. In addition, we may be subject to a variety of taxes other than U.S. federal income tax, including state and local franchise, property and other taxes and foreign taxes. We could also be subject to tax in situations and on transactions not presently contemplated.

Requirements for Qualification

A REIT is a corporation, trust, or association that meets each of the following requirements:

1. It is managed by one or more trustees or directors.
2. Its beneficial ownership is evidenced by transferable shares or by transferable certificates of beneficial interest.
3. It would be taxable as a domestic corporation, but for the REIT provisions of the federal income tax laws.
4. It is neither a financial institution nor an insurance company subject to special provisions of the federal income tax laws.
5. At least 100 persons are beneficial owners (determined without reference to any rules of attribution) of its shares or ownership certificates.
6. Not more than 50% in value of its outstanding shares or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the federal income tax laws define to include certain entities, during the last half of any taxable year.
7. It elects to be taxed as a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements that must be met to elect and maintain REIT qualification.
8. It meets certain other qualification tests, described below, regarding the nature of its income and assets and the distribution of its income.
9. It uses the calendar year as its taxable year.
10. It has no earnings and profits from any non-REIT taxable year at the close of any taxable year.

We must meet requirements 1 through 4 and 9 during our entire taxable year and must meet requirement 5 during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Requirements 5 and 6 apply to us beginning with our 2014 taxable year. If we comply with all the requirements for ascertaining the ownership of our outstanding stock in a taxable year and have no reason to know that we violated requirement 6, we will be deemed to have satisfied requirement 6 for that taxable year. For purposes of determining stock ownership under requirement 6, an "individual" generally includes a supplemental unemployment compensation benefits plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes. An "individual" generally does not include a trust that is a qualified employee pension or profit sharing trust under the federal income tax laws, however, and beneficiaries of such a trust will be treated as holding our stock in proportion to their actuarial interests in the trust for purposes of requirement 6. We believe that we will issue stock with sufficient diversity of ownership to satisfy requirements 5 and 6. In addition, our charter restricts the ownership and transfer of our stock so that we should continue to satisfy these requirements. These restrictions, however, may not ensure that we will, in all cases, be able to satisfy these stock ownership requirements. If we fail to satisfy these stock ownership requirements, we may not qualify as a REIT. The provisions of our charter restricting the ownership and transfer of our stock are described in "Description of Capital Stock—Restrictions on Ownership and Transfer." To monitor compliance with the stock ownership requirements, we generally will be required to maintain records regarding the actual ownership of our stock. To do so, we must demand written statements each year from the record holders of significant percentages of our stock pursuant to which the record holders must disclose the actual owners of the stock (i.e., the persons required to include our dividends in their gross income). We must maintain a list of those persons failing or refusing to comply with this demand as part of our records. We could be subject to monetary penalties if we fail to comply with these record-keeping requirements. If you fail or refuse to comply with the demands, you will be required by U.S. Treasury regulations to submit a statement with your tax return disclosing your actual ownership of our stock and other information. In addition, we must satisfy all relevant filing and other administrative requirements that must be met to elect and maintain REIT status. We intend to comply with these requirements.

Qualified REIT Subsidiaries

A corporation that is a "qualified REIT subsidiary" is not treated as a corporation separate from its parent REIT. All assets, liabilities, and items of income, deduction, and credit of a qualified REIT subsidiary are treated as assets, liabilities, and items of income, deduction, and credit of the REIT. A qualified REIT subsidiary is a corporation, other than a TRS, all of the shares of which is owned, directly or through one or more qualified REIT subsidiaries or disregarded entities, by the REIT. Thus, in applying the requirements described herein, any qualified REIT subsidiary that we own will be ignored, and all assets, liabilities, and items of income, deduction, and credit of such subsidiary will be treated as our assets, liabilities, and items of income, deduction, and credit.

Other Disregarded Entities and Partnerships

An unincorporated domestic entity, such as a limited liability company, that has a single owner generally is not treated as an entity separate from its parent for U.S. federal income tax purposes. An unincorporated domestic entity with two or more owners generally is treated as a partnership for U.S. federal income tax purposes. In the case of a REIT that is a partner in a partnership that has other partners, the REIT is treated as owning its proportionate share of the assets of the partnership and as earning its allocable share of the gross income of the partnership for purposes of the applicable REIT qualification tests. For purposes of the 10% value test (see "—Asset Tests"), our proportionate share is based on our proportionate interest in the equity interests and certain debt securities issued by the partnership. For all of the other asset and income tests, our proportionate share is based on our proportionate interest in the capital interests in the partnership. Our proportionate share of the assets, liabilities, and items of income of any partnership, joint venture, or limited liability company that is treated as a partnership for U.S. federal income tax purposes in which we acquire an interest, directly or indirectly, will be treated as our assets and gross income for purposes of applying the various REIT qualification requirements.

In the event that a disregarded subsidiary of ours ceases to be wholly-owned—for example, if any equity interest in the subsidiary is acquired by a person other than us or another disregarded subsidiary of ours—the subsidiary's separate existence would no longer be disregarded for U.S. federal income tax purposes. Instead, the subsidiary would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect our ability to satisfy the various asset and gross income requirements applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the total value or total voting power of the outstanding securities of another corporation. See "—Asset Tests" and "—Gross Income Tests."

We have control of our operating partnership and generally intend to control any subsidiary partnerships and limited liability companies, and we intend to operate them in a manner consistent with the requirements for our qualification as a REIT. We may from time to time be a limited partner or non-managing member in some of our partnerships and limited liability companies. If a partnership or limited liability company in which we own an interest takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause us to fail a gross income or asset test, and that we would not become aware of such action in time to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless we were entitled to relief, as described below.

Taxable REIT Subsidiaries

A REIT is permitted to own up to 100% of the stock of one or more TRSs. A TRS is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by the parent REIT. The subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation with respect to which a TRS directly or indirectly owns more than 35% of the voting power or value of the outstanding securities will automatically be treated as a TRS. However, an entity will not qualify as a TRS if it directly or indirectly operates or manages a lodging or health care facility or, generally, provides to another person, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated. We generally may not own more than 10%, as measured by voting power or value, of the securities of a corporation that is not a qualified REIT subsidiary or a REIT unless we and such corporation elect to treat such corporation as a TRS. Overall, no more than 25% of the value of a REIT's assets may consist of stock or securities of one or more TRSs.

The separate existence of a TRS or other taxable corporation, unlike a disregarded subsidiary as discussed above, is not ignored for U.S. federal income tax purposes. Accordingly, a domestic TRS would generally be subject to corporate income tax on its earnings, which may reduce the cash flow generated by us and our subsidiaries in the aggregate and our ability to make distributions to our stockholders. A REIT is not treated as holding the assets of a TRS or other taxable subsidiary corporation or as receiving any income that the subsidiary earns. Rather, the stock issued by the subsidiary is an asset in the hands of the REIT, and the REIT generally recognizes as income the dividends, if any, that it receives from the subsidiary. This treatment can affect the gross income and asset test calculations that apply to the REIT, as described below. Because a parent REIT does not include the assets and income of such subsidiary corporations in determining the parent REIT's compliance with the REIT requirements, such entities may be used by the parent REIT to undertake indirectly activities that the REIT rules might otherwise preclude it from doing directly or through pass-through subsidiaries or render commercially unfeasible (for example, activities that give rise to certain categories of income such as non-qualifying hedging income or inventory sales).

Certain restrictions imposed on TRSs are intended to ensure that such entities will be subject to appropriate levels of federal income taxation. First, a TRS may not deduct interest payments made in any year to an affiliated REIT to the extent that such payments exceed, generally, 50% of the TRS's adjusted taxable income for that year (although the TRS may carry forward to, and deduct in, a succeeding year the disallowed interest amount if the

50% test is satisfied in that year). In addition, if amounts are paid to a REIT or deducted by a TRS due to transactions between a REIT, its tenants and/or a TRS, that exceed the amount that would be paid to or deducted by a party in an arm's-length transaction, the REIT generally will be subject to an excise tax equal to 100% of such excess. We intend that all of our transactions with any TRS that we form will be conducted on an arm's-length basis, but there can be no assurance that we will be successful in this regard.

We may form or invest in domestic or foreign TRSs in the future. To the extent that our TRSs pay any taxes, they will have less cash available for distribution to us. If dividends are paid by domestic TRSs to us, then the dividends we designate and pay to our stockholders who are taxed at individual rates, up to the amount of dividends that we receive from such entities, generally will be eligible to be taxed at the reduced 20% maximum federal rate applicable to qualified dividend income. See "—Taxation of U.S. Holders—Taxation of Taxable U.S. Holders on Distributions on Common Stock."

Taxable Mortgage Pools and Excess Inclusion Income

An entity, or a portion of an entity, may be classified as a taxable mortgage pool under the Code if:

- substantially all of its assets consist of debt obligations or interests in debt obligations;
- more than 50% of those debt obligations are real estate mortgage loans or interests in real estate mortgage loans as of specified testing dates;
- the entity has issued debt obligations that have two or more maturities; and
- the payments required to be made by the entity on its debt obligations "bear a relationship" to the payments to be received by the entity on the debt obligations that it holds as assets.

Under applicable U.S. Treasury regulations, if less than 80% of the assets of an entity (or a portion of an entity) consist of debt obligations, these debt obligations are not considered to comprise "substantially all" of its assets, and therefore the entity would not be treated as a taxable mortgage pool.

A taxable mortgage pool generally is treated as a corporation for U.S. federal income tax purposes; it cannot be included in any consolidated federal corporate income tax return. However, if a REIT is a taxable mortgage pool, or if a REIT owns a qualified REIT subsidiary that is a taxable mortgage pool, then a portion of the REIT's income will be treated as "excess inclusion income" and a portion of the dividends the REIT pays to its stockholders will be considered to be excess inclusion income. Similarly, a portion of the income from a REMIC residual interest may be treated as excess inclusion income. A stockholder's share of excess inclusion income (i) would not be allowed to be offset by any losses otherwise available to the stockholder, (ii) would be subject to tax as unrelated business taxable income, or UBTI, in the hands of most types of stockholders that are otherwise generally exempt from U.S. federal income tax, and (iii) would result in the application of U.S. federal income tax withholding at the maximum rate (30%), without reduction under any otherwise applicable income tax treaty, to the extent allocable to most types of foreign stockholders. IRS guidance indicates that a REIT's excess inclusion income will be allocated among its stockholders in proportion to its dividends paid. However, the manner in which excess inclusion income would be allocated to dividends attributable to a tax year that are not paid until a subsequent tax year or to dividends attributable to a portion of a tax year when no excess inclusion income-generating assets were held or how such income is to be reported to stockholders is not clear under current law. Although the law is unclear, the IRS has taken the position that a REIT is taxable at the highest corporate tax rate on the portion of any excess inclusion income that it derives from an equity interest in a taxable mortgage pool equal to the percentage of its stock that is held in record name by "disqualified organizations" (as defined above under "—Taxation of Our Company"). Similar rules apply if we own a residual interest in a REMIC. If as a result of ownership by "disqualified organizations," we are subject to tax on any excess inclusion income, under our declaration of trust, we will reduce distributions to such stockholders by the amount of tax paid by us that is attributable to such stockholder's ownership. U.S. Treasury regulations provide that such a reduction in distributions does not give rise to a preferential dividend that could adversely affect our compliance

with the distribution requirement. See "—Distribution Requirements." To the extent that stock owned by "disqualified organizations" is held by a broker or other nominee, the broker/dealer or other nominees would be liable for a tax at the highest corporate tax rate on the portion of our excess inclusion income allocable to the stock held by the broker/dealer or other nominee on behalf of the "disqualified organizations." A regulated investment company or other pass-through entity owning our stock will be subject to tax at the highest corporate tax rate on any excess inclusion income allocated to its record name owners that are "disqualified organizations." We do not currently intend to hold REMIC residual interests (other than through a TRS), but we may engage in securitization transactions and other financing activities that may result in treatment of us or a portion of our assets as a taxable mortgage pool.

Gross Income Tests

We must satisfy two gross income tests annually to qualify and maintain our qualification as a REIT.

First, at least 75% of our gross income for each taxable year must consist of defined types of income that we derive, directly or indirectly, from investments relating to real property or mortgage loans on real property or qualified temporary investment income. Qualifying income for purposes of the 75% gross income test generally includes:

- rents from real property;
- interest on debt secured by a mortgage on real property or on interests in real property;
- dividends or other distributions on, and gain from the sale of, shares in other REITs;
- gain from the sale of real estate assets;
- income and gain derived from foreclosure property (as described below);
- income derived from a REMIC in proportion to the real estate assets held by the REMIC, unless at least 95% of the REMIC's assets are real estate assets, in which case all of the income derived from the REMIC; and
- income derived from the temporary investment of new capital that is attributable to the issuance of our stock or a public offering of our debt with a maturity date of at least five years and that we receive during the one-year period beginning on the date on which we received such new capital.

Second, in general, at least 95% of our gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% gross income test (except for income derived from the temporary investment of new capital), other types of interest and dividends, gain from the sale or disposition of stock or securities or any combination of these. Certain income items do not qualify for either gross income test. Other types of income are excluded from both the numerator and the denominator in one or both of the gross income tests. For example, gross income from the sale of property that we hold primarily for sale to customers in the ordinary course of business, income and gain from "hedging transactions," as defined in "—Hedging Transactions," and gross income attributable to cancellation of indebtedness, or "COD," income will be excluded from both the numerator and the denominator for purposes of both the 75% and 95% gross income tests. In addition, certain foreign currency gains will be excluded from gross income for purposes of one or both of the gross income tests. See "—Foreign Currency Gain." For purposes of the 75% and 95% gross income tests, we are treated as receiving our proportionate share of our operating partnership's gross income. We will monitor the amount of our non-qualifying income and will seek to manage our investment portfolio to comply at all time with the gross income tests. The following paragraphs discuss the specific application of the gross income tests to us.

Dividends

Our share of any dividends received from any corporation (including dividends from any TRS we may form, but excluding any REIT) in which we own an equity interest will qualify for purposes of the 95% gross income

test but not for purposes of the 75% gross income test. Our share of any dividends received from any other REIT in which we own an equity interest, if any, will be qualifying income for purposes of both gross income tests.

Interest

The term "interest," as defined for purposes of both gross income tests, generally excludes any amount that is based in whole or in part on the income or profits of any person. However, interest generally includes the following:

- an amount that is based on a fixed percentage or percentages of receipts or sales; and
- an amount that is based on the income or profits of a debtor, as long as the debtor derives substantially all of its income from the real property securing the debt from leasing substantially all of its interest in the property, and only to the extent that the amounts received by the debtor would be qualifying "rents from real property" if received directly by a REIT.

If a loan contains a provision that entitles a REIT to a percentage of the borrower's gain upon the sale of the real property securing the loan or a percentage of the appreciation in the property's value as of a specific date, income attributable to that loan provision will be treated as gain from the sale of the property securing the loan, which generally is qualifying income for purposes of both gross income tests, provided that the property is not inventory or dealer property in the hands of the borrower or the REIT.

Interest on debt secured by a mortgage on real property or on interests in real property, including, for this purpose, market discount, original issue discount, discount points, prepayment penalties, loan assumption fees, and late payment charges that are not compensation for services, generally is qualifying income for purposes of the 75% gross income test. However, if the loan is secured by real property and other property and the highest principal amount of a loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of (i) the date the REIT agreed to originate or acquire the loan or (ii) as discussed below, in the event of a "significant modification," the date we modified the loan, a portion of the interest income from such loan will not be qualifying income for purposes of the 75% gross income test, but will be qualifying income for purposes of the 95% gross income test. The portion of the interest income that will not be qualifying income for purposes of the 75% gross income test will be equal to the portion of the principal amount of the loan that is not secured by real property—that is, the amount by which the loan balance exceeds the applicable value of the real estate that secures the loan.

We intend to invest in Excess MSRs. The IRS has issued a private letter ruling to another REIT holding that Excess MSRs produce qualifying income for purposes of the 75% gross income test. Any income that is qualifying income for the 75% gross income test is also qualifying income for the 95% gross income test. A private letter ruling may be relied upon only by the taxpayer to whom it is issued, and the IRS may revoke a private letter ruling. Based on that private letter ruling and other IRS guidance regarding excess mortgage servicing fees, we generally intend to treat our investments in Excess MSRs as producing qualifying income for purposes of the 75% and 95% gross income tests to the extent the underlying mortgage loans produce qualifying income for purposes of those tests, as described above. However, we do not intend to seek our own private letter ruling. Thus, the IRS could successfully take the position that Excess MSRs do not produce qualifying income, presumably by recharacterizing Excess MSRs by treating a portion of the income we receive from an Excess MSR as reasonable compensation for servicing the underlying mortgage loans. A successful challenge of our treatment of Excess MSRs could result in our being treated as failing the 95% gross income test and possibly the 75% gross income test. If we failed one or both of those tests and qualified for the "savings" provision described below under "—Failure to Satisfy Gross Income Tests," we would be required to pay penalty tax, which could be material, in order to maintain our REIT qualification. If we did not qualify for that "savings" provision, we would fail to qualify as a REIT. See "—Failure to Qualify."

We intend to invest in Agency RMBS that are pass-through certificates and CMOs, and we may invest in non-Agency RMBS that are pass-through certificates and CMOs and directly in residential mortgage loans. Other than income from derivative instruments, as described below, we expect that all of the income of our Agency

RMBS, non-Agency RMBS and residential mortgage loans will be qualifying income for purposes of the 95% gross income test. In the case of RMBS treated as interests in a grantor trust for U.S. federal income tax purposes, we would be treated as owning an undivided beneficial ownership interest in the mortgage loans held by the grantor trust. The interest on such mortgage loans, and any residential mortgage loans that we own directly, would be qualifying income for purposes of the 75% gross income test to the extent that the obligation is adequately secured by real property, as discussed above. In the case of RMBS treated as regular interests in a REMIC for U.S. federal income tax purposes, income derived from REMIC interests will generally be treated as qualifying income for purposes of the 75% gross income test. If less than 95% of the assets of the REMIC are real estate assets, however, then only a proportionate part of our interest in the REMIC and income derived from the interest will qualify for purposes of the 75% gross income test. In addition, some REMIC securitizations include imbedded interest rate swap or cap contracts or other derivative instruments that potentially could produce non-qualifying income for the holders of the related REMIC securities. We expect that any interest income from an RMBS that is not treated as an interest in a grantor trust or an interest in a REMIC will not be qualifying income for purposes of the 75% gross income test. We expect that a sufficient portion of our income from our Excess MSRs, Agency RMBS, non-Agency RMBS and residential mortgage loans will be qualifying income so that we will satisfy both the 75% and 95% gross income tests. However, there can be no assurance that we will satisfy both the 75% and 95% gross income tests.

We intend to engage in TBA transactions that are treated as "hedging transactions" as defined in "—Hedging Transactions." With respect to contracts for forward settling transactions such as TBAs that are not hedging transactions, the law is unclear with respect to the qualification of income and gains from dispositions of contracts for forward settling transactions as qualifying income for purposes of the 75% gross income test. Until we receive a favorable private letter ruling from the IRS or we receive an opinion of counsel to the effect that income and gain from the disposition of such contracts for forward settling transactions should be treated as qualifying income for purposes of the 75% gross income test, we will limit our income and gains from dispositions of such contracts for forward settling transactions (other than hedging transactions) and any non-qualifying income to no more than 25% of our gross income for each calendar year. Accordingly, our ability to dispose of such contracts for forward settling transactions, through dollar roll transactions or otherwise, could be limited. Moreover, even if we are advised by counsel that income and gains from dispositions of such contracts for forward settling transactions should be treated as qualifying income, it is possible that the IRS could successfully take the position that such income is not qualifying income. In the event that such income were determined not to be qualifying for the 75% gross income test, we could be subject to a penalty tax or we could fail to qualify as a REIT if such income and any other non-qualifying income exceeds 25% of our gross income. See "—Failure to Qualify."

Although we have no current intention to acquire distressed mortgage loans, we may acquire distressed mortgage loans in the future. Revenue Procedure 2011-16 provides that that the IRS will treat distressed mortgage loans acquired by a REIT that are secured by real property and other property as producing, in part, non-qualifying income for the 75% gross income test. Specifically, Revenue Procedure 2011-16 indicates that interest income on such a distressed mortgage loan will be treated as qualifying income based on the ratio of: (i) the fair market value of the real property securing the debt determined as of the date the REIT committed to acquire the loan; and (ii) the face amount of the loan (and not the purchase price or current value of the loan). The face amount of a distressed mortgage loan will typically exceed the fair market value of the real property securing the mortgage loan on the date the REIT commits to acquire the loan. To the extent we invest in distressed mortgage loans, we intend to do so in a manner consistent with maintaining our qualification as a REIT.

We may modify the term of any residential mortgage loans we acquire. Under the Code, if the terms of a loan are modified in a manner constituting a "significant modification," such modification triggers a deemed exchange of the original loan for the modified loan. IRS Revenue Procedure 2011-16 provides a safe harbor pursuant to which we will not be required to redetermine the fair market value of the real property securing a loan for purposes of the gross income and asset tests in connection with a loan modification that is (i) occasioned

by a borrower default or (ii) made at a time when we reasonably believe that the modification to the loan will substantially reduce a significant risk of default on the original loan. To the extent we significantly modify loans in a manner that does not qualify for that safe harbor, we will be required to redetermine the value of the real property securing the loan at the time it was significantly modified, which could result in a portion of the interest income on the loan being treated as nonqualifying income for purposes of the 75% gross income test and a portion of the value of the loan being treated as a non-qualifying asset for the 75% asset test. In determining the value of the real property securing such a loan, we generally will not obtain third-party appraisals but rather will rely on internal valuations.

We may invest opportunistically in other types of mortgage and real estate-related assets. To the extent we invest in such assets, we must do so in a manner that will enable us to satisfy the 75% and 95% gross income tests described above.

Hedging Transactions

From time to time, we will enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase these items, and futures and forward contracts and TBAs. Except to the extent provided by U.S. Treasury Regulations, income and gain from "hedging transactions" will be excluded from gross income for purposes of both the 75% and 95% gross income tests. A "hedging transaction" includes any transaction entered into in the normal course of our trade or business primarily to manage the risk of interest rate changes, price changes, or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets ("liability hedge"). A "hedging transaction" also includes any transaction entered into primarily to manage risk of currency fluctuations with respect to any item of income or gain that is qualifying income for purposes of the 75% or 95% gross income test (or any property which generates such income or gain). We are required to clearly identify any such hedging transaction before the close of the day on which it was acquired, originated, or entered into and satisfy other identification requirements. To the extent that we hedge for other purposes, or to the extent that a portion of the hedged assets are not treated as "real estate assets" (as described below under "—Asset Tests") or we enter into derivative transactions that are not liability hedges or we fail to satisfy the identification requirements with respect to a hedging transaction, the income from those transactions will likely be treated as non-qualifying income for purposes of both gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our qualification as a REIT, but we cannot assure you that we will be able to do so. We may conduct some or all of our hedging activities (including hedging activities relating to currency risk) through a TRS or other corporate entity, the income from which may be subject to federal income tax, rather than by participating in the arrangements directly or through pass-through subsidiaries.

Fee Income

We anticipate deriving income from fees in certain circumstances. Fee income generally will be qualifying income for purposes of both the 75% and 95% gross income tests if it is received in consideration for entering into an agreement to make a loan secured by real property and the fees are not determined by income and profits. Other fees, including amounts paid in respect of an MSR as reasonable compensation for servicing the underlying mortgage loans, generally are not qualifying income for purposes of either gross income test. Any fees earned by a TRS, like other income earned by a TRS, will not be included in the REIT's gross income for purposes of the gross income tests. Although no complete assurances can be provided, we anticipate that any fee income we will earn will be de minimis and will not impair our ability to satisfy the 95% and 75% gross income tests.

Foreign Currency Gain

Certain foreign currency gains will be excluded from gross income for purposes of one or both of the gross income tests. "Real estate foreign exchange gain" will be excluded from gross income for purposes of the 75%

and 95% gross income tests. Real estate foreign exchange gain generally includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 75% gross income test, foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations secured by mortgages on real property or on interest in real property and certain foreign currency gain attributable to certain "qualified business units" of a REIT. "Passive foreign exchange gain" will be excluded from gross income for purposes of the 95% gross income test. Passive foreign exchange gain generally includes real estate foreign exchange gain as described above, and also includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 95% gross income test and foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations. These exclusions for real estate foreign exchange gain and passive foreign exchange gain do not apply to foreign currency gain derived from dealing, or engaging in substantial and regular trading, in securities. Such gain is treated as non-qualifying income for purposes of both the 75% and 95% gross income tests.

Rents from Real Property

Although we have no current intention to do so, we may acquire real property or an interest therein in the future. To the extent that we acquire real property or an interest therein, rents we receive will qualify as "rents from real property" in satisfying the gross income requirements for a REIT described above only if the following conditions are met:

- *First*, the amount of rent must not be based in whole or in part on the income or profits of any person. An amount received or accrued generally will not be excluded, however, from rents from real property solely by reason of being based on fixed percentages of receipts or sales.
- *Second*, rents we receive from a "related party tenant" will not qualify as rents from real property in satisfying the gross income tests unless the tenant is a TRS, at least 90% of the property is leased to unrelated tenants, the rent paid by the TRS is substantially comparable to the rent paid by the unrelated tenants for comparable space and the rent is not attributable to an increase in rent due to a modification of a lease with a "controlled TRS" (i.e., a TRS in which we own directly or indirectly more than 50% of the voting power or value of the stock). A tenant is a related party tenant if the REIT, or an actual or constructive owner of 10% or more of the REIT, actually or constructively owns 10% or more of the tenant.
- *Third*, if rent attributable to personal property, leased in connection with a lease of real property, is greater than 15% of the total rent received under the lease, then the portion of rent attributable to the personal property will not qualify as rents from real property.
- *Fourth*, we generally must not operate or manage our real property or furnish or render services to our tenants, other than through an "independent contractor" who is adequately compensated and from whom we do not derive revenue. We may, however, provide services directly to tenants if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not considered to be provided for the tenants' convenience. In addition, we may provide a minimal amount of "non-customary" services to the tenants of a property, other than through an independent contractor, as long as our income from the services does not exceed 1% of our income from the related property. Furthermore, we may own up to 100% of the stock of a TRS, which may provide customary and noncustomary services to tenants without tainting our rental income from the related properties.

Prohibited Transactions

A REIT will incur a 100% tax on the net income (including foreign currency gain) derived from any sale or other disposition of property, other than foreclosure property, that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. Any such income will be excluded from the application of the 75% and 95% gross income tests. Whether a REIT holds an asset "primarily for sale to customers in the ordinary course of a trade or business" depends on the facts and circumstances in effect from time to time, including those

related to a particular asset. We believe that none of our assets will be held primarily for sale to customers and that a sale of any of our assets will not be in the ordinary course of our business. No assurance, however, can be given that the IRS will not successfully assert a contrary position, in which case we would be subject to the prohibited transaction tax on the sale of those assets. To the extent we intend to dispose of an asset that may be treated as held "primarily for sale to customers in the ordinary course of a trade or business," we may contribute the asset to a TRS prior to the disposition and marketing thereof. No assurance can be given that the IRS will respect the transaction by which dealer property is contributed to our TRS; if such transaction is not respected, then we may be treated as having engaged in a prohibited transaction, and our net income therefrom would be subject to a 100% tax. Moreover, if we securitize loans through a REMIC structure, the transaction would be treated as a sale for tax purposes and the sale may be subject to the prohibited transactions tax. As a result, if we securitize our loans in REMIC transactions, we will likely conduct those securitizations through a TRS.

Foreclosure Property

We will be subject to tax at the maximum corporate rate on any income (including foreign currency gain) from foreclosure property, other than income that otherwise would be qualifying income for purposes of the 75% gross income test, less expenses directly connected with the production of that income. Gross income from foreclosure property will qualify, however, under the 75% and 95% gross income tests. Foreclosure property is any real property, including interests in real property, and any personal property incident to such real property:

- that is acquired by a REIT as the result of the REIT having bid on such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was a default or default was imminent on a lease of such property or on indebtedness that such property secured;
- for which the related loan or lease was acquired by the REIT at a time when the default was not imminent or anticipated; and
- for which the REIT makes a proper election to treat the property as foreclosure property.

A REIT will not be considered, however, to have foreclosed on a property where the REIT takes control of the property as a mortgagee-in-possession and cannot receive any profit or sustain any loss except as a creditor of the mortgagor. Property generally ceases to be foreclosure property at the end of the third taxable year following the taxable year in which the REIT acquired the property, or longer if an extension is granted by the Secretary of the U.S. Treasury. This grace period terminates and foreclosure property ceases to be foreclosure property on the first day:

- on which a lease is entered into for the property that, by its terms, will give rise to income that does not qualify for purposes of the 75% gross income test (disregarding income from foreclosure property), or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify for purposes of the 75% gross income test (disregarding income from foreclosure property);
- on which any construction takes place on the property, other than completion of a building or any other improvement, where more than 10% of the construction was completed before default became imminent; or
- which is more than 90 days after the day on which the REIT acquired the property and the property is used in a trade or business that is conducted by the REIT, other than through an independent contractor from whom the REIT itself does not derive or receive any income.

Failure to Satisfy Gross Income Tests

If we fail to satisfy one or both of the gross income tests for any taxable year, we nevertheless may qualify as a REIT for that year if we are entitled to qualify for relief under certain provisions of the federal income tax laws. Those relief provisions generally will be available if:

- our failure to meet those tests is due to reasonable cause and not to willful neglect; and

- following such failure for any taxable year, a schedule of the sources of our income is filed with the IRS in accordance with regulations prescribed by the Secretary of the U.S. Treasury.

We cannot with certainty predict whether any failure to meet these tests will qualify for the relief provisions. If the IRS were to determine that we failed the 75% gross income test or the 95% gross income test because income produced by our investments in Excess MSRs is not qualifying income, it is possible that the IRS would not consider our position taken with respect to such income, and accordingly our failure to satisfy the 75% gross income test or the 95% gross income test, to be due to reasonable cause and not due to willful neglect. If these relief provisions are inapplicable to a particular set of circumstances involving us, we will not qualify as a REIT. As discussed above in "—Taxation of Our Company," even if the relief provisions apply, we would incur a 100% tax on the gross income attributable to the greater of the amount by which we fail the 75% gross income test or the 95% gross income test, multiplied, in either case, by a fraction intended to reflect our profitability.

Asset Tests

To qualify as a REIT, we also must satisfy the following asset tests at the end of each quarter of each taxable year.

First, at least 75% of the value of our total assets must consist of:

- cash or cash items, including certain receivables and investments in money market funds;
- government securities;
- interests in real property, including leaseholds and options to acquire real property and leaseholds;
- interests in mortgage loans secured by real property;
- stock in other REITs;
- investments in stock or debt instruments during the one-year period following our receipt of new capital that we raise through equity offerings or public offerings of debt with at least a five-year term; and
- regular or residual interests in a REMIC. However, if less than 95% of the assets of a REMIC consist of assets that are qualifying real estate-related assets under the federal income tax laws, determined as if we held such assets, we will be treated as holding directly our proportionate share of the assets of such REMIC.

Second, of our investments not included in the 75% asset class, the value of our interest in any one issuer's securities (other than any TRS we may own) may not exceed 5% of the value of our total assets (the "5% asset test").

Third, of our investments not included in the 75% asset class, we may not own more than 10% of the total voting power or 10% of the total value of any one issuer's outstanding securities (the "10% vote test" and the "10% value test," respectively).

Fourth, no more than 25% of the value of our total assets may consist of the securities of one or more TRSs.

Fifth, no more than 25% of the value of our total assets may consist of the securities of TRSs and other non-TRS taxable subsidiaries and other assets that are not qualifying assets for purposes of the 75% asset test (the "25% securities test").

For purposes of these asset tests, we are treated as holding our proportionate share of our operating partnership's assets. For purposes of the 5% asset test, the 10% vote test and the 10% value test, the term

"securities" does not include stock in another REIT, equity or debt securities of a qualified REIT subsidiary or TRS, mortgage loans or mortgage-backed securities that constitute real estate assets, or equity interests in a partnership. For purposes of the 10% value test, the term "securities" does not include:

- "straight debt" securities, which is defined as a written unconditional promise to pay on demand or on a specified date a sum certain in money if (i) the debt is not convertible, directly or indirectly, into stock, and (ii) the interest rate and interest payment dates are not contingent on profits, the borrower's discretion, or similar factors. "Straight debt" securities do not include any securities issued by a partnership or a corporation in which we or any "controlled TRS" hold "non-straight" debt securities that have an aggregate value of more than 1% of the issuer's outstanding securities. However, "straight debt" securities include debt subject to the following contingencies:
  - a contingency relating to the time of payment of interest or principal, as long as either (i) there is no change to the effective yield of the debt obligation, other than a change to the annual yield that does not exceed the greater of 0.25% or 5% of the annual yield, or (ii) neither the aggregate issue price nor the aggregate face amount of the issuer's debt obligations held by us exceeds $1 million and no more than 12 months of unaccrued interest on the debt obligations can be required to be prepaid; and
  - a contingency relating to the time or amount of payment upon a default or prepayment of a debt obligation, as long as the contingency is consistent with customary commercial practice;
- any loan to an individual or an estate;
- any "section 467 rental agreement," other than an agreement with a related party tenant;
- any obligation to pay "rents from real property";
- certain securities issued by governmental entities that are not dependent in whole or in part on the profits of (or payments made by) a non-governmental entity;
- any security (including debt securities) issued by another REIT;
- any debt instrument of an entity treated as a partnership for U.S. federal income tax purposes in which we are a partner to the extent of our proportionate interest in the equity and certain debt securities issued by that partnership; or
- any debt instrument of an entity treated as a partnership for U.S. federal income tax purposes not described in the preceding bullet points if at least 75% of the partnership's gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test described above in "—Gross Income Tests."

For purposes of the 10% value test, our proportionate share of the assets of a partnership is our proportionate interest in any securities issued by the partnership, without regard to the securities described in the last two bullet points above.

We intend to invest in Excess MSRs. The IRS has issued a private letter ruling to another REIT holding that Excess MSRs produce qualifying income for purposes of the 75% asset test. A private letter ruling may be relied upon only by the taxpayer to whom it is issued, and the IRS may revoke a private letter ruling. Based on that private letter ruling and other IRS guidance regarding excess mortgage servicing fees, we generally intend to treat our investments in Excess MSRs as qualifying assets for purposes of the 75% asset test to the extent the underlying mortgage loans are qualifying for purposes of such test, as described above. However, we do not intend to seek our own private letter ruling. Thus, the IRS could successfully take the position that Excess MSRs are not qualifying assets, presumably by recharacterizing Excess MSRs as an interest in reasonable compensation for servicing the underlying mortgage loans. A successful challenge of our treatment of Excess MSRs could result in our being treated as failing the 75% asset test. If we failed the 75% asset test and qualified for the "savings" provision described below, we would be required to pay penalty tax, which could be material, in order

to maintain our REIT qualification. If we did not qualify for that "savings" provision, we would fail to qualify as a REIT. See "—Failure to Qualify."

We intend to invest in Agency RMBS that are pass-through certificates or CMOs, and we may invest in non-Agency RMBS that are pass-through certificates or CMOs or directly in residential mortgage loans. In the case of RMBS treated as interests in a grantor trust for U.S. federal income tax purposes, we will be treated as owning an undivided beneficial ownership interest in the mortgage loans held by the grantor trust. Such mortgage loans, and any residential mortgage loans that we own directly, will generally qualify as real estate assets for purposes of the 75% asset test to the extent that they are secured by real property. Revenue Procedure 2011-16 provides a safe harbor under which the IRS has stated that it will not challenge a REIT's treatment of a loan as being, in part, a qualifying real estate asset in an amount equal to the lesser of (1) the fair market value of the real property securing the loan determined as of the date the REIT committed to acquire the loan or (2) the fair market value of the loan on the date of the relevant quarterly REIT asset testing date. In the case of RMBS treated as regular interests in a REMIC for U.S. federal income tax purposes, such interests will generally qualify as real estate assets for purposes of the 75% asset test. If less than 95% of the assets of a REMIC are real estate assets, however, then only a proportionate part of our interest in the REMIC qualifies for purposes of the REIT asset test.

To the extent any of our investments in Agency RMBS are not treated as real estate assets, we expect such Agency RMBS will be treated as government securities because they are issued or guaranteed as to principal or interest by the United States or by a person controlled or supervised by and acting as an instrumentality of the government of the United States pursuant to authority granted by the Congress of the United States. Our investments in non-Agency RMBS that are not interests in a grantor trust or REMIC or government securities will not be treated as qualifying assets for purposes of the 75% asset test and will be subject to the 5% asset test, the 10% value test, the 10% vote test and the 25% securities test described above.

We may also invest directly in residential mortgage loans, including, in the future, distressed loans. As discussed above under "—Gross Income Tests," under the applicable U.S. Treasury regulations, if a loan is secured by real property and other property and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of (i) the date we agreed to acquire or originate the loan or (ii) in the event of a significant modification, the date we modified the loan, then a portion of the interest income from such a loan will not be qualifying income for purposes of the 75% gross income test but will be qualifying income for purposes of the 95% gross income test. Although the law is not entirely clear, a portion of the loan will also likely be a non-qualifying asset for purposes of the 75% asset test. Revenue Procedure 2011-16 provides a safe harbor under which the IRS has stated that it will not challenge a REIT's treatment of a loan as being, in part, a qualifying real estate asset in an amount equal to the lesser of (i) the fair market value of the real property securing the loan determined as of the date the REIT committed to acquire the loan or (ii) the fair market value of the loan on the date of the relevant quarterly REIT asset testing date. Under the safe harbor when the current value of a distressed mortgage loan exceeds the fair market value of the real property that secures the loan, determined as of the date we committed to acquire or originate the loan, the excess will be treated as a nonqualifying asset. Accordingly, an increasing portion of a distressed mortgage loan will be treated as a non-qualifying asset as the value of the distressed mortgage loan increases. To the extent we invest in residential mortgage loans (including distressed loans), we intend to do so in a manner consistent with qualifying and maintaining our qualification as a REIT.

We have entered, and may in the future enter, into repurchase agreements under which we nominally sold certain of our assets to a counterparty and simultaneously entered into an agreement to repurchase the sold assets in exchange for a purchase price that reflects a financing charge. Based on positions the IRS has taken in analogous situations, we believe that these transactions would be treated as secured debt and that we would be treated for REIT asset and income test purposes as the owner of the assets that would be the subject of such agreements notwithstanding that such agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own our assets

subject to sale and repurchase agreements during the term of such agreements, in which case we could fail to qualify as a REIT.

We may purchase Agency RMBS through forward settling transactions, including TBAs. The law is unclear with respect to the qualification of contracts for forward settling transactions as real estate assets or Government securities for purposes of the 75% asset test. Until we receive a favorable private letter ruling from the IRS or we receive an opinion from counsel to the effect that contracts for forward settling transactions should be treated as qualifying assets for purposes of the 75% asset test, we will limit our investment in contracts for forward settling transactions and any non-qualifying assets to no more than 25% of our total assets at the end of any calendar quarter and will limit our investments in contracts for forward settling transactions with a single counterparty to no more than 5% of our total assets at the end of any calendar quarter. Accordingly, our ability to purchase Agency RMBS through contracts for forward settling transactions could be limited. Moreover, even if we are advised by counsel that contracts for forward settling transactions should be treated as qualifying assets, it is possible that the IRS could successfully take the position that such assets are not qualifying assets. In the event that such assets were determined not to be qualifying for the 75% asset test, we could be subject to a penalty tax or we could fail to qualify as a REIT if the value of our contracts for forward settling transactions and any non-qualifying assets exceeds 25% of our total assets at the end of any calendar quarter or if the value of our investments in contracts for forward settling transactions with a single counterparty exceeds 5% of our total assets at the end of any calendar quarter. See "—Failure to Qualify."

Derivative instruments, other than possibly TBAs as discussed in the prior paragraph, generally are not qualifying assets for purposes of the 75% asset test. Thus, interest rate swaps, futures contracts, and other similar instruments that are used in "hedging transactions" as defined in "—Hedging Transactions," are non-qualifying assets for purposes of the 75% asset test. As discussed above, we may invest opportunistically in other types of mortgage-related assets. To the extent we invest in such assets, we intend to do so in a manner that will enable us to satisfy each of the asset tests described above. However, we cannot assure you that we will be able to satisfy the asset tests described above. We will monitor the status of our assets for purposes of the various asset tests and seek to manage our portfolio to comply at all times with such tests. No assurance, however, can be given that we will continue to be successful in this effort. In this regard, to determine our compliance with these requirements, we will have to value our investment in our assets to ensure compliance with the asset tests. Although we seek to be prudent in making these estimates, no assurances can be given that the IRS might not disagree with these determinations and assert that a different value is applicable, in which case we might not satisfy the 75% asset test and the other asset tests and, thus, would fail to qualify as a REIT. If we fail to satisfy the asset tests at the end of a calendar quarter, we will not lose our REIT qualification so long as:

- we satisfied the asset tests at the end of the preceding calendar quarter; and
- the discrepancy between the value of our assets and the asset test requirements arose from changes in the market values of our assets and was not wholly or partly caused by the acquisition of one or more nonqualifying assets.

If we did not satisfy the condition described in the second item, above, we still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

If we violate the 5% asset test, the 10% vote test or the 10% value test described above at the end of any calendar quarter, we will not lose our REIT qualification if (i) the failure is de minimis (up to the lesser of 1% of the total value of our assets or $10 million) and (ii) we dispose of assets or otherwise comply with the asset tests within six months after the last day of the quarter in which we identified such failure. In the event of a more than de minimis failure of any of the asset tests, as long as the failure was due to reasonable cause and not to willful neglect, we will not lose our REIT qualification if we (i) dispose of assets or otherwise comply with the asset tests within six months after the last day of the quarter in which we identified such failure, (ii) file a schedule with the IRS describing the assets that caused such failure in accordance with regulations promulgated by the Secretary of the U.S. Treasury and (iii) pay a tax equal to the greater of $50,000 or the product of the highest

U.S. federal corporate tax rate (currently, 35%) and the net income from the non-qualifying assets during the period in which we failed to satisfy the asset tests. If the IRS were to determine that we failed the 5% asset test or 75% asset test because contracts for forward settling transactions are not qualifying assets, it is possible that the IRS would not consider our position taken with respect to such assets, and accordingly our failure to satisfy the 5% asset test or 75% asset test, to be due to reasonable cause and not due to willful neglect. Similarly, if the IRS were to determine that we failed the 75% asset test because our Excess MSRs are not qualifying assets, it is possible that the IRS would not consider our position taken with respect to such assets, and accordingly our failure to satisfy the 75% asset test, to be due to reasonable cause and not due to willful neglect. If the IRS were to successfully assert these positions, we would fail to qualify as a REIT. See "—Failure to Qualify." Accordingly, it is not possible to state whether we would be entitled to the benefit of these relief provisions with regard to this issue or in any other circumstances. If these relief provisions are inapplicable to a particular set of circumstances involving us, we will fail to qualify as a REIT.

We believe that the Excess MSRs, Agency RMBS, non-Agency RMBS, and other assets that we may hold will satisfy the foregoing asset test requirements. We will monitor the status of our assets and our future acquisition of assets to ensure that we comply with those requirements, but we cannot assure you that we will be successful in this effort. No independent appraisals will be obtained to support our estimates of and conclusions as to the value of our assets and securities, or in many cases, the real estate collateral for the mortgage loans that support our Agency RMBS and non-Agency RMBS. Moreover, the values of some assets may not be susceptible to a precise determination. As a result, no assurance can be given that the IRS will not contend that our ownership of securities and other assets violates one or more of the asset tests applicable to REITs.

Distribution Requirements

Each taxable year, we must distribute dividends, other than capital gain dividends and deemed distributions of retained capital gain, to our stockholders in an aggregate amount at least equal to:

- the sum of
  - 90% of our "REIT taxable income," computed without regard to the dividends paid deduction and our net capital gain, and
  - 90% of our after-tax net income, if any, from foreclosure property, minus
  - the sum of certain items of non-cash income.

We must make such distributions in the taxable year to which they relate, or in the following taxable year if either (i) we declare the distribution before we timely file our federal income tax return for the year and pay the distribution on or before the first regular dividend payment date after such declaration or (ii) we declare the distribution in October, November or December of the taxable year, payable to stockholders of record on a specified day in any such month, and we actually pay the dividend before the end of January of the following year. The distributions under clause (i) are taxable to the stockholders in the year in which paid, and the distributions in clause (ii) are treated as paid on December 31 of the prior taxable year. In both instances, these distributions relate to our prior taxable year for purposes of the 90% distribution requirement.

In order for distributions to be counted as satisfying the annual distribution requirements for REITs, and to provide us with a REIT-level tax deduction, the distributions must not be "preferential dividends." A dividend is not a preferential dividend if the distribution is (i) pro-rata among all outstanding shares within a particular class and (ii) in accordance with the preferences among different classes of stock as set forth in our organizational documents.

We will pay federal income tax on taxable income, including net capital gain, that we do not distribute to stockholders. Furthermore, if we fail to distribute during a calendar year, or by the end of January following the

calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of:

- 85% of our REIT ordinary income for such year,
- 95% of our REIT capital gain income for such year, and
- any undistributed taxable income from prior periods,

we will incur a 4% nondeductible excise tax on the excess of such required distribution over the amounts we actually distribute.

We may elect to retain and pay income tax on the net long term capital gain we recognize in a taxable year. See "—Taxation of U.S. Holders—Taxation of Taxable U.S. Holders on Distributions on Common Stock." If we so elect, we will be treated as having distributed any such retained amount for purposes of the REIT distribution requirements and the 4% nondeductible excise tax described above.

We intend to make timely distributions in the future sufficient to satisfy the annual distribution requirements and to avoid corporate income tax and the 4% nondeductible excise tax.

It is possible that, from time to time, we may experience timing differences between the actual receipt of cash, including distributions from our subsidiaries, and actual payment of deductible expenses and the inclusion of that income and deduction of such expenses in arriving at our REIT taxable income. Possible examples of those timing differences include the following:

- Because we may deduct capital losses only to the extent of our capital gains, we may have taxable income that exceeds our economic income.
- We will recognize taxable income in advance of the related cash flow with respect to our investments that are deemed to have original issue discount. We generally must accrue original issue discount based on a constant yield method that takes into account projected prepayments but that defers taking into account credit losses until they are actually incurred.
- We may acquire investments that are treated as having "market discount" for U.S. federal income tax purposes, because the investments are debt instruments that we acquire for an amount less than their principal amount. We do not intend to elect to recognize market discount currently. Under the market discount rules, we may be required to treat portions of gains on sale of market discount bonds as ordinary income and may be required to include some amounts of principal payments received on market discount bonds as ordinary income. The recognition of market discount upon receipt of principal payments results in an acceleration of the recognition of taxable income to periods prior to the receipt of the related economic income. Further, to the extent that such an investment does not fully amortize according to its terms, we may never receive the economic income attributable to previously recognized market discount.

Although several types of non-cash income are excluded in determining the annual distribution requirement, we will incur corporate income tax and the 4% nondeductible excise tax with respect to those non-cash income items if we do not distribute those items on a current basis. As a result of the foregoing, we may have less cash than is necessary to distribute all of our taxable income and thereby avoid corporate income tax and the excise tax imposed on certain undistributed income. In such a situation, we may need to borrow funds, sell assets or make taxable distributions of our stock or debt securities.

We may satisfy the 90% distribution test with taxable distributions of our stock or debt securities. The IRS has issued private letter rulings to other REITs treating certain distributions that are paid partly in cash and partly in stock as dividends that would satisfy the REIT annual distribution requirement and qualify for the dividends paid deduction for U.S. federal income tax purposes. Those rulings may be relied upon only by taxpayers whom

they were issued, but we could request a similar ruling from the IRS. In addition, the IRS previously issued a revenue procedure authorizing publicly traded REITs to make elective cash/stock dividends, but that revenue procedure no longer applies. Accordingly, it is unclear whether and to what extent we will be able to make taxable dividends payable in cash and stock. We have no current intention to make a taxable dividend payable in cash and our stock. Under certain circumstances, we may be able to correct a failure to meet the distribution requirement for a year by paying "deficiency dividends" to our stockholders in a later year. We may include such deficiency dividends in our deduction for dividends paid for the earlier year. Although we may be able to avoid income tax on amounts distributed as deficiency dividends, we will be required to pay interest and may be required to pay a penalty to the IRS based upon the amount of any deduction we take for deficiency dividends.

Recordkeeping Requirements

We must maintain certain records in order to qualify as a REIT. In addition, to avoid a monetary penalty, we must request on an annual basis information from our stockholders designed to disclose the actual ownership of our outstanding stock. We intend to comply with these requirements.

Failure to Qualify

If we fail to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, we could avoid disqualification if our failure is due to reasonable cause and not to willful neglect and we pay a penalty of $50,000 for each such failure. In addition, there are relief provisions for a failure of the gross income tests and asset tests, as described in "—Gross Income Tests" and "—Asset Tests." If we fail to qualify as a REIT in any taxable year, and no relief provision applies, we would be subject to federal income tax and any applicable alternative minimum tax on our taxable income at regular corporate rates. In calculating our taxable income in a year in which we fail to qualify as a REIT, we would not be able to deduct amounts paid out to stockholders. In fact, we would not be required to distribute any amounts to stockholders in that year. In such event, to the extent of our current or accumulated earnings and profits, all distributions to stockholders would be taxable as ordinary income. Subject to certain limitations of the federal income tax laws, corporate stockholders might be eligible for the dividends received deduction and stockholders taxed at individual rates might be eligible for the reduced federal income tax rate of 20% on such dividends. Unless we qualified for relief under specific statutory provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. We cannot predict whether in all circumstances we would qualify for such statutory relief.

Taxation of U.S. Holders

The term "U.S. holder" means a beneficial owner of our common stock that, for U.S. federal income tax purposes, is:

- a citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any of its States or the District of Columbia;
- an estate whose income is subject to federal income taxation regardless of its source; or
- any trust if (i) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) it has a valid election in place to be treated as a U.S. person.

If a partnership, entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our common stock, the federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership and certain determinations made at the partner level. If you are a partner in a partnership holding our common stock, you should consult your tax advisor regarding the consequences of the purchase, ownership and disposition of our common stock by the partnership.

Taxation of Taxable U.S. Holders on Distributions on Common Stock

As long as we qualify as a REIT, a taxable U.S. holder must generally take into account as ordinary income distributions made out of our current or accumulated earnings and profits that we do not designate as capital gain dividends or retained long-term capital gain. A U.S. holder will not qualify for the dividends received deduction generally available to corporations. In addition, dividends paid to a U.S. holder generally will not qualify for the 20% tax rate for "qualified dividend income."

The maximum tax rate for qualified dividend income received by taxpayers taxed at individual rates is 20%. Qualified dividend income generally includes dividends paid to U.S. holders taxed at individual rates by domestic C corporations and certain qualified foreign corporations. Because we are not generally subject to federal income tax on the portion of our REIT taxable income distributed to our stockholders (see "—Taxation of Our Company" above), our dividends generally will not be eligible for the 20% rate on qualified dividend income. As a result, our ordinary REIT dividends will be taxed at the higher tax rate applicable to ordinary income. Currently, the highest marginal individual income tax rate on ordinary income is 39.6%. However, the 20% tax rate for qualified dividend income will apply to our ordinary REIT dividends (i) attributable to dividends received by us from certain non-REIT corporations (e.g., dividends from any domestic TRSs), (ii) to the extent attributable to income upon which we have paid corporate income tax (e.g., to the extent that we distribute less than 100% of our taxable income) and (iii) attributable to income in the prior taxable year from the sales of "built-in gain" property acquired by us from C corporations in carryover basis transactions (less the amount of corporate tax on such income). In general, to qualify for the reduced tax rate on qualified dividend income, a U.S. holder must hold our stock for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which our common stock become ex-dividend. Individuals, trusts and estates whose income exceeds certain thresholds are also subject to a 3.8% Medicare tax on dividends received from us.

A U.S. holder generally will take into account distributions that we properly designate as capital gain dividends as long-term capital gain, to the extent that they do not exceed our actual net capital gain for the taxable year, without regard to the period for which the U.S. holder has held our common stock. A corporate U.S. holder may, however, be required to treat up to 20% of certain capital gain dividends as ordinary income.

We may elect to retain and pay income tax on the net long-term capital gain that we recognize in a taxable year. In that case, to the extent we designate such amount on a timely notice to such stockholder, a U.S. holder would be taxed on its proportionate share of our undistributed long-term capital gain. The U.S. holder would receive a credit or refund for its proportionate share of the tax we paid. The U.S. holder would increase the basis in its common stock by the amount of its proportionate share of our undistributed long-term capital gain, minus its share of the tax we paid.

A U.S. holder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the distribution does not exceed the adjusted basis of the U.S. holder's common stock. Instead, the distribution will reduce the adjusted basis of such common stock. A U.S. holder will recognize a distribution in excess of both our current and accumulated earnings and profits and the U.S. holder's adjusted basis in his or her common stock as long-term capital gain, or short-term capital gain if the common stock have been held for one year or less, assuming the common stock are a capital asset in the hands of the U.S. holder. In addition, if we declare a distribution in October, November or December of any year that is payable to a U.S. holder of record on a specified date in any such month, such distribution shall be treated as both paid by us and received by the U.S. holder on December 31 of such year, provided that we actually pay the distribution during January of the following calendar year, as described in "—Distribution Requirements."

Stockholders may not include in their individual income tax returns any of our net operating losses or capital losses. Instead, these losses are generally carried over by us for potential offset against our future income. Taxable distributions from us and gain from the disposition of our common stock will not be treated as passive activity income and, therefore, a U.S. holder generally will not be able to apply any "passive activity losses,"

such as losses from certain types of limited partnerships in which such U.S. holder is a limited partner, against such income. In addition, taxable distributions from us and gain from the disposition of our common stock generally will be treated as investment income for purposes of the investment interest limitations. We will notify stockholders after the close of our taxable year as to the portions of the distributions attributable to that year that constitute ordinary income, return of capital and capital gain.

We may recognize taxable income in excess of our economic income, known as phantom income, in the first years that we hold certain investments, and experience an offsetting excess of economic income over our taxable income in later years. As a result, U.S. holders at times may be required to pay federal income tax on distributions that economically represent a return of capital rather than a dividend. These distributions would be offset in later years by distributions representing economic income that would be treated as returns of capital for U.S. federal income tax purposes. Taking into account the time value of money, this acceleration of federal income tax liabilities may reduce a U.S. holder's after-tax return on his or her investment to an amount less than the after-tax return on an investment with an identical before-tax rate of return that did not generate phantom income. For example, if an investor with a 30% tax rate purchases a taxable bond with an annual interest rate of 10% on its face value, the investor's before-tax return on the investment would be 10% and the investor's after-tax return would be 7%. However, if the same investor purchased our common stock at a time when the before-tax rate of return was 10%, the investor's after-tax rate of return on such common stock might be somewhat less than 7% as a result of our phantom income. In general, as the ratio of our phantom income to our total income increases, the after-tax rate of return received by a taxable U.S. holder will decrease. If excess inclusion income from a taxable mortgage pool or REMIC residual interest is allocated to any U.S. holder that income will be taxable in the hands of the U.S. holder and would not be offset by any net operating losses of the U.S. holder that would otherwise be available. See "—Requirements for Qualification—Taxable Mortgage Pools and Excess Inclusion Income." As required by IRS guidance, we would notify our stockholders if a portion of a dividend paid by us is attributable to excess inclusion income. We intend to avoid generating excess inclusion income for our stockholders.

Taxation of Taxable U.S. Holders on the Disposition of Common Stock

In general, a U.S. holder who is not a dealer in securities must treat any gain or loss realized upon a taxable disposition of our common stock as long-term capital gain or loss if the U.S. holder has held such common stock for more than one year and otherwise as short-term capital gain or loss. In general, a U.S. holder will realize gain or loss in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition and the U.S. holder's adjusted tax basis. A holder's adjusted tax basis generally will equal the U.S. holder's acquisition cost, increased by the excess of net capital gains deemed distributed to the U.S. holder (discussed above) less tax deemed paid by such U.S. holder on such gains and reduced by any returns of capital. However, a U.S. holder must treat any loss upon a sale or exchange of common stock held by such holder for six months or less as a long-term capital loss to the extent of capital gain dividends and any other actual or deemed distributions from us that such U.S. holder treats as long term capital gain. All or a portion of any loss that a U.S. holder realizes upon a taxable disposition of our common stock may be disallowed if the U.S. holder purchases our common stock (or substantially similar common stock) within 30 days before or after the disposition.

Capital Gains and Losses

A taxpayer generally must hold a capital asset for more than one year for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. The maximum tax rate on long-term capital gain applicable to U.S. holders taxed at individual rates is 20% for sales and exchanges of assets held for more than one year. The maximum tax rate on long-term capital gain from the sale or exchange of "section 1250 property," or depreciable real property, is 25%, which applies to the lesser of the total amount of the gains or the accumulated depreciation on the Section 1250 property. Individuals, trusts and estates whose income exceeds certain thresholds are also subject to a 3.8% Medicare tax on gain from the sale of our common stock. With respect to distributions that we designate as capital gain dividends and any retained capital gain that we are

deemed to distribute, we will designate whether such a distribution is taxable to U.S. holders taxed at individual rates at a 20% or 25% rate. The highest marginal individual income tax rate currently is 39.6%. Thus, the tax rate differential between capital gain and ordinary income for those taxpayers may be significant. In addition, the characterization of income as capital gain or ordinary income may affect the deductibility of capital losses, including capital losses recognized upon the disposition of our stock. A non-corporate taxpayer may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum annual amount of $3,000. A non-corporate taxpayer may carry forward unused capital losses indefinitely. A corporate taxpayer must pay tax on its net capital gain at ordinary corporate rates. A corporate taxpayer may deduct capital losses only to the extent of capital gains, with unused losses being carried back three years and forward five years.

Information Reporting Requirements and Withholding

We or the applicable withholding agent will report to U.S. holders and to the IRS the amount and the tax character of distributions we pay during each calendar year, and the amount of tax we withhold, if any. Under the backup withholding rules, a U.S. holder may be subject to backup withholding at a rate of 28% with respect to distributions unless such holder:

- is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact; or
- provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules.

A U.S. holder who does not provide the applicable withholding agent with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the U.S. holder's income tax liability. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the U.S. holder's U.S. federal income tax liability if certain required information is timely furnished to the IRS. U.S. holders are urged to consult their own tax advisors regarding application of backup withholding to them and the availability of, and procedure for obtaining an exemption from, backup withholding. In addition, the applicable withholding agent may be required to withhold a portion of distributions to any U.S. holders who fail to certify their U.S. status. For payments made after June 30, 2014, a U.S. withholding tax at a 30% rate generally will be imposed on dividends received by U.S. holders who own our common stock through foreign accounts or foreign intermediaries if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. In addition, if those disclosure requirements are not satisfied, a U.S. withholding tax at a 30% rate will be imposed, for payments made after December 31, 2016, on proceeds from the sale of our common stock by U.S. holders who own our common stock through foreign accounts or foreign intermediaries. We will not pay any additional amounts in respect of amounts withheld.

Taxation of Tax-Exempt U.S. Holders

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from federal income taxation. They are subject, however, to taxation on their UBTI. While many investments in real estate generate UBTI, the IRS has issued a ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute UBTI so long as the exempt employee pension trust does not otherwise use the stock of the REIT in an unrelated trade or business of the pension trust. Based on that ruling, amounts that we distribute to tax-exempt stockholders generally should not constitute UBTI so long as our common stock are not otherwise used in an unrelated trade or business. However, if a tax-exempt stockholder were to finance its investment in our common stock with debt, a portion of the income that it receives from us would constitute UBTI pursuant to the "debt-financed property" rules. In addition, our dividends that are attributable to excess inclusion income will constitute UBTI in the hands of most tax-exempt stockholders. See "—Requirements for Qualification—Taxable Mortgage Pools and Excess Inclusion Income." However, we intend to avoid generating excess inclusion income for our stockholders. Moreover,

social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans that are exempt from taxation under special provisions of the federal income tax laws are subject to different UBTI rules, which generally will require them to characterize distributions that they receive from us as UBTI. Finally, in certain circumstances, a qualified employee pension or profit sharing trust that owns more than 10% of our stock must treat a percentage of the dividends that it receives from us as UBTI. Such percentage is equal to the gross income we derive from an unrelated trade or business, determined as if we were a pension trust, divided by our total gross income for the year in which we pay the dividends. That rule applies to a pension trust holding more than 10% of our stock only if:

- the percentage of our dividends that the tax-exempt trust must treat as UBTI is at least 5%;
- we qualify as a REIT by reason of the modification of the rule requiring that no more than 50% of our stock be owned by five or fewer individuals that allows the beneficiaries of the pension trust to be treated as holding our stock in proportion to their actuarial interests in the pension trust; and
- either:
  - one pension trust owns more than 25% of the value of our stock; or
  - A group of pension trusts individually holding more than 10% of the value of our stock collectively owns more than 50% of the value of our stock.

Tax-exempt U.S. holders are urged to consult their tax advisors regarding the U.S. federal, state, local, and foreign tax consequences of owning our common stock.

Taxation of Non-U.S. Holders

The term “non-U.S. holder” means a beneficial owner of our common stock that is not a U.S. holder or a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes). The rules governing federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships and other foreign holders are complex. This section is only a summary of such rules. We urge non-U.S. holders to consult their tax advisors to determine the impact of federal, state and local income tax laws on ownership of our common stock, including any reporting requirements.

For most non-U.S. holders, investment in a REIT that invests principally in mortgage loans and mortgage-backed securities is not the most tax-efficient way to invest in such assets. That is because receiving distributions of income derived from such assets in the form of REIT dividends subjects most non-U.S. holders to withholding taxes that direct investment in those asset classes, and the direct receipt of interest and principal payments with respect to them, would not.

A non-U.S. holder that receives a distribution from us that is not attributable to gain from our sale or exchange of “United States real property interests,” as defined below, and that we do not designate as a capital gain dividend or retained capital gain will recognize ordinary income to the extent that we pay the distribution out of our current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply unless an applicable tax treaty reduces or eliminates the tax. Our dividends that are attributable to excess inclusion income will be subject to the 30% withholding tax, without reduction for any otherwise applicable income tax treaty. See “—Requirements for Qualification—Taxable Mortgage Pools and Excess Inclusion Income.” We intend to avoid generating excess inclusion income for our stockholders. If a distribution is treated as effectively connected with the non-U.S. holder’s conduct of a U.S. trade or business, the distribution will not incur the 30% withholding tax, but the non-U.S. holder generally will be subject to federal income tax on the distribution at graduated rates, in the same manner as U.S. holders are taxed on distributions and also may be subject to the 30% branch profits tax in the case of a corporate non-U.S. holder. In general, non-U.S. holders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of our common stock. It is expected that the applicable withholding agent will withhold U.S. income tax at the

rate of 30% on the gross amount of any distribution that we do not designate as a capital gain distribution or retained capital gain and is paid to a non-U.S. holder unless either:

- a lower treaty rate applies and the non-U.S. holder files with the applicable withholding agent an IRS Form W-8BEN evidencing eligibility for that reduced rate, or
- the non-U.S. holder files with the applicable withholding agent an IRS Form W-8ECI claiming that the distribution is effectively connected income.

Capital gain dividends received or deemed received by a non-U.S. holder from us that are not attributable to gain from our sale or exchange of "United States real property interests," as defined below, are generally not subject to U.S. federal income or withholding tax, unless either (1) the non-U.S. holder's investment in our common stock is effectively connected with a U.S. trade or business conducted by such non-U.S. holder (in which case the non-U.S. holder will be subject to the same treatment as U.S. holders with respect to such gain) or (2) the non-U.S. holder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a "tax home" in the U.S. (in which case the non-U.S. holder will be subject to a 30% tax on the individual's net capital gain for the year).

A non-U.S. holder will not incur tax on a distribution on the common stock in excess of our current and accumulated earnings and profits if the excess portion of the distribution does not exceed the adjusted tax basis of its common stock. Instead, the excess portion of the distribution will reduce such non-U.S. holder's adjusted tax basis of its common stock. A non-U.S. holder will be subject to tax on a distribution that exceeds both our current and accumulated earnings and profits and the adjusted basis of its common stock, if the non-U.S. holder otherwise would be subject to tax on gain from the sale or disposition of its common stock, as described below. Because we generally cannot determine at the time we make a distribution whether the distribution will exceed our current and accumulated earnings and profits, it is expected that the applicable withholding agent normally will withhold tax on the entire amount of any distribution at the same rate applicable to withholding on a dividend. However, a non-U.S. holder may obtain a refund of amounts that the applicable withholding agent withheld if we later determine that a distribution in fact exceeded our current and accumulated earnings and profits.

For payments made after June 30, 2014, a U.S. withholding tax at a 30% rate generally will be imposed on dividends paid to certain non-U.S. holders if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. In addition, if those disclosure requirements are not satisfied, a U.S. withholding tax at a 30% rate will be imposed, for payments made after December 31, 2016, on proceeds from the sale of our common stock received by certain non-U.S. holders. If payment of withholding taxes is required, non-U.S. holders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect to such dividends and proceeds will be required to seek a refund from the IRS to obtain the benefit of such exemption or reduction. We will not pay any additional amounts in respect of any amounts withheld.

For any year in which we qualify as a REIT, a non-U.S. holder may incur tax on distributions that are attributable to gain from our sale or exchange of "United States real property interests" under special provisions of the federal income tax laws known as "FIRPTA." The term "United States real property interests" includes interests in real property and shares in corporations at least 50% of whose assets consist of interests in real property. The term "United States real property interests" generally does not include residential mortgage loans or mortgage-backed securities such as Agency RMBS or non-Agency RMBS. As a result, we do not anticipate that we will generate material amounts of gain that would be subject to FIRPTA. Under the FIRPTA rules, a non-U.S. holder is taxed on distributions attributable to gain from sales of United States real property interests as if the gain were effectively connected with a U.S. business of the non-U.S. holder. A non-U.S. holder thus would be taxed on such a distribution at the normal capital gain rates applicable to U.S. holders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A non-U.S. corporate holder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on such a distribution. Unless a non-U.S. holder qualifies for the exception described in the next paragraph,

the applicable withholding agent must withhold 35% of any such distribution that we could designate as a capital gain dividend. A non-U.S. holder may receive a credit against such holder's tax liability for the amount withheld.

Capital gain distributions on our common stock that are attributable to our sale of real property will be treated as ordinary dividends, rather than as gain from the sale of a United States real property interest, as long as (i) our common stock are "regularly traded" on an established securities market in the United States and (ii) the non-U.S. holder does not own more than 5% of our common stock during the one-year period preceding the distribution date. As a result, non-U.S. holders generally would be subject to withholding tax on such capital gain distributions in the same manner as they are subject to withholding tax on ordinary dividends.

We anticipate that our common stock will be treated as being regularly traded on an established securities market in the United States following this offering. If our common stock are not regularly traded on an established securities market in the United States or the non-U.S. holder owned more than 5% of our common stock at any time during the one-year period prior to the distribution, capital gain distributions that are attributable to our sale of real property would be subject to tax under FIRPTA. Moreover, if a non-U.S. holder disposes of our common stock during the 30-day period preceding a dividend payment, and such non-U.S. holder (or a person related to such non-U.S. holder) acquires or enters into a contract or option to acquire our common stock within 61 days of the 1st day of the 30 day period described above, and any portion of such dividend payment would, but for the disposition, be treated as a United States real property interest capital gain to such non-U.S. holder, then such non-U.S. holder will be treated as having United States real property interest capital gain in an amount that, but for the disposition, would have been treated as United States real property interest capital gain.

A non-U.S. holder generally will not incur tax under FIRPTA with respect to gain realized upon a disposition of our common stock as long as we are not a United States real property holding corporation during a specified testing period. If at least 50% of a REIT's assets are United States real property interests, then the REIT will be a United States real property holding corporation. We do not anticipate that we will be a United States real property holding corporation based on our investment strategy. In the unlikely event that at least 50% of the assets we hold were determined to be United States real property interests, gains from the sale of our common stock by a non-U.S. holder could be subject to a FIRPTA tax. However, even if that event were to occur, a non-U.S. holder generally would not incur tax under FIRPTA on gain from the sale of our common stock if we were a "domestically controlled qualified investment entity." A domestically controlled qualified investment entity includes a REIT in which, at all times during a specified testing period, less than 50% in value of its stock are held directly or indirectly by non-U.S. persons. We believe that upon the effective date of our REIT election we will be a domestically controlled qualified investment entity, and that a sale of our common stock would not be subject to taxation under FIRPTA. No assurance can be given, however, that upon the closing of this offering we will remain a domestically controlled qualified investment entity.

If our common stock are regularly traded on an established securities market in the United States, an additional exception to the tax under FIRPTA on gain from share sales will be available, even if we do not qualify as a domestically controlled qualified investment entity at the time the non-U.S. holder sells our common stock. Under that exception, the gain from such a sale by such a non-U.S. holder will not be subject to tax under FIRPTA if:

- our common stock is considered regularly traded under applicable U.S. Treasury Regulations on an established securities market, such as the New York Stock Exchange; and
- the non-U.S. holder owned, actually or constructively, 5% or less of the applicable class of our stock at all times during a specified testing period.

As noted above, we anticipate that our common stock will be treated as being regularly traded on an established securities market following this offering. If the gain on the sale of our common stock were taxed

under FIRPTA, a non-U.S. holder would be taxed on that gain in the same manner as U.S. holders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals.

Backup withholding will generally not apply to payments of dividends made by us or our paying agents, in their capacities as such, to a non-U.S. holder provided that the non-U.S. holder furnishes to the applicable withholding agent the required certification as to its non-U.S. status, such as providing a valid IRS Form W-8BEN or W-8ECI, or certain other requirements are met.

Notwithstanding the foregoing, backup withholding may apply if the applicable withholding agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient. Payments of the net proceeds from a disposition or a redemption effected outside the United States by a non-U.S. holder made by or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) generally will apply to such a payment if the broker has certain connections with the U.S. unless the broker has documentary evidence in its records that the beneficial owner is a non-U.S. holder and specified conditions are met or an exemption is otherwise established. Payment of the net proceeds from a disposition by a non-U.S. holder of common stock made by or through the U.S. office of a broker is generally subject to information reporting and backup withholding unless the non-U.S. holder certifies under penalties of perjury that it is not a U.S. person and satisfies certain other requirements, or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the non-U.S. holder's U.S. federal income tax liability if certain required information is timely furnished to the IRS. Non-U.S. holders are urged to consult their own tax advisors regarding application of backup withholding to them and the availability of, and procedure for obtaining an exemption from, backup withholding.

Other Tax Consequences

Tax Aspects of Our Investments in Our Operating Partnership and Subsidiary Partnerships

The following discussion summarizes certain U.S. federal income tax considerations applicable to our direct or indirect investments in our operating partnership and any subsidiary partnerships or limited liability companies that we form or acquire (each individually a "Partnership" and, collectively, the "Partnerships"). This discussion does not cover state or local tax laws or any U.S. federal tax laws other than income tax laws.

General. We conduct our activities through our operating partnership, and the operating partnership may hold investments through entities that are classified as partnerships for U.S. federal income tax purposes. In general, partnerships are "pass-through" entities that are not subject to U.S. federal income tax. Rather, the partners are allocated their proportionate shares of the items of income, gain, loss, deduction and credit of a partnership, and are potentially subject to tax on these items, without regard to whether the partners receive a distribution from the partnership. We will include in our income our proportionate share of any partnership items arising from our operating partnership and any other partnerships in which we or our operating partnership holds an interest for purposes of the various REIT income tests and in computation of our REIT taxable income. Moreover, for purposes of the REIT asset tests, we will include in our calculations our proportionate share of any assets held by such partnerships. Our proportionate share of a partnership's assets and income is based on our capital interest in the partnership.

Classification as Partnerships. We will be entitled to include in our income our distributive share of each Partnership's income and to deduct our distributive share of each Partnership's losses only if such Partnership is

classified for U.S. federal income tax purposes as a partnership (or an entity that is disregarded for U.S. federal income tax purposes if the entity is treated as having only one owner or member for U.S. federal income tax purposes) rather than as a corporation or an association taxable as a corporation. An unincorporated entity with at least two owners or members will be classified as a partnership, rather than as a corporation, for U.S. federal income tax purposes if it:

- is treated as a partnership under the Treasury Regulations relating to entity classification (the "check-the-box regulations"); and
- is not a "publicly-traded partnership."

Under the check-the-box regulations, an unincorporated entity with at least two owners or members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity fails to make an election, it generally will be treated as a partnership (or an entity that is disregarded for U.S. federal income tax purposes if the entity is treated as having only one owner or member for U.S. federal income tax purposes) for U.S. federal income tax purposes. Our operating partnership intends to be classified as a partnership for U.S. federal income tax purposes and will not elect to be treated as an association taxable as a corporation under the check-the-box regulations.

A publicly-traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. A publicly-traded partnership will not, however, be treated as a corporation for any taxable year if, for each taxable year beginning after December 31, 1987 in which it was classified as a publicly-traded partnership, 90% or more of the partnership's gross income for such year consists of certain passive-type income, including real property rents, gains from the sale or other disposition of real property, interest, and dividends, or the "90% passive income exception". Treasury Regulations provide limited safe harbors from the definition of a publicly-traded partnership. Pursuant to one of those safe harbors or the "private placement exclusion," interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (i) all interests in the partnership were issued in a transaction or transactions that were not required to be registered under the Securities Act and (ii) the partnership does not have more than 100 partners at any time during the partnership's taxable year. In determining the number of partners in a partnership, a person owning an interest in an entity that is a partnership, grantor trust, or S corporation that owns an interest in the partnership is treated as a partner in such partnership only if (i) substantially all of the value of the owner's interest in the entity is attributable to the entity's direct or indirect interest in the partnership and (ii) a principal purpose of the use of the entity is to permit the partnership to satisfy the 100-partner limitation. We expect that our operating partnership and any other partnership in which we own an interest will qualify for the private placement exception.

We have not requested, and do not intend to request, a ruling from the IRS that our operating partnership will be classified as a partnership for U.S. federal income tax purposes. If for any reason our operating partnership were taxable as a corporation, rather than as a partnership, for U.S. federal income tax purposes, we likely would not be able to qualify as a REIT unless we qualified for certain relief provisions. See "—Gross Income Tests" and "—Asset Tests." In addition, any change in a Partnership's classification for tax purposes might be treated as a taxable event, in which case we might incur tax liability without any related cash distribution. See "—Distribution Requirements." Further, items of income and deduction of such Partnership would not pass through to us or its other partners, and we and its other partners would be treated as stockholders for tax purposes. Consequently, such Partnership would be required to pay income tax at corporate rates on its net income, and distributions to us and its other partners would constitute dividends that would not be deductible in computing such Partnership's taxable income.

Income Taxation of the Partnerships and their Partners

Partners, Not the Partnerships, Subject to Tax. A partnership is not a taxable entity for U.S. federal income tax purposes. Rather, we are required to take into account our allocable share of each Partnership's income,

gains, losses, deductions, and credits for any taxable year of such Partnership ending within or with our taxable year, without regard to whether we have received or will receive any distribution from such Partnership.

Partnership Allocations. Although a partnership agreement generally will determine the allocation of income and losses among partners, such allocations will be disregarded for tax purposes if they do not comply with the provisions of the U.S. federal income tax laws governing partnership allocations. If an allocation is not recognized for U.S. federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Each Partnership's allocations of taxable income, gain, and loss are intended to comply with the requirements of the U.S. federal income tax laws governing partnership allocations.

Tax Allocations With Respect to Partnership Properties. We may acquire properties in exchange for OP units in the future. Income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss ("built-in gain" or "built-in loss") is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution (a "book-tax difference").

Any property purchased for cash initially by our operating partnership will have an adjusted tax basis equal to the amount paid, resulting in no book-tax difference. Allocations with respect to book-tax differences are solely for U.S. federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. The U.S. Treasury Department has issued regulations requiring partnerships to use a "reasonable method" for allocating items with respect to which there is a book-tax difference and outlining several reasonable allocation methods. Under certain available methods, the carryover basis of contributed properties in the hands of our operating partnership (i) could cause us to be allocated lower amounts of depreciation deductions for tax purposes than would be allocated to us if all contributed properties were to have a tax basis equal to their fair market value at the time of the contribution and (ii) in the event of a sale of such properties, could cause us to be allocated taxable gain in excess of the economic or book gain allocated to us as a result of such sale, with a corresponding benefit to the contributing partners. An allocation described in (ii) above might cause us to recognize taxable income in excess of cash proceeds in the event of a sale or other disposition of property, which might adversely affect our ability to comply with the REIT distribution requirements and may result in a greater portion of our distributions being taxed as dividends. We have not yet decided what method will be used to account for book-tax differences for properties that may be acquired in exchange for OP units by our operating partnership in the future.

Our operating partnership will revalue its assets upon any grant of LTIP units and thereafter upon the occurrence of certain specified events permitted under the Treasury Regulations (including a subsequent issuance of LTIP units), and any increase in valuation since the time of grant of such LTIP units or the last revaluation event from the time of grant until such event will be allocated first to the existing LTIP units holders to equalize the capital accounts of such holders with the capital accounts of holders of our other outstanding partnership units. Upon equalization of the capital accounts of the LTIP unit holders with the capital accounts of the other holders of our OP units, the LTIP units will achieve full parity with our other OP units for all purposes, including with respect to liquidating distributions. See "Our Operating Partnership and the Partnership Agreement—LTIP Units." The liquidation value of an LTIP unit upon grant will be zero because liquidating distributions are required to be made in accordance with the partners' positive capital account balances (and at the time of the grant of an LTIP unit, the capital account of the holder of such LTIP unit is zero with respect to such LTIP unit).

Sale of a Partnership's Property

Generally, any gain realized by a Partnership on the sale of property held by the Partnership for more than one year will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Under Section 704(c) of the Code, any gain or loss recognized by a Partnership on the disposition of contributed properties will be allocated first to the partners of the Partnership who contributed such properties to the extent of their built-in gain or loss on those properties for U.S. federal income tax purposes. The partners' built-in gain or loss on such contributed properties will equal the difference between the partners' proportionate share of the book value of those properties and the partners' tax basis allocable to those properties at the time of the contribution as reduced for any decrease in the "book-tax difference." See "—Income Taxation of the Partnerships and their Partners—Tax Allocations With Respect to Partnership Properties." Any remaining gain or loss recognized by the Partnership on the disposition of the contributed properties, and any gain or loss recognized by the Partnership on the disposition of the other properties, will generally be allocated among the partners in accordance with their respective interests in the Partnership.

Our share of any gain realized by a Partnership on the sale of any property held by the Partnership as inventory or other property held primarily for sale to customers in the ordinary course of the Partnership's trade or business will be treated as income from a prohibited transaction that is subject to a 100% prohibited transactions tax. Such prohibited transaction income also may have an adverse effect upon our ability to satisfy the income tests for REIT status. See "—Gross Income Tests." We do not presently intend to acquire or hold or to allow any Partnership to acquire or hold any property, other than through a taxable REIT subsidiary, that represents inventory or other property held primarily for sale to customers in the ordinary course of our or such Partnership's trade or business.

Legislative or Other Actions Affecting REITs

The present federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time. The REIT rules are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, which may result in statutory changes as well as revisions to regulations and interpretations. Additionally, several of the tax considerations described herein are currently under review and are subject to change. Prospective stockholders are urged to consult with their own tax advisors regarding the effect of potential changes to the federal tax laws on an investment in our common stock.

State, Local and Foreign Taxes

We and/or our subsidiaries and common stockholders may be subject to taxation by various states, localities or foreign jurisdictions, including those in which we, our subsidiaries, or our common stockholders transact business, own property or reside. We or our subsidiaries may own properties located in numerous jurisdictions and may be required to file tax returns in some or all of those jurisdictions. The state, local and foreign tax treatment of us and our common stockholders may differ from the federal income tax treatment of us and our common stockholders described above. Consequently, common stockholders should consult their tax advisors regarding the application and effect of state, local and foreign income and other tax laws upon an investment in our common stock.

ERISA CONSIDERATIONS

A fiduciary of a pension, profit sharing, retirement or other employee benefit plan, or plan, subject to the Employee Retirement Income Security Act of 1974, as amended, or ERISA, should consider the fiduciary standards under ERISA in the context of the plan's particular circumstances before authorizing an investment of a portion of such plan's assets in the shares of our common stock. Accordingly, among other things, such fiduciary should consider (i) whether the investment satisfies the diversification requirements of Section 404(a)(1)(C) of ERISA, (ii) whether the investment is in accordance with the documents and instruments governing the plan as required by Section 404(a)(1)(D) of ERISA, and (iii) whether the investment is prudent under ERISA. In addition to the imposition of general fiduciary standards of investment prudence and diversification, ERISA, and the corresponding provisions of the Code, prohibit a wide range of transactions involving the assets of the plan and persons who have certain specified relationships to the plan ("parties in interest" within the meaning of ERISA and "disqualified persons" within the meaning of the Internal Revenue Code). A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the plan that is engaged in such a non-exempt prohibited transaction may be subject to penalties under ERISA and the Code. Thus, a plan fiduciary considering an investment in the shares of common stock also should consider whether the acquisition or the continued holding of the shares of common stock might constitute or give rise to a direct or indirect prohibited transaction that is not subject to an exemption issued by the Department of Labor, or the DOL.

The DOL has issued final regulations, or the DOL Regulations, as to what constitutes assets of an employee benefit plan under ERISA. Under the DOL Regulations and Section 3(42) of ERISA, if a plan acquires an equity interest in an entity, which interest is neither a "publicly offered security" nor a security issued by an investment company registered under the 1940 Act, the plan's assets would include, for purposes of the fiduciary responsibility provisions of ERISA, both the equity interest and an undivided interest in each of the entity's underlying assets unless certain specified exceptions apply. The DOL Regulations define a publicly offered security as a security that is "widely held," "freely transferable," and either part of a class of securities registered under the Exchange Act, or sold pursuant to an effective registration statement under the Securities Act (provided the securities are registered under the Exchange Act within 120 days after the end of the fiscal year of the issuer during which the public offering occurred). The shares of our common stock are being sold in an offering registered under the Securities Act and will be registered under the Exchange Act.

The DOL Regulations provide that a security is "widely held" only if it is part of a class of securities that is owned by 100 or more investors independent of the issuer and of one another. A security will not fail to be "widely held" because the number of independent investors falls below 100 subsequent to the initial public offering as a result of events beyond the issuer's control. We expect the common stock to be "widely held" upon completion of the initial public offering.

The DOL Regulations provide that whether a security is "freely transferable" is a factual question to be determined on the basis of all relevant facts and circumstances. The DOL Regulations further provide that when a security is part of an offering in which the minimum investment is $10,000 or less, as is the case with this offering, certain restrictions ordinarily will not, alone or in combination, affect the finding that such securities are "freely transferable." We believe that the restrictions imposed under our charter on the transfer of our common stock are limited to the restrictions on transfer generally permitted under the DOL Regulations and are not likely to result in the failure of common stock to be "freely transferable." The DOL Regulations only establish a presumption in favor of the finding of free transferability, and, therefore, no assurance can be given that the DOL will not reach a contrary conclusion.

Assuming that the common stock will be "widely held" and "freely transferable," we believe that our common stock will be publicly offered securities for purposes of the DOL Regulations and that our assets will not be deemed to be "plan assets" of any plan that invests in our common stock.

Certain individuals, including us, our Manager, our Operating Partnership and any of their respective affiliates may be parties in interest and disqualified persons with respect to plans subject to ERISA or the Code. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if our common stock is acquired or held by a plan with respect to which we, our Manager, our Operating Partnership or any of their respective affiliates is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, in certain cases, depending in part on the type of plan fiduciary making the decision to acquire our common stock and the circumstances under which such decision is made. Accordingly, each holder of our common stock will be deemed to have represented and agreed that its purchase and holding of such common stock (or any interest therein) will not constitute or result in a non exempt prohibited transaction under ERISA or Section 4975 of the Code.

UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Barclays Capital Inc. and Morgan Stanley & Co. LLC are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares of common stock indicated below:

Names	Number of Shares
Barclays Capital Inc.	
Morgan Stanley & Co. LLC	
Citigroup Global Markets Inc.	
UBS Securities LLC	
FBR Capital Markets & Co.	
JMP Securities LLC	
Sterne, Agee & Leach, Inc.	
Total	6,500,000

The underwriters and the representatives are collectively referred to as the “underwriters” and the “representatives,” respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters’ over-allotment option described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers, which may include the underwriters, at such offering price less a selling commission not in excess of $ per share. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

We have granted to the underwriters an over-allotment option, exercisable for 30 days from the date of this prospectus, to purchase up to 975,000 additional shares of common stock, in whole or in part, at the public offering price listed on the cover page of this prospectus. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the over-allotment option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter’s name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters’ option to purchase up to an additional 975,000 shares of common stock.

	Per Share	Total	
		No Exercise	Full Exercise
Public offering price	$	$	$
Underwriting discounts and commissions(1)	$	$	$
Proceeds, before expenses, to us	$	$	$

(1) Our Manager has agreed to pay the entire underwriting discounts and commissions in connection with this offering. Excludes an aggregate structuring fee equal to % of the gross proceeds of this offering, or

$ ($ if the underwriters exercise their over-allotment option in full), payable by our Manager to certain of the underwriters.

The estimated offering expenses payable by us (including up to $10,000 in reimbursement of certain underwriters' counsel fees), exclusive of the underwriting discounts and commissions and the structuring fee which our Manager has agreed to pay, are approximately $2 million. Our Manager has agreed to pay all offering-related expenses in excess of the lesser of 1.5% of the gross proceeds of this offering and the concurrent private placement and $2.25 million.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of common stock offered by them.

Our common stock has been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the trading symbol "CHMI."

Other than as described below, there are no past or current material relationships between the underwriters or their affiliates and us. Upon completion of this offering or shortly thereafter, we expect to have entered into master repurchase agreements with certain of the underwriters, including Barclays Capital Inc., Morgan Stanley & Co. LLC, Citigroup Global Markets Inc. and UBS Securities LLC, or their affiliates, pursuant to which these underwriters or their affiliates may receive customary fees and expenses. Certain of the underwriters, including Barclays Capital Inc., Morgan Stanley & Co. LLC, Citigroup Global Markets Inc. and UBS Securities LLC, or their affiliates also maintain warehouse facilities with Freedom Mortgage. In addition, certain of the underwriters, including Barclays Capital Inc. and Morgan Stanley & Co. LLC, or their affiliates currently engage in trading activities with Freedom Mortgage, and in the future may be lenders under one or more repurchase agreements or may be lenders to, or counterparties in securities, derivatives and other trading activities with us or Freedom Mortgage. The underwriters and their affiliates may in the future engage in investment banking, lending and other commercial dealings in the ordinary course of business with us or Freedom Mortgage. They would receive customary fees and commissions for these services.

Subject to certain limited exceptions, we and all of our directors and officers, our Manager and Freedom Mortgage have agreed that, without the prior written consent of Barclays Capital Inc. and Morgan Stanley & Co. LLC on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus, and Mr. Middleman, our Chairman, has agreed that, without the prior written consent of Barclays Capital Inc. and Morgan Stanley & Co. LLC on behalf of the underwriters, he and any of his controlled affiliates, including Freedom Mortgage or our Manager, will not, during a period of 12-months after the completion of this offering (in each case, the "restricted period"):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock;
- file any registration statement with the Securities and Exchange Commission relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock,

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, we and each such person agrees that, without the prior written consent of Barclays Capital Inc. and Morgan Stanley & Co. LLC on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

Barclays Capital Inc. and Morgan Stanley & Co. LLC, in their sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares of common stock available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

Pricing of the Offering

Prior to this offering, there has been no public market for our common stock. The initial public offering price was determined by negotiations between us and the representatives. We cannot assure you, however, that the price at which our common stock will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our shares will develop and continue after this offering.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares of our common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase any shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our common stock in, from or otherwise involving the United Kingdom.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, which, as amended, we refer to as the Order, and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Switzerland

This document, as well as any other material relating to the shares which are the subject to the offering contemplated by this prospectus, do not constitute an issue prospectus pursuant to Article 652a and/or 1156 of the Swiss Code of Obligations. The shares will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the shares, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of the SIX Swiss Exchange. The shares are being offered in Switzerland by way of a private placement, i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the shares with the intention to distribute them to the public. The investors will be individually approached by the issuer from time to time. This document, as well as any other material relating to the shares, is personal and confidential and do not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without express consent of the issuer. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 (Cth) of Australia ("Corporations Act")) in relation to the shares has been or will be lodged with the Australian Securities & Investments Commission ("ASIC"). This document has not been lodged with ASIC and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

(a) you confirm and warrant that you are either:

(i) a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act;

(ii) a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to us which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

(iii) a person associated with the company under section 708(12) of the Corporations Act; or

(iv) a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act, and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act, any offer made to you under this document is void and incapable of acceptance; and

(b) you warrant and agree that you will not offer any of the shares for resale in Australia within 12 months of such shares being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

Hong Kong

The shares may not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of the issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) or any rules made under that Ordinance.

Japan

No securities registration statement ("SRS") has been filed under Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) ("FIEL") in relation to the shares. The shares are being offered in a private placement to "qualified institutional investors" (tekikaku-kikan-toshika) under Article 10 of the Cabinet Office Ordinance concerning Definitions provided in Article 2 of the FIEL (the Ministry of Finance Ordinance No. 14, as amended) ("QIIs"), under Article 2, Paragraph 3, Item 2 i of the FIEL. Any QII acquiring the shares in this offer may not transfer or resell those shares except to other QIIs.

Korea

The shares may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for reoffering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Korea Securities and Exchange Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The shares have not been registered with the Financial Services Commission of Korea for public offering in Korea. Furthermore, the shares may not be resold

to Korean residents unless the purchaser of the shares complies with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with the purchase of the shares.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Future Act, Chapter 289 of Singapore (the "SFA"), (2) to a "relevant person" as defined in Section 275(2) of the SFA, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed and purchased under Section 275 of the SFA by a relevant person which is:

(1) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(2) a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole whole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the shares under Section 275 of the SFA except:

   (a) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions, specified in Section 275 of the SFA;

   (b) (in the case of a corporation) where the transfer arises from an offer referred to in Section 275(1A) of the SFA, or (in the case of a trust) where the transfer arises from an offer that is made on terms that such rights or interests are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;

   (c) where no consideration is or will be given for the transfer; or

   (d) where the transfer is by operation of law.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Hunton & Williams LLP. In addition, the description of U.S. federal income tax consequences contained in the section of the prospectus entitled "Material U.S. Federal Income Tax Considerations" is based on the opinion of Hunton & Williams LLP. Certain legal matters relating to this offering will be passed upon for the underwriters by Fried, Frank, Harris, Shriver & Jacobson LLP. Certain matters relating to Maryland law, including the validity of the shares of common stock, will be passed upon for us by Venable LLP.

EXPERTS

The financial statements of Cherry Hill Mortgage Investment Corp. at December 31, 2012 and for the two-month period from October 31, 2012 (date of inception) to December 31, 2012 appearing in this prospectus have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-11, including exhibits and schedules filed with the registration statement of which this prospectus is a part, under the Securities Act with respect to the shares of common stock to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement and exhibits and schedules to the registration statement. For further information with respect to us and the common stock to be sold in this offering, reference is made to the registration statement, including the exhibits and schedules to the registration statement. Copies of the registration statement, including the exhibits and schedules to the registration statement, may be examined without charge at the public reference room of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Information about the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0300. Copies of all or a portion of the registration statement may be obtained from the public reference room of the SEC upon payment of prescribed fees. Our SEC filings, including our registration statement, are also available to you, free of charge, on the SEC's website at www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and will file periodic reports, proxy statements and will make available to our stockholders annual reports containing audited financial information for each year and quarterly reports for the first three quarters of each fiscal year containing unaudited interim financial information.

INDEX TO FINANCIAL STATEMENTS
Cherry Hill Mortgage Investment Corporation

Report of Independent Registered Public Accounting Firm

The Board of Directors
Cherry Hill Mortgage Investment Corporation

We have audited the accompanying balance sheet of Cherry Hill Mortgage Investment Corporation as of December 31, 2012 and the related statement of operations, stockholder's deficit and cash flows for the two month period from October 31, 2012 (date of inception) to December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cherry Hill Mortgage Investment Corporation at December 31, 2012, and the results of its operations and its cash flows for the two month period from October 31, 2012 (date of inception) to December 31, 2012 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

New York, NY
April 29, 2013

Cherry Hill Mortgage Investment Corp.

Balance Sheet – Development Stage

December 31, 2012

Assets	
Cash	$ 1,000
Total Assets	1,000
Liabilities and Stockholder's deficit	
Liabilities	
Accrued expenses	25,000
Total Liabilities	25,000
Stockholder's deficit	
Common stock, $0.01 par value, 1,000 shares authorized, 1,000 shares issued and outstanding	10
Additional paid-in-capital	990
Deficit accumulated during the development stage	(25,000)
Total Stockholder's deficit	(24,000)
Total Liabilities and Stockholder's deficit	$ 1,000

See accompanying notes.

Cherry Hill Mortgage Investment Corp.

Statement of Operations – Development Stage

For the two month period from October 31, 2012 (date of inception) to December 31, 2012

Audit Fees	$25,000
Total Expenses	25,000
Net Loss	$25,000

See accompanying notes.

Cherry Hill Mortgage Investment Corp.

Statement of Stockholder's Deficit – Development Stage

For the two month period from October 31, 2012 (date of inception) to December 31, 2012

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deficit Accumulated During the Development stage	Stockholder's Deficit
Balance October 31, 2012 (date of inception)	—	$ —	$ —	$ —	$ —
Common shares issued to founder on December 4th, 2012	1,000	10	990	—	1,000
Net loss	—	—	—	(25,000)	(25,000)
Balance at December 31, 2012	1,000	$ 10	$ 990	$ (25,000)	$ (24,000)

See accompanying notes.

Cherry Hill Mortgage Investment Corp.

Statement of Cash Flows – Development Stage

For the two month period from October 31, 2012 (date of inception) to December 31, 2012

Cash flows from operating activities:	
Net loss	$(25,000)
Net cash used in operating activities:	—
Increase in Accrued Expenses	25,000
Net cash used in operating activities	—
Cash flows from financing activities:	
Proceeds from issuance of common shares to founder	1,000
Net cash provided by financing activities	1,000
Net increase in cash	1,000
Cash beginning of period	—
Cash end of period	$ 1,000

See accompanying notes.

Cherry Hill Mortgage Investment Corp.

Notes to Financial Statements – Development Stage

December 31, 2012

1. Organization

Cherry Hill Mortgage Investment Corp. (the "Company") was organized in the state of Maryland on October 31, 2012 to invest in residential mortgage assets in the United States. Under the Company's charter, the Company is authorized to issue up to 1,000 shares of common stock. The Company has not commenced operations.

2. Formation of the Company and Initial Public Offering

The Company intends to conduct an initial public offering (the "IPO") and a concurrent private placement of common stock, which is anticipated to be finalized in 2013. Substantially all of the net proceeds from the IPO are intended to be used to invest in Agency mortgage-backed securities ("MBS") and excess mortgage servicing rights on residential mortgage loans.

The Company will be subject to the risks involved with real estate and real estate-related debt instruments. These include, among others, the risks normally associated with changes in the general economic climate, changes in the mortgage market, changes in tax laws, interest rate levels, and the availability of financing.

The sole stockholder of the Company is Stanley Middleman. On December 4, 2012, Stanley Middleman made a $1,000 initial capital contribution to the Company.

The Company will be managed by Cherry Hill Mortgage Management, LLC (the Manager), a Delaware limited liability company which is controlled by Stanley Middleman.

The Company is taxable as a regular Subchapter C corporation for the two month period from October 31, 2012 (date of inception) to December 31, 2012.

3. Significant accounting policies

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the balance sheet, in addition to the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the valuation allowance on deferred tax assets.

Underwriting commissions and offering costs

Underwriting commissions and offering costs to be incurred in connection with the Company's IPO will be reflected as a reduction of additional paid-in-capital. Costs incurred that are not directly associated with the completion of the IPO will be expensed as incurred. As of April 29, 2013, the Manager has incurred $0.3 million of costs relating to the IPO. Upon completion of the IPO, the Company will reimburse the Manager for up to $1.95 million of costs associated with the IPO (other than the underwriting discount and the structuring fee which the Manager has agreed to pay) pursuant to the Management Agreement.

Cherry Hill Mortgage Investment Corp.

Notes to Financial Statements – Development Stage (continued)

3. Significant accounting policies (continued)

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2010-06, Improving Disclosures About Fair Value Measurements. The ASU requires enhanced disclosures about purchases, sales, issuances, and settlements on a gross basis relating to Level III measurements. The disclosure is effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this ASU did not have a material impact on our financial statement disclosures.

On July 21, 2010, the FASB issued an update to ASC 310, Receivables, by requiring more robust and disaggregated disclosures about the credit quality of a company's loans held for investment and if applicable, its allowance for credit losses. The objective of enhancing these disclosures is to improve financial statement users' understanding of (1) the nature of a company's credit risk associated with its financing receivables and (2) the company's assessment of that risk in estimating its allowance for credit losses as well as changes in the allowance and the reasons for those changes. The adoption of this ASU did not have a material impact on our financial statement disclosures.

4. Related Party Transactions

The Company has entered into a management agreement with the Manager, pursuant to which the Manager provides for the day-to-day management of the Company's operations (the "Management Agreement"). The Management Agreement requires the Manager to manage the Company's business affairs in conformity with the policies and the investment guidelines that are approved and monitored by the Company's Board of Directors. All of the Company's executive officers and the officers and employees of the Manager are also officers or employees of Freedom Mortgage Corporation ("Freedom Mortgage").

The Manager will be party to a services agreement with Freedom Mortgage, pursuant to which Freedom Mortgage provides to the Manager the personnel, services and resources as needed by the Manager to enable the Manager to carry out its obligations and responsibilities under the Management Agreement (the "Services Agreement"). The Company is a named third-party beneficiary to the Services Agreement and, as a result, has, as a non-exclusive remedy, a direct right of action against Freedom Mortgage in the event of any breach by the Manager of any of its duties, obligations or agreements under the Management Agreement that arise out of or result from any breach by Freedom Mortgage of its obligations under the Services Agreement. The Services Agreement will terminate upon the termination of the Management Agreement. Pursuant to the Services Agreement, the Manager will make certain payments to Freedom Mortgage in connection with the services provided.

The Manager and Freedom Mortgage are under the common ownership and control of Stanley Middleman, the Company's sole stockholder.

5. Indirect Expenses

From October 31, 2012 (date of inception) to December 31, 2012, the Company shared office space with Freedom Mortgage Corporation. In accordance with the Management Agreement between the Company and the Manager, the Manager has not allocated rent, overhead, reimbursable executives' salaries, and other miscellaneous office expenses to the Company, as it has not commenced operations and not generated revenue

Cherry Hill Mortgage Investment Corp.

Notes to Financial Statements – Development Stage (continued)

5. Indirect Expenses (continued)

during the period. The Manager will not commence allocating expenses to the Company until the first month during which the Company commences operations subsequent to the completion of the IPO and the concurrent private placement. The Company monitors and maintains a separate record of such expenses. From October 31, 2012 (date of inception) to December 31, 2012, such expenses amounted to $40 thousand.

The Manager has adequate resources independent of the Company to pay these expenses, and the Company has no additional obligation, either direct or indirect, to compensate any party for these expenses.

6. Income Taxes

For the period October 31, 2012 (date of inception) through December 31, 2012, the Company is taxable as a corporation, and as such, is subject to federal, state and local taxation. The Company incurred certain expenses during the period but has not commenced operations. The Company recorded a deferred tax asset of $10 thousand related to these start up expenses. Given that the Company is in its first year of operations and is not expected to realize the benefits of the deferred tax asset, management concluded that a full valuation allowance is required in accordance with the provisions of ASC 740.

As of December 31, 2012, the Company had no unrecognized tax benefits. The Company’s federal, state and local income tax returns for the period from October 31, 2012 (date of inception) through December 31, 2012 are subject to examination by the Internal Revenue Service and various state and local authorities.

7. Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through April 29, 2013, the date the financial statements were available to be issued. Based on this evaluation, the Company has determined that none of the events were required to be recognized or disclosed in the financial statements.

Cherry Hill Mortgage Investment Corp.

Balance Sheet – Development Stage

	June 30, 2013	December 31, 2012
	(Unaudited)	
Assets		
Cash	**$ 15,105**	$ 1,000
Total assets	**15,105**	1,000
Liabilities and stockholder's deficit		
Liabilities:		
Due to Cherry Hill Mortgage Management, LLC	**39,860**	—
Accrued expenses	**70,000**	25,000
Total liabilities	**109,860**	25,000
Stockholder's deficit:		
Common stock, $0.01 par value, 1,000 shares authorized, 1,000 shares issued and outstanding	**10**	10
Additional paid-in-capital	**990**	990
Deficit accumulated during the development stage	**(95,755)**	(25,000)
Total stockholder's deficit	**(94,755)**	(24,000)
Total liabilities and stockholder's deficit	**$ 15,105**	$ 1,000

See accompanying notes.

Cherry Hill Mortgage Investment Corp.

Statement of Operations – Development Stage

	Six Month Period Ended June 30, 2013	Cumulative Period from October 31, 2012 (Date of Inception) to June 30, 2013
	(Unaudited)	
Audit fees	**$ 70,000**	$ 95,000
Administrative expenses	**755**	755
Total expenses	**70,755**	95,755
Net Loss	**$ 70,755**	$ 95,755

See accompanying notes.

Cherry Hill Mortgage Investment Corp.

Statement of Stockholder's Deficit – Development Stage

Six Month Period Ending June 30, 2013 and for the Cumulative Period from October 31, 2012 (Date of Inception) to June 30, 2013

	Common Stock Shares	Amount	Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Stockholder's Deficit
			(Unaudited)		
Balance October 31, 2012 (date of inception)	—	$ —	$ —	$ —	$ —
Common shares issued to founder on December 4th, 2012	1,000	10	990	—	1,000
Net loss	—	—	—	(25,000)	(25,000)
Balance at December 31, 2012	1,000	10	990	(25,000)	(24,000)
Net loss	—	—	—	(70,755)	(70,755)
Balance at June 30, 2013	1,000	$ 10	$ 990	$ (95,755)	$ (94,755)

See accompanying notes.

Cherry Hill Mortgage Investment Corp.

Statement of Cash Flows – Development Stage

	Six Month Period Ended June 30, 2013	Cumulative Period from October 31, 2012 (Date of Inception) to June 30, 2013
	(Unaudited)	
Cash flows from operating activities		
Net loss	**$ (70,755)**	$ (95,755)
Net cash provided (used) in operating activities:		
Increase in accrued expenses	**45,000**	70,000
Net cash used in operating activities	**(25,755)**	(25,755)
Cash flows from financing activities		
Proceeds from issuance of common shares to founder	**—**	1,000
Increase in Due to affiliate	**39,860**	39,860
Net cash provided by financing activities	**39,860**	40,860
Net increase (decrease) in cash	**14,105**	15,105
Cash beginning of period	**1,000**	—
Cash end of period	**$ 15,105**	$ 15,105

See accompanying notes.

Cherry Hill Mortgage Investment Corp.

Notes to Financial Statements – Development Stage
(Unaudited)

June 30, 2013

1. Organization

Cherry Hill Mortgage Investment Corp. (the "Company") was organized in the state of Maryland on October 31, 2012 to invest in residential mortgage assets in the United States. Under the Company's charter, the Company is authorized to issue up to 1,000 shares of common stock. The Company has not commenced operations.

2. Formation of the Company and Initial Public Offering

The Company intends to conduct an initial public offering (the "IPO") and a concurrent private placement of common stock, which is anticipated to be finalized in 2013. Substantially all of the net proceeds from the IPO are intended to be used to invest in Agency mortgage-backed securities ("MBS") and excess mortgage servicing rights on residential mortgage loans.

The Company will be subject to the risks involved with real estate and real estate-related debt instruments. These include, among others, the risks normally associated with changes in the general economic climate, changes in the mortgage market, changes in tax laws, interest rate levels, and the availability of financing.

The sole stockholder of the Company is Stanley Middleman. On December 4, 2012, Stanley Middleman made a $1,000 initial capital contribution to the Company.

The Company will be managed by Cherry Hill Mortgage Management, LLC (the "Manager"), a Delaware limited liability company which is controlled by Stanley Middleman.

The Company was taxable as a regular Subchapter C corporation for the two month period from October 31, 2012 (date of inception) to December 31, 2012. On February 13, 2013, the Company elected to be treated as a sub chapter S corporation. Therefore, the Company has elected to be taxed as a sub chapter S corporation as of January 1, 2013 and as such all federal tax liabilities are the responsibility of the sole stockholder.

3. Significant Accounting Policies

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the balance sheet, in addition to the reported amount revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the valuation allowance on deferred tax assets.

Underwriting commissions and offering costs

The underwriting commissions and offering costs to be incurred in connection with the Company's IPO will be reflected as a reduction of additional paid-in-capital. Costs incurred by the Company that are not directly associated with the completion of the IPO consist of audit fees and administrative expenses and will be expensed as incurred. Subsequent to the date the Company's audited financial statements were issued, the Company and the Manager modified their understanding regarding the reimbursement of certain costs associated with the IPO. As modified, upon completion of the IPO, the Company will reimburse the Manager for costs directly associated with the IPO (other than the underwriting discount and the structuring fee which the Manager has agreed to pay) in an amount equal to the lesser of 1.5% of the gross proceeds from the IPO and the concurrent private placement and $2.25 million.

Cherry Hill Mortgage Investment Corp.

Notes to Financial Statements – Development Stage (continued)
(Unaudited)

3. Significant Accounting Policies (continued)

These costs include, among other, the fees and disbursements of the Company's counsel, the costs of printing the prospectus for the IPO, the fees paid to apply to list the Company's common stock and all filing fees paid in connection with the IPO. As of June 30, 2013, the Manager has incurred $1.0 million of costs relating to the IPO. The modified understanding supercedes the arrangement described in Note 3, "Significant accounting policies—Underwriting commissions and offering costs" to the Company's audited financial statements as of and for the two-month period from October 31, 2012 (date of inception) to December 31, 2012.

4. Related Party Transactions

The Company has entered into a Management Agreement with the Manager, pursuant to which the Manager provides for the day-to-day management of the Company's operations (the "Management Agreement"). The Management Agreement requires the Manager to manage the Company's business affairs in conformity with the policies and the investment guidelines that are approved and monitored by the Company's Board of Directors. All of the Company's executive officers and the officers and employees of the Manager are also officers or employees of Freedom Mortgage Corporation ("Freedom Mortgage").

The Manager will be party to a Services Agreement with Freedom Mortgage, pursuant to which Freedom Mortgage provides to the Manager the personnel, services and resources as needed by the Manager to enable the Manager to carry out its obligations and responsibilities under the Management Agreement (the "Services Agreement"). The Company is a named third-party beneficiary to the Services Agreement and, as a result, has, as a non-exclusive remedy, a direct right of action against Freedom Mortgage in the event of any breach by the Manager of any of its duties, obligations or agreements under the Management Agreement that arise out of or result from any breach by Freedom Mortgage of its obligations under the Services Agreement. The Services Agreement will terminate upon the termination of the Management Agreement. Pursuant to the Services Agreement, the Manager will make certain payments to Freedom Mortgage in connection with the services provided.

As of June 30, 2013 the Company owed $39,860 advanced by the Manager to fund certain costs for which the Company is the primary obligor.

The Manager and Freedom Mortgage are under the common ownership and control of Stanley Middleman, the Company's sole stockholder.

5. Indirect Expenses

From October 31, 2012 (date of inception) to December 31, 2012 and for the six months ended June 30, 2013, the Company shared office space with Freedom Mortgage Corporation. In accordance with the Management Agreement between the Company and the Manager, the Manager has not allocated rent, overhead, reimbursable executives' salaries, and other miscellaneous office expenses to the Company, as it has not commenced operations and has not generated revenue during the period. The Manager will not commence allocating expenses to the Company until the first month during which the Company commences operations subsequent to the completion of the IPO and the concurrent private placement. The Company monitors and maintains a separate record of such expenses. For the six month period ending June 30, 2013 and for the cumulative period from October 31, 2012 (date of inception) to June 30, 2013 such expenses amounted to $670 thousand and $710 thousand respectively.

The Manager has adequate resources independent of the Company to pay these expenses, and the Company has no additional obligation, either direct or indirect, to compensate any party for these expenses.

Cherry Hill Mortgage Investment Corp.

Notes to Financial Statements – Development Stage (continued)
(Unaudited)

6. Income Taxes

For the period October 31, 2012 (date of inception) through December 31, 2012, the Company was taxable as a corporation, and as such, was subject to federal, state and local taxation. The Company incurred certain expenses during the period but has not commenced operations. The Company recorded a deferred tax asset of $10 thousand related to these start up expenses. Given that the Company is in its first year of operations and is not expected to realize the benefits of the deferred tax asset, management concluded that a full valuation allowance was required in accordance with the provisions of ASC 740.

As of January 1, 2013, the Company has elected to be taxed as a sub chapter S corporation and as such all federal tax liabilities are the responsibility of the Company's sole stockholder. The Company has no state and local income tax liability for the period that it is an S corporation

As of December 31, 2012 and June 30, 2013, the Company had no unrecognized tax benefits. The Company's federal, state and local income tax returns for the period from October 31, 2012 (date of inception) through December 31, 2012 are subject to examination by the Internal Revenue Service and various state and local authorities.

7. Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through August 12, 2013, the date the financial statements were available to be issued. Based on this evaluation, the Company has determined that none of the events were required to be recognized or disclosed in the financial statements.

Table of Contents

Until , 2013 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

6,500,000 Shares

Common Stock

Prospectus
, 2013

Barclays

Morgan Stanley

Citigroup

UBS Investment Bank

FBR

JMP Securities

Sterne Agee

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 31. Other Expenses of Issuance and Distribution.

The following table shows the fees and expenses to be paid by us in connection with the sale and distribution of the securities being registered hereby. All amounts except the SEC registration fee are estimated.

SEC registration fee	$ 20,392
FINRA filing fee	22,925
NYSE listing fee	25,000
Legal fees and expenses (including Blue Sky fees)	1,475,000
Accounting fees and expenses	175,000
Printing and engraving expenses	275,000
Transfer agent fees and expenses	3,800
Miscellaneous	2,883
Total	$ 2,000,000

Item 32. Sales to Special Parties.

None.

Item 33. Recent Sales of Unregistered Securities.

In connection with the initial capitalization of our company, we issued 1,000 shares of our common stock to Mr. Middleman, our Chairman, for total cash consideration of $1,000. The shares were issued on December 4, 2012 in reliance on the exemption set forth in Section 4(a)(2) of the Securities Act. We will repurchase these shares from Mr. Middleman at the closing of this offering for $1,000. Mr. Middleman will purchase directly from us in the concurrent private placement $20.0 million in shares of our common stock at a price per share equal to the public offering price. The shares to be issued to Mr. Middleman in the concurrent private placement will be issued in reliance on the exemption set forth in Section 4(a)(2) of the Securities Act.

Item 34. Indemnification and Limitation of Liability of Directors and Officers.

The Maryland General Corporation Law (“MGCL”) permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision that eliminates such liability to the maximum extent permitted by Maryland law.

Our charter and bylaws provide for indemnification of our officers and directors against liabilities to the maximum extent permitted by the MGCL, as amended from time to time.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that

capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify a director or officer for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received by such director or officer, unless in either case a court orders indemnification, and then only for expenses. In addition, the MGCL permits a Maryland corporation to advance reasonable expenses to a director or officer upon its receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or officer or on the director's or officer's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our charter will authorize us and our bylaws will obligate us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of such a proceeding to:

- any present or former director or officer of the Company who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity; and
- any individual who, while a director or officer of the Company and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws will also permit us, with the approval of our board of directors, to indemnify and advance expenses to any individual who served our predecessor in any of the capacities described above and to any employee or agent of the Company or our predecessor.

Upon completion of this offering, we intend to enter into indemnification agreements with each of our directors and executive officers that will provide for indemnification to the maximum extent permitted by Maryland law.

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 35. Treatment of Proceeds from Stock Being Registered

None of the proceeds will be credited to an account other than the appropriate capital share account.

Item 36. Financial Statements and Exhibits

(a) *Financial Statements*. See page F-1 for an index to the financial statements included in the registration statement.

(b) *Exhibits*. The list of exhibits following the signature page of this registration statement is incorporated by reference herein.

Item 37. Undertakings

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to trustees, officers or controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. If a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-11 and has duly caused this the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Moorestown, State of New Jersey, on September 25, 2013.

CHERRY HILL MORTGAGE INVESTMENT CORPORATION

By: /s/ Stanley C. Middleman
Stanley C. Middleman
Chairman of the Board of Directors

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the date indicated.

/s/ Stanley C. Middleman Stanley C. Middleman	Chairman of the Board of Directors	September 25, 2013
/s/ Jeffrey B. Lown II Jeffrey B. Lown II	President and Chief Investment Officer *(Principal Executive Officer)*	September 25, 2013
/s/ Martin J. Levine Martin J. Levine	Chief Financial Officer, Treasurer and Secretary *(Principal Financial and Accounting Officer)*	September 25, 2013

EXHIBIT INDEX

Exhibit Number	Description
1.1	Form of Underwriting Agreement.
3.1†	Articles of Amendment and Restatement of Cherry Hill Mortgage Investment Corporation.
3.2†	Amended and Restated Bylaws of Cherry Hill Mortgage Investment Corporation.
4.1†	Specimen Common Stock Certificate.
4.2†	Form of Registration Rights Agreement between Stanley Middleman and Cherry Hill Mortgage Investment Corporation.
5.1	Opinion of Venable LLP (including consent of such firm).
8.1	Opinion of Hunton & Williams LLP (including consent of such firm).
10.1	Form of Strategic Alliance Agreement between Cherry Hill Mortgage Investment Corporation and Freedom Mortgage Corporation.
10.2	Form of Flow and Bulk Excess MSR Acquisition Agreement between Cherry Hill Mortgage Investment Corporation and Freedom Mortgage Corporation.
10.3	Form of Pool 1 Excess MSR Acquisition and Recapture Agreement between Cherry Hill Mortgage Investment Corporation and Freedom Mortgage Corporation.
10.4	Form of Pool 2 Excess MSR Acquisition and Recapture Agreement between Cherry Hill Mortgage Investment Corporation and Freedom Mortgage Corporation.
10.5	Amended and Restated Management Agreement, dated September 24, 2013, among Cherry Hill Mortgage Investment Corporation, Cherry Hill Operating Partnership, LP, Cherry Hill QRS I, LLC, Cherry Hill QRS II, LLC, Cherry Hill TRS, LLC and Cherry Hill Mortgage Management, LLC.
10.6†	Services Agreement, dated May 1, 2013, between Cherry Hill Mortgage Management, LLC and Freedom Mortgage Corporation.
10.7†	Form of Indemnification Agreement.
10.8†	2013 Equity Incentive Plan.
10.9†	Agreement of Limited Partnership of Cherry Hill Operating Partnership, LP.
10.10†	Form of LTIP Unit Vesting Agreement.
10.11†	Form of Stock Purchase Agreement between Stanley Middleman and Cherry Hill Mortgage Investment Corporation.
10.12†	Form of LTIP Unit Vesting Agreement for Independent Directors.
21.1†	Subsidiaries of Cherry Hill Mortgage Investment Corporation.
23.1	Consent of Venable LLP (included in Exhibit 5.1).
23.2	Consent of Hunton & Williams LLP (including in Exhibit 8.1).
23.3	Consent of Ernst & Young LLP.
99.1†	Consent of Jeffrey B. Lown II, director nominee.
99.2†	Consent of Joseph J. Murin, independent director nominee.
99.3†	Consent of Jonathan Kislak, independent director nominee.
99.4†	Consent of Robert Salcetti, independent director nominee.

* To be filed by amendment.
† Previously filed.

Exhibit 1.1

_____ Shares

CHERRY HILL MORTGAGE INVESTMENT CORPORATION

COMMON STOCK, $0.01 PAR VALUE PER SHARE

UNDERWRITING AGREEMENT

[ ], 2013

[ ], 2013

Barclays Capital Inc.
Morgan Stanley & Co. LLC

As representatives (the "**Representatives**") of the several Underwriters named in Schedule I hereto,

c/o Barclays Capital Inc.
745 Seventh Avenue
New York, New York 10019

Morgan Stanley & Co. LLC
1585 Broadway
New York, New York 10036

Ladies and Gentlemen:

Cherry Hill Mortgage Investment Corporation, a Maryland corporation (the "**Company**"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "**Underwriters**") _____ shares of its Common Stock, $0.01 par value per share (the "**Firm Shares**"). The Company also proposes to issue and sell to the several Underwriters not more than an additional _____ shares of its Common Stock, $0.01 par value per share (the "**Additional Shares**") if and to the extent that you, as Representatives, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 2 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "**Shares.**" The shares of Common Stock, $0.01 par value per share of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "**Common Stock.**"

The Company has filed with the Securities and Exchange Commission (the "**Commission**") a registration statement, including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "**Securities Act**"), is hereinafter referred to as the "**Registration Statement**"; the prospectus in the form first used to confirm sales of Shares (or in the form first made available to the Underwriters by the Company to meet requests of purchasers pursuant to Rule 173 under the Securities Act) is hereinafter referred to as the "**Prospectus.**" If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "**Rule 462 Registration Statement**"), then any reference herein to the term "**Registration Statement**" shall be deemed to include such Rule 462 Registration Statement.

For purposes of this Agreement, "**free writing prospectus**" has the meaning set forth in Rule 405 under the Securities Act, "**Time of Sale Prospectus**" means the preliminary prospectus together with the documents and pricing information set forth in Schedule II hereto, and "**broadly available road show**" means a "bona fide electronic road show" as defined in Rule 433(h)(5) under the Securities Act that has been made available without restriction to any person. As used herein, the terms "Registration Statement," "preliminary prospectus," "Time of Sale Prospectus" and "Prospectus" shall include the documents, if any, incorporated by reference therein as of the date hereof.

1. *Representations and Warranties*.

(a) The Company represents and warrants to and agrees with each of the Underwriters that:

(i) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission.

(ii) (A) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (B) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (C) the Time of Sale Prospectus does not, and at the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers and at the Closing Date (as defined in Section 4), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (D) each broadly available road show, if any, when considered together with the Time of Sale Prospectus, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (E) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, each broadly available road show or the Prospectus, and any amendment or supplement thereto, based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(iii) The Company is not an "ineligible issuer" in connection with the offering pursuant to Rules 164, 405 and 433 under the Securities Act. Any free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Except for the free writing prospectuses, if any, identified in Schedule II hereto, and electronic road shows, if any, each furnished to you before first use, the Company has not prepared, used or referred to, and will not, without your prior consent, prepare, use or refer to, any free writing prospectus.

(iv) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not, individually or in the aggregate, have a material adverse effect, or any development that could reasonably be expected to have a material adverse effect, on the financial condition, business, properties, results of operations or prospects, whether or not owing from transactions in the ordinary course of business, of the Company and its subsidiaries, considered as one entity (a "**Material Adverse Effect**").

(v) Each subsidiary of the Company has been duly incorporated or formed, is validly existing as a corporation, limited partnership or limited liability company in good standing under the laws of the jurisdiction of its incorporation, has the corporate, limited partnership or limited liability company power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect; all of the issued shares of capital stock or other ownership interests of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned by the Company, directly or indirectly, free and clear of all liens, encumbrances, equities or claims.

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

(vii) The authorized capital stock of the Company conforms as to legal matters, in all material respects, to the description thereof contained in each of the Time of Sale Prospectus and the Prospectus.

(viii) The shares of Common Stock outstanding prior to the issuance of the Shares have been duly authorized and are validly issued, fully paid and non-assessable.

(ix) The Shares have been duly authorized and, when issued, delivered and paid for in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(x) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement and the Amended and Restated Management Agreement, dated September 24, 2013 (the "**Management Agreement**"), between the Company and Cherry Hill Mortgage Management, LLC (the "**Manager**") will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, that is material to the Company and its subsidiaries, taken as a whole, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(xi) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus.

(xii) There are no legal or governmental proceedings pending or, to the Company's knowledge, threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject (A) other than proceedings accurately described in all material respects in the Time of Sale Prospectus, proceedings that, if resolved adversely to the Company or any of its subsidiaries, would not, individually or in the aggregate, have a Material Adverse Effect and proceedings that, if resolved adversely to the Company or any of its subsidiaries, would not reasonably be expected to materially and adversely affect the power or ability of the Company

to perform its obligations under this Agreement or the Management Agreement or to consummate the transactions contemplated by the Time of Sale Prospectus, or (B) that are required to be described in the Registration Statement or the Prospectus and are not so described; and there are no statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(xiii) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(xiv) The Company and its subsidiaries are not, and after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(xv) The Company and its subsidiaries (A) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("**Environmental Laws**"), (B) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (C) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a Material Adverse Effect.

(xvi) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a Material Adverse Effect.

(xvii) Except as described in the Registration Statement, the Time of Sale Prospectus and the Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement.

(xviii) Neither the Company nor any of its subsidiaries or affiliates, nor any director, officer, or employee, nor, to the Company's knowledge, any agent or representative of the Company or of any of its subsidiaries or affiliates, has taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any "government official" (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to influence official action or secure an improper advantage; and the Company and its subsidiaries and affiliates have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintained and will continue to maintain policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein.

(xix) The operations of the Company and its subsidiaries are and have been conducted at all times in material compliance with all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of jurisdictions where the Company and its subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Anti-Money Laundering Laws**"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(xx) (A) Neither the Company nor any of its subsidiaries, nor any director, officer, or employee thereof, nor, to the Company's knowledge, any agent, affiliate or representative of the Company or any of its subsidiaries, is an individual or entity ("**Person**") that is, or is owned or controlled by a Person that is:

(1) the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**"), the United Nations Security Council ("**UNSC**"), the European Union ("**EU**"), Her Majesty's Treasury ("**HMT**"), or other relevant sanctions authority (collectively, "**Sanctions**"), nor

(2) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Burma/Myanmar, Cuba, Iran, Libya, North Korea, Sudan and Syria).

(B) The Company will not, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

(1) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

(2) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(C) The Company and its subsidiaries have not knowingly engaged in, are not now knowingly engaged in, and will not engage in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

(xxi) Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, (A) the Company and its subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction; (B) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (C) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries, except in each case as described in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, respectively.

(xxii) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries, taken as a whole, in each case free and clear of all liens, encumbrances and defects except such as are described in the Time of Sale Prospectus or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries, in each case except as described in the Time of Sale Prospectus.

(xxiii) The Company and its subsidiaries own or possess, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a Material Adverse Effect.

(xxiv) No material labor dispute with the employees of the Company or any of its subsidiaries exists, except as described in the Time of Sale Prospectus, or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that could have a Material Adverse Effect.

(xxv) The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; neither the Company nor any of its subsidiaries has been refused any insurance coverage sought or applied for; and neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to renew any existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(xxvi) The Company and its subsidiaries possess all material certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses; and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a Material Adverse Effect.

(xxvii) The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (A) transactions are executed in accordance with management's general or specific authorizations; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (C) access to assets is permitted only in accordance with management's general or specific authorization; and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as described in the Time of Sale Prospectus, since the date of the Company's most recent audited balance sheet in the Registration Statement,

there has been (i) no material weakness in the Company's internal control over financial reporting (whether or not remediated) and (ii) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(xxviii) Except as described in the Time of Sale Prospectus, the Company has not sold, issued or distributed any shares of Common Stock during the six-month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulation D or S of, the Securities Act, other than shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans or pursuant to outstanding options, rights or warrants.

(xxix) The Company and each of its subsidiaries have filed all federal, state, local and foreign tax returns required to be filed through the date of this Agreement or have requested extensions thereof (except where the failure to file would not, individually or in the aggregate, have a Material Adverse Effect) and have paid all taxes required to be paid thereon (except for cases in which the failure to file or pay would not have a Material Adverse Effect, or, except as currently being contested in good faith and for which reserves required by U.S. GAAP have been created in the financial statements of the Company), and no tax deficiency has been determined adversely to the Company or any of its subsidiaries which has had (nor does the Company nor any of its subsidiaries have any notice or knowledge of any tax deficiency which could reasonably be expected to be determined adversely to the Company or its subsidiaries and which could reasonably be expected to have) a Material Adverse Effect.

(xxx) From the time of the initial confidential submission of the Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters Communication) through the date hereof, the Company has been and is an "emerging growth company," as defined in Section 2(a) of the Securities Act (an "**Emerging Growth Company**"). "**Testing-the-Waters Communication**" means any oral or written communication with potential investors relating to the offerings of the Shares undertaken in reliance on Section 5(d) of the Securities Act.

(xxxi) The Company (A) has not alone engaged in any Testing-the-Waters Communication other than Testing-the-Waters Communications, if any, with the consent of the Representatives with entities that are qualified institutional buyers within the meaning of Rule 144A under the Securities Act or institutions that are accredited investors within the meaning of Rule 501 under the Securities Act and (B) has not authorized anyone other than the Representatives to engage in Testing-the-Waters Communications. The Company reconfirms that the Representatives have been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed any Written Testing-the-Waters Communications. "**Written Testing-the-Waters Communication**" means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Securities Act.

(xxxii) As of the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers, none of (A) the Time of Sale Prospectus, (B) any free writing prospectus, when considered together with the Time of Sale Prospectus, and (C) any individual Written Testing-the-Waters Communication, when considered together with the Time of Sale Prospectus, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xxxiii) The Management Agreement has been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, and by general principles of equity.

(xxxiv) The statements in the Time of Sale Prospectus and the Prospectus under the headings "Summary—Our Management Agreement", "Risk Factors— Risk Related to This Offering—We or Freedom Mortgage or its affiliates may be subject to adverse legislative or regulatory changes and to regulatory inquiries or proceedings", "Business—Legal Proceedings", "Our Manager and Management Agreement—The Management Agreement", "Certain Relationships and Related Party Transactions—Management Agreement", "Certain Relationships and Related Party Transactions—Transactions with Freedom Mortgage" and "Certain Provisions of Maryland Law and of Our Charter and Bylaws", insofar as such statements constitute summaries of legal proceedings, agreements or documents discussed therein are correct in all material respects and fairly summarize such legal proceedings, agreements or documents.

(xxxv) Commencing with its short taxable year ending December 31, 2013, the Company will be organized and operated in conformity with the requirements for qualification and taxation as a "real estate investment trust" (a "REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, and the treasury regulations thereunder (the "Code"), and the Company's proposed method of operation as described in the Time of Sale Prospectus and the Prospectus will enable the Company to meet, on a continuing basis, the requirements for qualification and taxation as a REIT under the Code, and no actions have been taken (or not taken which are required to be taken) which would reasonably be expected to cause such qualification and taxation to be lost. The Company currently intends to continue to operate in a manner which would permit it to qualify and be taxed as a REIT under the Code. The Company has no current intention of changing its operations or engaging in activities which would reasonably be expected to cause it to fail to qualify, or make economically undesirable its continued qualification, as a REIT under the Code.

(xxxvi) The Company's and its subsidiaries' conflicts of interest, investment allocation and operating policies and investment guidelines described in the Time of Sale Prospectus and the Prospectus accurately reflect in all material respects the current intentions of the Company and its subsidiaries with respect to the operation of its business.

(b) The Manager represents and warrants to and agrees with each of the Underwriters that:

(i) The information contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus regarding the Manager (collectively, the "Manager Package") is true and correct in all material respects.

(ii) The Manager has been duly formed, is validly existing as a limited liability company in good standing under the laws of the jurisdiction of its incorporation, has the limited liability company power and authority to own its property and conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not, individually or in the aggregate, have a material adverse effect, or any development that could reasonably be expected to have a material adverse effect on the financial condition, business, properties, results of operations or prospects, whether or not arising in the ordinary course of business, of the Manager (or "**Manager Material Adverse Effect**"). The Manager does not own or control, directly or indirectly, any subsidiaries.

(iii) The execution and delivery by the Manager of, and the performance by the Manager of its obligations under, this Agreement and the performance of the Management Agreement and the Services Agreement, dated May 1, 2013 (the "**Services Agreement**"), between the Manager and Freedom Mortgage Corporation ("**Freedom Mortgage**"), by the Manager will not contravene any provision of applicable law or the certificate of formation or operating agreement of the Manager or any agreement or other instrument binding upon the Manager that is material to the Manager, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Manager that is material to the Manager, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Manager of its obligations under this Agreement.

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

(v) Each of the Management Agreement and the Services Agreement has been duly authorized, executed and delivered by the Manager and constitutes a legal, valid and binding agreement of the Manager enforceable against the Manager in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, and by general principles of equity.

(vi) The Manager possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct its business, and the Manager has not received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a Manager Material Adverse Effect.

(vii) The Manager owns or possesses, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by it in connection with the business now operated by it, and the Manager has not received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a Manager Material Adverse Effect.

(viii) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Manager from that set forth in the Time of Sale Prospectus.

(ix) Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, (A) the Manager has not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction; (B) the Manager has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (C) there has not been any material change in the capital stock, short-term debt or long-term debt of the Manager, except in each case as described in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, respectively.

(x) There are no legal or governmental proceedings pending or threatened to which the Manager is a party or to which any of the properties of the Manager is subject (A) other than proceedings accurately described in all material respects in the Time of Sale Prospectus, proceedings if resolved adversely to the Manager, would not have a Manager Material Adverse Effect and proceedings that, if resolved adversely to the Manager, would not reasonably be expected to

materially and adversely affect the power or ability of the Manager to perform its obligations under this Agreement, the Management Agreement or the Services Agreement or to consummate the transactions contemplated by the Time of Sale Prospectus or (B) that are required to be described in the Registration Statement or the Prospectus and are not so described.

(xi) The Manager is not prohibited by the Investment Advisers Act of 1940, as amended, or the rules and regulations thereunder, from performing its obligations under the Management Agreement and as described in the Registration Statement, the Time of Sale Prospectus and the Prospectus.

(xii) The Manager maintains a system of internal controls in place sufficient to provide that (A) the transactions that may be effectuated by the Manager under the Management Agreement are executed in accordance with its management's general or specific authorization and (B) access to the Company's assets is permitted only in accordance with management's general or specific authorization.

(xiii) The Manager has not been notified that (A) any officer of the Company or (B) any person listed under "Our Manager and the Management Agreement" or "Management" in the Registration Statement, the Time of Sale Prospectus and the Prospectus plans to terminate its or their employment with the Manager (collectively, the "Manager Key Personnel"). Neither the Manager, nor any officer of the Company or Manager Key Personnel is subject to any noncompete, nondisclosure, confidentiality, employment, consulting or similar agreement that would be violated by the present or proposed business activities of the Company or the Manager as described in the Registration Statement, the Time of Sale Prospectus and the Prospectus, except where such violation would not have a Manager Material Adverse Effect.

2. *Agreements to Sell and Purchase.* The Company hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Company the respective numbers of Firm Shares set forth in Schedule I hereto opposite its name at $_____ a share (the "**Purchase Price**"). In addition, in connection with the sales of Firm Shares, the Manager agrees to pay to Barclays Capital Inc., for the account of the Underwriters, $_____ per share (which represents underwriting commissions payable by the Manager) (the "**Manager Payment**") with respect to the Firm Shares.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have the right to purchase, severally and not jointly, up to _____ Additional Shares at the Purchase Price, provided, however, that the amount paid by the Underwriters for any Additional Shares shall be reduced by an amount per share equal to any dividends declared by the Company and payable on the Firm Shares but not payable on such Additional Shares. You may

exercise this right on behalf of the Underwriters in whole or from time to time in part by giving written notice not later than 30 days after the date of this Agreement. Any exercise notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Unless otherwise agreed to by the Company, each purchase date must be at least one business day after the written notice is given and may not be earlier than the closing date for the Firm Shares nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. On each day, if any, that Additional Shares are to be purchased (an "**Option Closing Date**"), each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased on such Option Closing Date as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares. In addition, in connection with the sale of any Additional Shares, the Manager agrees to make the per share Manager Payment with respect to such Additional Shares.

3. *Terms of Public Offering*. The Company is advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Company is further advised by you that the Shares are to be offered to the public initially at $_____ a share (the "**Public Offering Price**") and to certain dealers selected by you at a price that represents a concession not in excess of $_____ a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of $_____ a share, to any Underwriter or to certain other dealers.

4. *Payment and Delivery.* Payment for the Firm Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on [ ], 2013, or at such other time on the same or such other date, not later than [ ], 2013, as shall be designated in writing by you and the Company. The time and date of such payment are hereinafter referred to as the "**Closing Date**." Payment of the Manager Payment with respect to the Firm Shares shall be made to Barclays Capital Inc. at the Closing Date by wire transfer of immediately available funds to a bank account designated by Barclays Capital Inc.

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the corresponding notice described in Section 2 or at such other time on the same or on such other date, in any event not later than [ ], 2013, as shall be designated in writing by you and the Company. Payment of the Manager Payment with respect to any Additional Shares shall be made to Barclays Capital Inc. at each Option Closing Date by wire transfer of immediately available funds to a bank account designated by Barclays Capital Inc.

The Firm Shares and Additional Shares shall be registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the applicable Option Closing Date, as the case may be. The Firm Shares and Additional Shares shall be delivered to you on the Closing Date or an Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

5. *Conditions to the Underwriters' Obligations*. The obligations of the Company to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than [_____] (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date or Option Date, as applicable:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the securities of the Company or any of its subsidiaries by any "nationally recognized statistical rating organization," as such term is defined in Section 3(a)(62) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") (it being understood, however, that as of the date hereof, the Company has not been accorded any such rating); and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, or the Manager, from that set forth in the Time of Sale Prospectus that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company, to the effect set forth in Section 5(a) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Manager, to the effect that the representations and warranties of the Manager contained in this Agreement are true and correct as of the Closing Date and that the Manager has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date and containing.

The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(d) The Underwriters shall have received on the Closing Date an opinion and negative assurance letter of Hunton & Williams LLP, outside counsel for the Company, dated the Closing Date, in the forms attached hereto as Annex A-1 and Annex A-2, respectively, and an opinion of Hunton & Williams LLP, outside tax counsel for the Company, dated the Closing Date, in the form attached hereto as Annex B.

(e) The Underwriters shall have received on the Closing Date an opinion of Venable LLP, Maryland counsel for the Company, dated the Closing Date, in the form attached hereto as Annex C.

(f) The Underwriters shall have received on the Closing Date an opinion of Robert Wipperman, in-house counsel for Freedom Mortgage, dated the Closing Date, in the form attached hereto as Annex D.

(g) The Underwriters shall have received on the Closing Date an opinion of Fried, Frank, Harris, Shriver & Jacobson LLP, counsel for the Underwriters, dated the Closing Date, covering such matters as the Underwriters may require.

The opinions of Hunton & Williams LLP, Venable LLP and Robert Wipperman, in-house counsel for Freedom Mortgage, described in Sections 5(d), 5(e) and 5(f) above, respectively, shall be rendered to the Underwriters at the request of the Company and shall so state therein.

(h) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from Ernst & Young LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus; *provided* that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(i) The Underwriters shall have received on the date hereof, in form and substance satisfactory to the Underwriters, a report of an independent public accounting firm, acceptable to the Representatives, on applying agreed-upon procedures with respect to selected servicing and production statistics of Freedom Mortgage contained in the Registration Statement and the Time of Sale Prospectus.

(j) The Underwriters shall have received on the date hereof a certificate, dated the date hereof and signed by the Chief Executive Officer of Freedom Mortgage, in the form attached hereto as Annex D (the "**Freedom Mortgage Certificate**").

(k) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and each of the individuals and entities listed on Schedule III hereto relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

(l) Barclays Capital Inc. shall have received the Manager Payment with respect to the Firm Shares and, if applicable, the Additional Shares.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the applicable Option Closing Date of such documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares to be sold on such Option Closing Date and other matters related to the issuance of such Additional Shares.

6. *Covenants of the Company*. The Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, [ ] signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 6(e) or 6(f) below, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement, the Time of Sale Prospectus or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) To furnish to you a copy of each proposed free writing prospectus to be prepared by or on behalf of, used by, or referred to by the Company and not to use or refer to any proposed free writing prospectus to which you reasonably object.

(d) Not to take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Underwriter that the Underwriter otherwise would not have been required to file thereunder.

(e) If the Time of Sale Prospectus is being used to solicit offers to buy the Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus in order to make the statements therein, in the light of the circumstances, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement then on file, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not, in the light of the circumstances when the Time of Sale Prospectus is delivered to a prospective purchaser, be misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.

(f) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with applicable law.

(g) To use its reasonable best efforts to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request, provided that the Company shall not be required to qualify to do business in any jurisdiction where it is not now so qualified or to take any action that would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject.

(h) To make generally available to the Company’s security holders and to you as soon as practicable an earning statement covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the date of this Agreement which shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(i) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and the Company's accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the reasonable cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 6(g) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the Financial Industry Regulatory Authority, (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Stock and all costs and expenses incident to listing the Shares on the New York Stock Exchange, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the fees, disbursements and expenses related to the report on applying agreed-upon procedures to be delivered pursuant to Section 5(h) of this Agreement, (ix) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show, (x) the document production charges and expenses associated with printing this Agreement and (xi) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section; provided, however, the aggregate amount of fees and disbursements to counsel for the Underwriters to be paid by the Company pursuant to clause (iii) and clause (iv) of this Section 6(i), when taken together, shall not exceed $[ ]. It is understood, however, that except as provided in this Section, Section 8 entitled "Indemnity and Contribution" and the last paragraph of Section 10 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

(j) The Company will promptly notify the Representatives if the Company ceases to be an Emerging Growth Company at any time prior to the later of (a) completion of the distribution of the Shares within the meaning of the Securities Act and (b) completion of the Restricted Period (as defined in this Section 6).

(k) If at any time following the distribution of any Written Testing-the-Waters Communication there occurred or occurs an event or development as a result of which such Written Testing-the-Waters Communication included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such untrue statement or omission.

The Company also covenants with each Underwriter that, without the prior written consent of the Representatives on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus (the "**Restricted Period**"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (3) file any registration statement with the Commission relating to the offering of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock.

The restrictions contained in the preceding paragraph shall not apply to (a) the Shares to be sold hereunder and the issuance of shares of Common Stock in the concurrent private placement[s] described in the Time of Sale Prospectus and the Prospectus, (b) the issuance by the Company of shares of Common Stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof of which the Underwriters have been advised in writing, (c) the filing of a registration statement with the Commission on Form S-8 relating to the offering of securities in accordance with the terms of an equity incentive plan, employment agreement or other similar arrangements, or (d) the grant of restricted stock, options or other securities pursuant to the Company's 2013 Equity Incentive Plan (as defined in the Time of Sale Prospectus) as described in the Registration Statement, Time of Sale Prospectus and the Prospectus.

7. *Covenants of the Underwriters*. Each Underwriter severally covenants with the Company not to take any action that would result in the Company being required to file with the Commission under Rule 433(d) a free writing prospectus prepared by or on behalf of such Underwriter that otherwise would not be required to be filed by the Company thereunder, but for the action of the Underwriter.

8. *Indemnity and Contribution.* (a) The Company agrees to indemnify and hold harmless each Underwriter, its directors, officers and employees and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus or any amendment or supplement thereto, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, any "issuer information" that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act, any road show as defined in Rule 433(h) under the Securities Act (a "road show"), the Prospectus or any amendment or supplement thereto or any Written Testing-the-Waters Communication, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein

(b) Freedom Mortgage agrees to indemnify and hold harmless each Underwriter, its directors, officers and employees and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact in the Circled Information (as defined in the Freedom Mortgage Certificate) contained in the Registration Statement or any amendment thereof or contained in any preliminary prospectus, the Time of Sale Prospectus or any amendment or supplement thereto, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, any road show, the Prospectus or any amendment or supplement thereto or any Written Testing-the-Waters Communication, or caused by any omission or alleged omission to state in the Circled Information a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Underwriter set forth in Section 8(a), but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any issuer free writing prospectus, road show or the Prospectus or any amendment or supplement thereto.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 8(a), 8(b) or 8(b), such person (the "**indemnified party**") shall promptly notify the person against whom such indemnity may be sought (the "**indemnifying party**") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Representatives, in the case of parties indemnified pursuant to Section 8(a) or 8(b), and by the Company, in the case of parties indemnified pursuant to Section 8(c). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(e) To the extent the indemnification provided for in Section 8(a), 8(b) or 8(c) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and Freedom Mortgage on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 8(e) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(e) above but also the relative fault of the Company and Freedom Mortgage, as applicable, on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company and Freedom Mortgage on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as, with respect to the Company, the net proceeds from the offering of the Shares (before deducting expenses) received by the Company and, with respect to Freedom Mortgage, $[ ] million, and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Company and/or Freedom Mortgage on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, (A) in the case of the Company, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, (B) in the case of Freedom Mortgage, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to the Circled Information, and (iii) in the case of the Underwriters, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Underwriters, and in each case the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 8 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(f) The Company, Freedom Mortgage and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 8 were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 8(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in Section 8(e) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has

otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 8 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(g) The indemnity and contribution provisions contained in this Section 8 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter, any person controlling any Underwriter or any affiliate of any Underwriter, by or on behalf of the Company, its officers or directors or any person controlling the Company, or by or on behalf of Freedom Mortgage, its officers or directors or any person controlling Freedom Mortgage and (iii) acceptance of and payment for any of the Shares.

9. *Termination*. The Underwriters may terminate this Agreement by notice given by you to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the New York Stock Exchange, the NYSE MKT LLC, the NASDAQ Global Market, the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by Federal or New York State or (v) there shall have occurred any outbreak or escalation of hostilities, or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and which, singly or together with any other event specified in this clause (v), makes it, in your judgment, impracticable or inadvisable to proceed with the offer, sale or delivery of the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus or the Prospectus.

10. *Effectiveness; Defaulting Underwriters*. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or an Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule I bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; *provided* that in no event shall the number of Shares

that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 10 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased on such date, and arrangements satisfactory to you and the Company for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement, in the Time of Sale Prospectus, in the Prospectus or in any other documents or arrangements may be effected. If, on an Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased on such Option Closing Date, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase the Additional Shares to be sold on such Option Closing Date or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement (which, for the purposes of this Section 10, shall not include termination by the Underwriters under clauses (i), (iii), (iv) or (v) of Section 9), the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder. If this Agreement is terminated by reason of the default of one or more Underwriters, the Company shall not be obligated to reimburse any such defaulting Underwriter for its out-of-pocket expenses.

11. *Entire Agreement*. (a) This Agreement, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Agreement) that relate to the offering of the Shares, represents the entire agreement between the Company and the Underwriters with respect to the preparation of any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, the conduct of the offering, and the purchase and sale of the Shares.

(b) The Company acknowledges that in connection with the offering of the Shares: (i) the Underwriters have acted at arms length, are not agents of, and owe no fiduciary duties to, the Company or any other person, (ii) the Underwriters owe the Company only those duties and obligations set forth in this Agreement and prior written agreements (to the extent not superseded by this Agreement), if any, and (iii) the Underwriters may have interests that differ from those of the Company. The Company waives to the full extent permitted by applicable law any claims it may have against the Underwriters arising from an alleged breach of fiduciary duty in connection with the offering of the Shares.

12. *Research Analyst Independence*. The Company acknowledges that the Underwriters' research analysts and research departments are required to be independent from their respective investment banking divisions and are subject to certain regulations and internal policies, and that such Underwriters' research analysts may hold views and make statements or investment recommendations and/or publish research reports with respect to the Company and/or the offering that differ from the views of their respective investment banking divisions. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Underwriters with respect to any conflict of interest that may arise from the fact that the views expressed by their independent research analysts and research departments may be different from or inconsistent with the views or advice communicated to the Company by such Underwriters' investment banking divisions. The Company acknowledges that each of the Underwriters is a full service securities firm and as such from time to time, subject to applicable securities laws, may effect transactions for its own account or the account of its customers and hold long or short positions in debt or equity securities of the companies that may be the subject of the transactions contemplated by this Agreement.

13. *Counterparts*. This Agreement may be signed in two or more counterparts, including by PDF, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

14. *Applicable Law*. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

15. *Headings*. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

16. *Notices*. All communications hereunder shall be in writing and effective only upon receipt and if to the Underwriters shall be delivered, mailed or sent to you in care of the Representatives at Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department, and Barclays Capital Inc., 745 Seventh Avenue, New York, New York 10019, Attention of Syndicate Registration (Fax: 646-834-8133); if to the Company shall be delivered, mailed or sent to Cherry Hill Mortgage Investment Corporation, 301 Harper Drive, Suite 110, Moorestown, New Jersey 08057, Attention: Martin J. Levine, Chief Financial Officer (Fax: (877) 870-7005); if to the Manager shall be delivered, mailed or sent to Cherry Hill Mortgage Management, LLC, 301 Harper Drive, Suite 110, Moorestown, New Jersey 08057, Attention: Stanley C. Middleman, sole member (Fax: (877) 870-7005); and if to Freedom Mortgage, shall be delivered to Freedom Mortgage Corporation, 907 Pleasant Valley Avenue, Suit 3, Mount Laurel, New Jersey 08054, Attention: Chief Corporate Counsel (Fax: (877) 239-2533).

Very truly yours,

CHERRY HILL MORTGAGE INVESTMENT CORPORATION

By: _____
Name:
Title:

CHERRY HILL MORTGAGE MANAGEMENT, LLC

By: _____
Name:
Title:

FREEDOM MORTGAGE CORPORATION

By: _____
Name:
Title:

Accepted as of the date hereof

Barclays Capital Inc.
Morgan Stanley & Co. LLC

Acting severally on behalf of themselves and the several Underwriters named in Schedule I hereto.

By: Barclays Capital Inc.

By: _____
Name:
Title:

By: Morgan Stanley & Co. LLC

By: _____
Name:
Title:

SCHEDULE I

Underwriter	Number of Firm Shares To Be Purchased
Barclays Capital Inc.	
Morgan Stanley & Co. LLC	
Citigroup Global Markets Inc.	
UBS Securities LLC	
JMP Securities LLC	
Sterne, Agee & Leach, Inc.	
Total:	

SCHEDULE II

Time of Sale Prospectus

1. Preliminary Prospectus issued [date]

2. [all free writing prospectuses filed by the Company under Rule 433(d) of the Securities Act]

3. The Public Offering Price: $[ ]

4. The number of Firm Shares: [ ]

Individuals and Entities Subject to a Lock-up Agreement

180-day Lock-up Period

1. Jeffrey B. Lown II
2. Martin J. Levine
3. Jonathan Kislak
4. Joseph Murin
5. Robert Salcetti
6. Cherry Hill Mortgage Management, LLC
7. Freedom Mortgage Corporation

12-month Lock-up Period

1. Stanley C. Middleman

EXHIBIT A

FORM OF LOCK-UP LETTER

[ ], 2013

Barclays Capital Inc.
Morgan Stanley & Co. LLC

c/o Barclays Capital Inc.
745 Seventh Avenue
New York, New York 10019

Morgan Stanley & Co. LLC
1585 Broadway
New York, NY 10036

Ladies and Gentlemen:

The undersigned understands that Barclays Capital Inc. and Morgan Stanley & Co. LLC (together, the "**Representatives**") propose to enter into an Underwriting Agreement (the "**Underwriting Agreement**") with Cherry Hill Mortgage Investment Corporation, a Maryland corporation (the "**Company**"), providing for the public offering (the "**Public Offering**") by the several Underwriters, including Barclays Capital Inc. and Morgan Stanley & Co. LLC (the "**Underwriters**"), of _____ shares (the "**Shares**") of the Common Stock, $0.01 par value per share of the Company (the "**Common Stock**").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of the Representatives, on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending [180 days]/[one year] after the date of the final prospectus (the "**Restricted Period**") relating to the Public Offering (the "**Prospectus**"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock beneficially owned (as such term is used in Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")), by the undersigned or any affiliate of the undersigned or any other securities so owned convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) transfers of shares of Common Stock or any security convertible into Common Stock as a bona fide gift, or (b) distributions of shares of Common Stock or any security convertible

into Common Stock to limited partners or stockholders of the undersigned; *provided* that in the case of any transfer or distribution pursuant to clause (a) or (b), (i) each donee or distributee shall sign and deliver a lock-up letter substantially in the form of this letter and (ii) no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made during the Restricted Period. In addition, the undersigned agrees that, without the prior written consent of the Representatives on behalf of the Underwriters, it will not, during the Restricted Period, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's shares of Common Stock except in compliance with the foregoing restrictions.

The undersigned understands that the Company and the Underwriters are relying upon this agreement in proceeding toward consummation of the Public Offering. The undersigned further understands that this agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

Very truly yours,

_____

(Name)

_____

(Address)

Form of Opinion of Hunton & Williams LLP, outside counsel to the Company

Annex A-1-1

Form of Negative Assurance Letter of Hunton & Williams LLP, outside counsel to the Company

Form of Opinion of Hunton & Williams LLP, special tax counsel to the Company

Annex B-1

ANNEX C

Form of Opinion of Venable LLP, special counsel for the Company

Annex C-1

Form of Opinion of Robert Wipperman, in-house counsel for Freedom Mortgage

Annex D

Exhibit 5.1

VENABLE® LLP

750 E. PRATT STREET SUITE 900 BALTIMORE, MD 21202
T 410.244.7400 F 410.244.7742 www.Venable.com

September 25, 2013

Cherry Hill Mortgage Investment Corporation
301 Harper Drive, Suite 110
Moorestown, NJ 08057

Re: Registration Statement on Form S-11 (File No. 333-188214)

Ladies and Gentlemen:

We have served as Maryland counsel to Cherry Hill Mortgage Investment Corporation, a Maryland corporation (the "Company"), in connection with certain matters of Maryland law relating to the registration and issuance by the Company of up to 7,475,000 shares (the "Shares") of common stock, $0.01 par value per share, of the Company (including up to 975,000 Shares issuable pursuant to an over-allotment option). The Shares are covered by the above-referenced Registration Statement, and all amendments thereto (the "Registration Statement"), filed by the Company with the United States Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "1933 Act").

In connection with our representation of the Company, and as a basis for the opinion hereinafter set forth, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the "Documents"):

1. The Registration Statement and the related form of prospectus included therein in the form in which it was transmitted to the Commission under the 1933 Act;

2. The charter of the Company (the "Charter"), certified by the State Department of Assessments and Taxation of Maryland (the "SDAT");

3. The Bylaws of the Company, certified as of the date hereof by an officer of the Company;

4. A certificate of the SDAT as to the good standing of the Company, dated as of a recent date;

5. Resolutions adopted by the Board of Directors of the Company relating to, among other matters, the authorization of the sale, issuance and registration of the Shares (the "Resolutions"), certified as of the date hereof by an officer of the Company;

6. A certificate executed by an officer of the Company, dated as of the date hereof; and

7. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth below, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed the following:

1. Each individual executing any of the Documents, whether on behalf of such individual or another person, is legally competent to do so.

2. Each individual executing any of the Documents on behalf of a party (other than the Company) is duly authorized to do so.

3. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding and are enforceable in accordance with all stated terms.

4. All Documents submitted to us as originals are authentic. The form and content of all Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. All Documents submitted to us as certified or photostatic copies conform to the original documents. All signatures on all Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All representations, warranties, statements and information contained in the Documents are true and complete. There has been no oral or written modification of or amendment to any of the Documents, and there has been no waiver of any provision of any of the Documents, by action or omission of the parties or otherwise.

5. The Shares will not be issued or transferred in violation of the restrictions on transfer and ownership contained in Article VII of the Charter.

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that:

1. The Company is a corporation duly incorporated and existing under and by virtue of the laws of the State of Maryland and is in good standing with the SDAT.

2. The issuance of the Shares has been duly authorized and, when issued and delivered by the Company in accordance with the Resolutions and the Registration Statement against payment of the consideration set forth therein, the Shares will be validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the laws of the State of Maryland and we do not express any opinion herein concerning any other law. We express no opinion as to the applicability or effect of federal or state securities laws, including the securities laws of the State of Maryland, or as to federal or state laws regarding fraudulent transfers. To the extent that any matter as to which our opinion is expressed herein would be governed by the laws of any jurisdiction other than the State of Maryland, we do not express any opinion on such matter. The opinion expressed herein is subject to the effect of any judicial decision which may permit the introduction of parol evidence to modify the terms or the interpretation of agreements.

The opinion expressed herein is limited to the matters specifically set forth herein and no other opinion shall be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinion expressed herein after the date hereof.

This opinion is being furnished to you for submission to the Commission as an exhibit to the Registration Statement. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of the name of our firm therein. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the 1933 Act.

Very truly yours,

/s/ Venable LLP

125436-347661

Exhibit 8.1

HUNTON & WILLIAMS LLP
RIVERFRONT PLAZA, EAST TOWER
951 EAST BYRD STREET
RICHMOND, VIRGINIA 23219-4074

TEL 804 — 788 — 8200
FAX 804 — 788 — 8218

FILE NO: 48096.000004

September 25, 2013

Cherry Hill Mortgage Investment Corporation
301 Harper Drive, Suite 110
Moorestown, NJ 08057

Cherry Hill Mortgage Investment Corporation
Qualification as
Real Estate Investment Trust

Ladies and Gentlemen:

We have acted as tax counsel to Cherry Hill Mortgage Investment Corporation, a Maryland corporation (the "Company"), in connection with the preparation of a registration statement on Form S-11 (the "Registration Statement"), as filed with the Securities and Exchange Commission on March 13, 2013, as amended through the date hereof, with respect to the offer and sale of up to 7,475,000 shares of common stock, par value $0.01 per share, of the Company (the "Common Stock"). You have requested our opinion regarding certain U.S. federal income tax matters.

In giving this opinion letter, we have examined the following:

1. the Registration Statement and the Prospectus filed as part of the Registration Statement;
2. the Company's Charter;
3. the Amended and Restated Agreement of Limited Partnership of Cherry Hill Operating Partnership, LP (the "Operating Partnership"); and
4. such other documents as we have deemed necessary or appropriate for purposes of this opinion.

In connection with the opinions rendered below, we have assumed, with your consent, that:

1. each of the documents referred to above has been duly authorized, executed, and delivered; is authentic, if an original, or is accurate, if a copy; and has not been amended;

2. during its short taxable year ending December 31, 2013 and future taxable years, the Company will operate in a manner that will make the factual representations contained in a certificate, dated the date hereof and executed by a duly appointed officer of the Company (the "Officer's Certificate"), true for such years;

3. the Company will not make any amendments to its organizational documents after the date of this opinion that would affect the Company's qualification as a real estate investment trust (a "REIT") for any taxable year; and

4. no action will be taken by the Company after the date hereof that would have the effect of altering the facts upon which the opinions set forth below are based.

In connection with the opinions rendered below, we also have relied upon the correctness of the factual representations contained in the Officer's Certificate and the factual matters discussed in the Prospectus that relate to the Company's status as a REIT. We are not aware of any facts that are inconsistent with the representations contained in the Officer's Certificate. Where the factual representations in the Officer's Certificate involve terms defined in the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury regulations thereunder (the "Regulations"), published rulings of the Internal Revenue Service (the "Service"), or other relevant authority, we have reviewed with the individual making such representations the relevant provisions of the Code, the applicable Regulations, the published rulings of the Service, and other relevant authority.

Based solely on the documents and assumptions set forth above, the representations set forth in the Officer's Certificate, and the factual matters discussed in the Prospectus under the caption "Material U.S. Federal Income Tax Considerations" (which is incorporated herein by reference), we are of the opinion that:

(a) commencing with its short taxable year ending on December 31, 2013, the Company will be organized in conformity with the requirements for qualification and taxation as a REIT pursuant to sections 856 through 860 of the Code, and the Company's organization and proposed method of operation will enable it to qualify as a REIT under the Code for its short taxable year ending December 31, 2013 and thereafter; and

(b) the descriptions of the law and the legal conclusions contained in the Prospectus under the caption "Material U.S. Federal Income Tax Considerations" are correct in all material respects.

We will not review on a continuing basis the Company's compliance with the documents or assumptions set forth above, or the representations set forth in the Officer's Certificate. Accordingly, no assurance can be given that the actual results of the Company's operations for any given taxable year will satisfy the requirements for qualification and taxation as a REIT. Although we have made such inquiries and performed such investigations as we have deemed necessary to fulfill our professional responsibilities as counsel, we have not undertaken an independent investigation of all the facts referred to in this opinion letter or the Officer's Certificate.

The foregoing opinions are based on current provisions of the Code and the Regulations, published administrative interpretations thereof, and published court decisions. The Service has not issued Regulations or administrative interpretations with respect to various provisions of the Code relating to REIT qualification. No assurance can be given that the law will not change in a way that will prevent the Company from qualifying as a REIT.

The foregoing opinions are limited to the U.S. federal income tax matters addressed herein, and no other opinions are rendered with respect to other U.S. federal tax matters or to any issues arising under the tax laws of any other country, or any state or locality. We undertake no obligation to update the opinions expressed herein after the date of this letter. This opinion letter speaks only as of the date hereof. Except as provided in the next paragraph, this opinion letter may not be distributed, quoted in whole or in part or otherwise reproduced in any document, or filed with any governmental agency without our express written consent.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. We also consent to the references to Hunton & Williams LLP under the captions “Material U.S. Federal Income Tax Considerations” and “Legal Matters” in the Prospectus. In giving this consent, we do not admit that we are in the category of persons whose consent is required by Section 7 of the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder by the Securities and Exchange Commission.

Very truly yours,

/s/ Hunton & Williams LLP

01655/09346

Exhibit 10.1

Strategic Alliance Agreement

AGREEMENT made as of _____, 2013, between Freedom Mortgage Corporation, a New Jersey corporation ("Freedom Mortgage"), and Cherry Hill Mortgage Investment Corp., a Maryland corporation ("Cherry Hill").

WITNESSETH:

WHEREAS, Freedom Mortgage is a privately held, national mortgage bank that originates and services mortgage loans secured by liens on one- to four-family properties; and

WHEREAS, Cherry Hill is a newly formed affiliate of Freedom Mortgage that intends to elect and qualify as a Real Estate Investment Trust under the Internal Revenue Code of 1986, as amended; and

WHEREAS, Cherry Hill will have access to capital, including capital raised through one or more offerings of its securities; and

WHEREAS, Cherry Hill will seek to benefit from having a consistent and predictable source of real estate assets from Freedom Mortgage, and Freedom Mortgage will seek to benefit from the liquidity available to Cherry Hill; and

WHEREAS, the parties desire to set forth the terms of a strategic alliance that is expected to benefit them both;

NOW, THEREFORE, in consideration of the foregoing, and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties here to agree as follows.

Section 1. Definitions.

(a) The following terms shall have the meanings specified wherever used in this Agreement.

Acknowledgement Agreement: The Acknowledgement Agreement to be entered into by Freedom Mortgage, as Issuer, Cherry Hill, as Secured Party, and the Government National Mortgage Association.

Action: Any civil, criminal, investigative or administrative claim, demand, action, suit, charge, citation, complaint, notice of violation, proceeding (public or private), litigation, prosecution, arbitration or inquiry by or before any Governmental Entity whether at law, in equity or otherwise.

Agreement: This Strategic Alliance Agreement as the same may be amended in accordance with the terms hereof.

Ancillary Agreements: The Acknowledgement Agreement, the Purchase Agreement and the Flow Agreement.

Base Servicing Fee: As to any Mortgage Loan and any Collection Period, an amount equal to the product of the Base Servicing Fee Rate, the UPB of that Mortgage Loan as of the related Measurement Date and 1/12 or, for the first Collection Period, the number of days in such Collection Period divided by 360; pro*vided*, *however,* that payment of the Base Servicing Fee for any delinquent Mortgage Loan shall be suspended unless and until Freedom Mortgage recovers the amount thereof from payments in respect thereof from the related mortgagor or the amount thereof is otherwise recovered from liquidation of the related property.

Base Servicing Fee Rate: As to any Mortgage Loan, the per annum rate specified to be payable to Freedom Mortgage to cover the actual costs of servicing. For example, the Base Servicing Fee Rate for the Mortgage Loans in the initial pool will be eight (8) basis points.

Business Day: Any day other than a Saturday or Sunday or a day on which banks in New Jersey and New York are authorized or obligated by law to close.

Closing: The closing of the initial public offering of the common stock of Cherry Hill.

Closing Date: The date of the Closing.

Collection Period: The period beginning on the Closing Date and ending on the last day of the calendar month in which the Closing Date occurs and each calendar month thereafter.

Excess MSR: As to any Mortgage Loan, the portion of the servicing fee for that Mortgage Loan that exceeds the Base Servicing Fee.

Flow Agreement : The Flow and Bulk Purchase Agreement to be entered into between Cherry Hill, as purchaser, and Freedom Mortgage, as seller, substantially in the form of Exhibit B attached hereto.

GAAP: Generally accepted accounting principles in the United States as in effect from time to time as set forth in the statements, pronouncements and opinions of the Accounting Principles Board and the American Institute of Certified Public Accountants.

Ginnie Mae: The Government National Mortgage Association, a corporation within the United States Department of Housing and Urban Development.

Governmental Entity: Any federal, state or local governmental authority, agency, commission or court or self-regulatory authority or commission.

Guide: The Ginnie Mae Mortgage Backed Securities Guide.

Law: Any law, statute, ordinance, rule, regulation, code, Permit, Order, or decree of any Governmental Entity.

Lien: Any lien, pledge, security interest, mortgage, deed of trust, claim, encumbrance, easement, servitude, encroachment, covenant, charge or similar right of any other Person of any kind or nature whatsoever.

Material Adverse Effect: Any effect, event, circumstance, development or change that, individually or in the aggregate, has or is reasonably likely to have a material adverse effect on the ability of the named Party to consummate the Transactions or perform its material obligations hereunder.

Measurement Date: As to any Collection Period, the first day of such Collection Period.

Mortgage Loan: A loan originated and serviced by Freedom Mortgage and secured by a first lien on a one- to four- family residential property.

MSR: The compensation owing to a servicer of a Mortgage Loan for servicing such loan.

Order: Any applicable order, judgment, ruling, injunction, assessment, award, decree, writ, temporary restraining order, or any other order of any nature enacted, issued, promulgated, enforced or entered by a Governmental Entity.

Party: Either Freedom Mortgage or Cherry Hill, as the context may require.

Permit: Any license, permit, authorization, approval or consent issued by a Governmental Entity.

Person: Any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, limited liability partnership, joint venture, estate, trust, unincorporated organization, association, organization or other entity or form of business enterprise or Governmental Entity.

Purchase Agreement: The Excess MSR Acquisition and Recapture Agreement to be entered into by Cherry Hill, as purchaser, and Freedom Mortgage, as seller, substantially in the form of Exhibit A attached hereto.

Standby Trigger Event: The existence of any of the following: (i) Freedom Mortgage's Tangible Net Worth is less than the sum of $40,000,000 plus the required net worth determined in accordance with HUD's regulations; (ii) the percentage of the loans serviced for Ginnie Mae that are more than 90 days delinquent, determined as provided in the Ginnie Mae guide, exceeds 4.25% as of any date such delinquency percentage is reported to Ginnie Mae in accordance with that guide; (iii) the existence of a default, an event of default or an event which with the giving of notice or the passage of time or both, will become a default or an event of default under any warehouse agreement of Freedom Mortgage; or (iv) Freedom Mortgage's cash and cash equivalents are less than $50,000,000.

Tangible Net Worth: The net worth of Seller determined in accordance with GAAP, minus all intangibles determined in accordance with GAAP (including goodwill, capitalized financing costs and capitalized administration costs but excluding originated and purchased mortgage servicing rights or retained residual securities) and any and all advances to, investments in and receivables held from affiliates; provided, however, that the non-cash effect (gain or loss) of any mark-to-market adjustments made directly to stockholders' equity for fluctuation of the value of financial instruments as mandated under the Statement of Financial Accounting Standards No. 133 (or any successor statement) shall be excluded from the calculation of Tangible Net Worth.

Transactions: The execution, delivery and performance of this Agreement and the Ancillary Agreements and the performance of the other obligations set forth herein and therein.

UPB: As to any Mortgage Loan and any date of determination, the unpaid principal balance of such Mortgage Loan as of such date.

(b) When a reference is made in this Agreement to Sections or Exhibits, such reference shall be to a Section of or Exhibit to this Agreement unless otherwise indicated. Whenever the words "herein" or "hereunder" are used in this Agreement, they will be deemed to refer to this Agreement as a whole and not to any specific Section. References to Sections include subsections which are part of the related Section. Any Law defined herein will mean such Law as amended and will include any successor Law. The table of contents, index and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". Any singular term in this Agreement will be deemed to include the plural, and any plural term the singular. All pronouns and variations of pronouns will be deemed to refer to the feminine, masculine or neuter, singular or plural, as the identity of the person referred to may require. The phrases "the date of this Agreement", "the date hereof' and terms of similar import, unless the context otherwise requires, shall be deemed to refer to the date set forth in the preamble to this Agreement. Whenever a dollar figure ($) is used in this Agreement, it will mean United States dollars unless otherwise specified.

Section 2. The Acknowledgement Agreement

(a) Prior to the purchase and sale of Excess MSRs as contemplated by the Purchase Agreement, Freedom Mortgage and Cherry Hill shall execute the Acknowledgement Agreement with Ginnie Mae.

(b) Freedom Mortgage agrees that if a Standby Issuer (as defined in the Acknowledgement Agreement) has not yet been appointed, upon the occurrence of a Standby Trigger Event, it shall designate a Standby Issuer reasonably satisfactory to Cherry Hill and shall use its commercially reasonable efforts to cause such Standby Issuer to agree to act as such and to be accepted by Ginnie Mae as the Standby Issuer referred to in the Acknowledgement Agreement. Any costs or expenses incurred in connection with such designation, agreement and/or approval shall be paid by Freedom Mortgage.

(c) Cherry Hill agrees that upon the request of Freedom Mortgage, Cherry Hill shall cooperate with Freedom Mortgage's efforts to cause the Acknowledgement Agreement to be revised or replaced with an alternative arrangement proposed by Freedom Mortgage that is acceptable to Ginnie Mae and that will provide Cherry Hill with benefits, rights and remedies that are, in the reasonable judgment of Cherry Hill, not materially less favorable than those provided under the Acknowledgement Agreement.

(d) The Purchase Agreement will provide that Freedom Mortgage will indemnify Cherry Hill against, and hold it harmless from, any loss, cost or expense incurred by Cherry Hill as a result of Ginnie Mae's termination for cause of Freedom Mortgage as an issuer.

Section 3. Ancillary Agreements.

On or prior to the Closing Date, Cherry Hill and Freedom Mortgage shall enter into the Purchase Agreement and the Flow Agreement.

Section 4. Representations and Warranties.

(a) Freedom Mortgage represents and warrants to Cherry Hill that the statements contained in this Section 4(a) are true and correct in all material respects as of the date of this Agreement (or, if made as of a different specified date, as of such date) and will be true and correct in all material respects as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 4(a)).

(i) Freedom Mortgage is duly organized and validly existing and in good standing under the laws of the jurisdiction of its organization. Freedom Mortgage has all requisite corporate power and authority to own, lease and operate its assets and carry on its business as now conducted. Freedom Mortgage is duly licensed or qualified to do business in each jurisdiction where its ownership or leasing of assets or the conduct of its business requires such qualification, except where the failure to obtain such license or qualification would not reasonably be expected to have a Material Adverse Effect.

(ii) Freedom Mortgage has full corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements and to consummate the Transactions. The execution and delivery of this Agreement by Freedom Mortgage and the completion by Freedom Mortgage of the Transactions have been duly and validly authorized by all necessary corporate action of Freedom Mortgage. This Agreement has been duly and validly executed and delivered by Freedom Mortgage and constitutes the valid and binding obligation of Freedom Mortgage, enforceable against Freedom Mortgage in accordance with its terms, subject to applicable bankruptcy, insolvency and similar Laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity, whether applied in a court of law or a court of equity.

(iii) The execution and delivery of this Agreement and the consummation of the Transactions and compliance by Freedom Mortgage with any of the terms or provisions hereof will not: (i) conflict with or result in a breach or violation of or a default under any provision of the organizational documents of Freedom Mortgage; (ii) violate any Law applicable to Freedom Mortgage or any of its material properties or assets or enable any Person to enjoin the Transactions; or (iii) violate, conflict with, result

in a breach of any provisions of, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of, accelerate the performance required by, or result in a right of termination or acceleration or the creation of any Lien upon any of the properties or assets of Freedom Mortgage under any of the terms, conditions or provisions of any material contract to which Freedom Mortgage is a party, or by which it or any of its properties or assets may be bound or affected.

(iv) No consents, waivers or approvals of, or filings or registrations with, any Governmental Entity are necessary, and no consents, waivers or approvals of, or filings or registrations by Freedom Mortgage with, any other third parties are necessary, in connection with the execution and delivery of this Agreement by Freedom Mortgage, and the completion by Freedom Mortgage of the Transactions.

(v) Freedom Mortgage has all Permits of, and has made all filings, applications and registrations with, all Governmental Entities that are required in order for it to consummate the Transactions; all such Permits are in full force and effect and, to the knowledge of Freedom Mortgage, no suspension or cancellation of any such Permit is threatened or will result from the consummation of the Transactions.

(vi) Freedom Mortgage is not a party to any, nor are there pending, or to Freedom Mortgage's knowledge, threatened Actions (i) challenging the validity or propriety of any of the Transactions or (ii) which could materially and adversely affect the ability of Freedom Mortgage to perform under this Agreement or any Ancillary Agreement.

(b) Cherry Hill represents and warrants to Freedom Mortgage that the statements contained in this Section 4(b) are true and correct in all material respects as of the date of this Agreement (or, if made as of a different specified date, as of such date) and will be true and correct in all material respects as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 4(b)) and as of the date of any purchase and sale of Excess MSRs as contemplated hereby.

(i) Cherry Hill is duly organized and validly existing and in good standing under the laws of the jurisdiction of its organization. Cherry Hill has all requisite corporate power and authority to own, lease and operate its assets and carry on its business as now conducted. Cherry Hill is duly licensed or qualified to do business in each jurisdiction where its ownership or leasing of assets or the conduct of its business requires such qualification, except where the failure to obtain such license or qualification would not reasonably be expected to have a Material Adverse Effect.

(ii) Cherry Hill has full corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements and to consummate the Transactions. The execution and delivery of this Agreement by Cherry Hill and the completion by Cherry Hill of the Transactions have been duly and validly authorized by all necessary corporate action of Cherry Hill. This Agreement has been duly and validly executed and delivered by Cherry Hill and constitutes the valid and binding obligation of Cherry Hill, enforceable against Cherry Hill in accordance with its terms, subject to applicable bankruptcy, insolvency and similar Laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity, whether applied in a court of law or a court of equity.

(iii) The execution and delivery of this Agreement and the consummation of the Transactions and compliance by Cherry Hill with any of the terms or provisions hereof will not: (i) conflict with or result in a breach or violation of or a default under any provision of the organizational documents of Cherry Hill; (ii) violate any Law applicable to Cherry Hill or any of its material properties or assets or enable any Person to enjoin the Transactions; or (iii) violate, conflict with, result in a breach of any provisions of, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of, accelerate the performance required by, or result in a right of termination or acceleration or the creation of any Lien upon any of the properties or assets of Cherry Hill under any of the terms, conditions or provisions of any material contract to which Cherry Hill is a party, or by which it or any of its properties or assets may be bound or affected.

(iv) No consents, waivers or approvals of, or filings or registrations with, any Governmental Entity are necessary, and no consents, waivers or approvals of, or filings or registrations by Cherry Hill with, any other third parties are necessary, in connection with the execution and delivery of this Agreement by Cherry Hill, and the completion by Cherry Hill of the Transactions.

(v) Cherry Hill has all Permits of, and has made all filings, applications and registrations with, all Governmental Entities that are required in order for it to consummate the Transactions; all such Permits are in full force and effect and, to the knowledge of Cherry Hill, no suspension or cancellation of any such Permit is threatened or will result from the consummation of the Transactions.

(vi) Cherry Hill is not a party to any, nor are there pending, or to Cherry Hill's knowledge, threatened Actions (i) challenging the validity or propriety of any of the Transactions or (ii) which could materially and adversely affect the ability of Cherry Hill to perform under this Agreement.

Section 5. Term and Termination.

(a) Unless earlier terminated as provided below, this Agreement shall remain in effect until the later to occur of the date that is (x) three (3) years from the date hereof and (y) the date on which an affiliate of Freedom Mortgage is not acting as the external manager of Cherry Hill.

(b) In the event that a party materially breaches any representation or covenant herein, the other party may give written notice of the breach requiring the same to be remedied within 30 days of receipt of such notice. If the breaching party fails to remedy the material breach in such time period, the non-breaching party may terminate this Agreement by delivery of a written termination notice to the breaching party. Any such termination shall not relieve the breaching party from any obligation or liability arising prior to such termination.

Section 6. Miscellaneous.

(a) All notices or other communications hereunder shall be in writing and shall be deemed given if delivered by receipted hand delivery or mailed by prepaid registered or certified mail (return receipt requested) or by recognized overnight courier addressed as follows:

If to Freedom Mortgage to:
Freedom Mortgage Company
907 Pleasant Valley Ave., Suite 3
Mount Laurel, New Jersey 08054
Attention: Chief Corporate Counsel

If to Cherry Hill to:
Cherry Hill Mortgage Investment Corp.
301 Harper Drive
Moorestown, New Jersey 08057
Attention: Chief Financial Officer

or such other address as shall be furnished in writing by any Party. Any such notice or communication shall be deemed to have been given: (i) as of the date delivered by hand; (ii) three (3) Business Days after being delivered to the U.S. mail, postage prepaid; or (iii) one (1) Business Day after being delivered to the overnight courier.

(b) This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns; *provided, however*, that neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any Party without the prior written consent of the other Party. Nothing in this Agreement is intended to confer upon any other Person any rights or remedies under or by reason of this Agreement.

(c) This Agreement, including the Exhibits and Schedules hereto and the documents and other writings referred to herein or therein or delivered pursuant hereto, contains the entire agreement and understanding of the Parties with respect to its subject matter. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the Parties other than those expressly set forth herein or therein. This Agreement supersedes all prior agreements and understandings between the Parties, both written and oral, with respect to its subject matter.

(d) This Agreement may be executed in two or more counterparts, including by facsimile or electronic transmission, each of which shall be deemed an original but all of such counterparts together shall be deemed to be one and the same agreement.

(e) In the event that any one or more provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, by any court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement and the Parties shall use their reasonable efforts to substitute a valid, legal and enforceable provision which, insofar as practical, implements the purposes and intents of this Agreement.

(f) The Parties may (i) amend this Agreement, (ii) extend the time for the performance of any of the obligations or other acts of any other Party, (iii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, or (iv) waive compliance with any of the agreements or conditions contained herein. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the Parties. Any agreement on the part of a Party to any extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party, but such waiver or failure to insist on strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

(g) This Agreement shall be governed by the laws of the State of New York, without giving effect to its principles of conflicts of laws, other than Section 5-1401 of the New York General Obligations Law.

(h) Each Party irrevocably submits to the jurisdiction, including the personal jurisdiction, of (i) any New York State court sitting in New York County, and (ii) any Federal court of the United States sitting in New York County in the State of New York, solely for the purposes of any suit, action or other proceeding between any of the Parties arising out of this Agreement or the Transactions. Each Party agrees to commence any suit, action or proceeding relating hereto only in any Federal court of the United States sitting in New York County in the State of New York or, if such suit, action or other proceeding may not be brought in such court for reasons of subject matter jurisdiction, in any New York State court sitting in New York County. Each Party irrevocably and unconditionally waives any objection to the laying of venue of any suit, action or proceeding between any of the Parties arising out of this Agreement or the Transactions in (i) any New York State court sitting in New York County, and (ii) any Federal court of the United States sitting in New York County in the State of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Each Party irrevocably agrees to request that the applicable court adjudicate any covered claim on an expedited basis and to cooperate with each other to assure that an expedited resolution of any such dispute is achieved. Each Party irrevocably agrees to abide by the rules or procedure applied by the Federal courts or New York State courts (as the case may be) (including but not limited to procedures for expedited pre-trial discovery) and waive any objection to any such procedure on the ground that such procedure would not be permitted in the courts of some other jurisdiction or would be contrary to the laws of some other jurisdiction. Each Party further irrevocably consents to the service of process out of any of the aforementioned courts in any such suit, action or other proceeding by the mailing of copies thereof by registered mail to such Party at its address set forth in this Agreement, such service of process to be effective upon acknowledgment of receipt of such registered mail; *provided*, *that* nothing in this Section 6(h) shall affect the right of any Party to serve legal process in any other manner permitted by Law.

(i) The Parties agree that irreparable damage would occur in the event that the provisions contained in this Agreement were not performed in accordance with its specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

(j) **FREEDOM MORTGAGE AND CHERRY HILL HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY**.

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

FREEDOM MORTGAGE CORPORATION

By: _____
Name:
Title:

CHERRY HILL MORTGAGE INVESTMENT CORP.

By: _____
Name:
Title:

Exhibit 10.2

FLOW AND BULK PURCHASE AGREEMENT

by and between

FREEDOM MORTGAGE CORPORATION

(Seller)

and

CHERRY HILL MORTGAGE INVESTMENT CORP.

(Purchaser)

Dated as of , 2013

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FLOW AND BULK PURCHASE AGREEMENT

THIS FLOW AND BULK PURCHASE AGREEMENT, dated as of , 2013, is by and between Cherry Hill Mortgage Investment Corp., a Maryland corporation (together with its successors and permitted assigns, "Purchaser"), and Freedom Mortgage Corporation, a New Jersey corporation (together with its successors and permitted assigns, "Seller").

W I T N E S S E T H:

WHEREAS, Seller originates and services residential mortgage loans and is entitled to a servicing spread and other incidental fees with respect to those residential mortgage loans;

WHEREAS, Purchaser has access to the public markets from time to time and will have capital to invest in mortgage-related assets;

WHEREAS, Seller and Purchaser are parties to the Strategic Alliance Agreement, dated the date hereof, pursuant to which Seller and Purchaser have agreed to enter into this Agreement;

WHEREAS, Seller desires to offer to sell to Purchaser, a portion of the total servicing spread from the servicing rights on single family, residential mortgage loans that it originates and from servicing rights that it may acquire in bulk, in each case, during the term of this Agreement; and

WHEREAS, Purchaser and Seller desire to set forth the terms and conditions pursuant to which such offers will be made and may be accepted;

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows.

ARTICLE I

DEFINITIONS; GENERAL INTERPRETIVE PRINCIPLES

Section 1.01 Definitions.

Whenever used herein, the following words and phrases shall have the following meanings:

Accepted Servicing Practices: With respect to any Mortgage Loan, those mortgage servicing practices (including collection procedures) of prudent mortgage lending institutions that service mortgage loans of the same type as the Mortgage Loans in the jurisdictions in which the Mortgaged Properties are located and which are in accordance with Applicable Agency servicing practices and procedures as set forth in the applicable Servicing Agreements, and in a manner at least equal in quality to the servicing that Seller provides for mortgage loans which it owns in its own portfolio.

Acknowledgment Agreement: Each acknowledgment agreement by and among an Applicable Agency, Seller and Purchaser, in form and substance reasonably acceptable to such Persons, dated on or before the related Closing Date, pursuant to which, among other things, such Agency acknowledges Purchaser's security interest in the Excess MSRs and any other arrangements specified therein.

Additional Mortgage Loan: A Mortgage Loan for which the applicable Sold Percentage of the related Excess MSR is assigned to Purchaser in total or partial satisfaction of a Make Whole Amount.

Agency: Fannie Mae, Freddie Mac or Ginnie Mae, as applicable, and any successor to any of them.

Agreed Price Parameters: As to any Commitment Period, the purchase price parameters, established as provided in Section 2.01 hereof, applicable to the purchase and sale of interests in Excess MSRs from Flow Production offered for sale during such Commitment Period.

Agreement: This agreement, as the same may be amended in accordance with the terms hereof.

Agreement Date: The date first set forth above.

Ancillary Income: All incidental fees that are supplemental to the servicing spread payable to the servicer pursuant to the Servicing Agreements, including without limitation, late fees, assignment transfer fees, returned check fees, special services fees, amortization schedule fees, HAMP fees, modification and incentive income and any interest or earnings on funds deposited in an account maintained by Seller as servicer with respect to the Mortgage Loans.

Applicable Agency: Each Agency that has an interest in a Mortgage Loan.

Applicable Law: With reference to any Person, all laws (including common law), statutes, regulations, ordinances, treaties, judgments, decrees, injunctions, writs and orders of any court, governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any Governmental Authority applicable to such Person or its property or in respect of its operations.

Approved Valuation Firm: Any valuation firm that has been approved by the Independent Directors and that is agreed to by Seller and Purchaser.

Assignment Agreement: An agreement substantially in the form of Exhibit A to this Agreement or in such other form as mutually agreed upon by the Parties.

Assignment Date: With respect to a Refinanced Mortgage Loan and the related New Mortgage Loan, the first day of the second month after the month in which the related Refinancing Date occurred. With respect to any Additional Mortgage Loan, the first day of the Calculation Period beginning after the Calculation Period with respect to which the applicable Make Whole Amount was calculated.

Bank: The financial institution mutually agreed upon by Seller and Purchaser, acting in its capacity as "Bank" under the Reserve Account Control Agreement.

Base Servicing Fee: With respect to a Collection Period, an amount equal to the aggregate, for each Mortgage Loan, of the product of (A) the outstanding principal balance of such Mortgage Loan as of the related Measurement Date, (B) the applicable Base Servicing Fee Rate and (C) (i) in the case of the initial Collection Period, a fraction, the numerator of which is the number of days in the period from and including the initial Closing Date to and including the last day of the initial Collection Period, and the denominator of which is 360, and (ii) in the case of all other Collection Periods, 1/12; provided, however, that the Base Servicing Fee with respect to any Mortgage Loan (i) that is prepaid in full or (ii) whose Servicing Agreement is terminated during a Collection Period shall be pro-rated to the actual number of days within such Collection Period in which such Mortgage Loan was serviced by Seller; and provided further, that payment of the Base Servicing Fee for any delinquent Mortgage Loan shall be suspended unless and until Seller recovers the amount thereof from payments in respect thereof by the Mortgagor or the amount thereof is otherwise recovered from the liquidation of the related Mortgaged Property.

Base Servicing Fee Rate: The per annum rate set forth in a Trade Confirmation at which the Base Servicing Fee will be calculated with respect to those Mortgage Loans identified in such Trade Confirmation.

Bulk Purchases: Proposed purchases by Seller during the term of this Agreement of Mortgage Servicing Rights from third parties.

Business Day: Any day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in the States of New Jersey or New York are authorized or obligated by law or by executive order to be closed or (c) such other days as agreed upon by the Parties.

Calculation Period: Each calendar quarter during the term of this Agreement beginning (x) in the case of the first such period, on the first day of the month in which the initial Closing Date hereunder occurs, and (y) in the case of each subsequent period, on the first day of the month occurring after the end of the prior period.

Closing Date: With respect to any Transaction, the date specified in the related Trade Confirmation on which Seller and Purchaser will consummate the purchase and sale of the applicable Sold Percentage of the Excess MSRs that are the subject of such Trade Confirmation.

Code: The Internal Revenue Code of 1986, as amended from time to time.

Collateral: The meaning given to such term in Section 2.03.

Collection Period: With respect to any Distribution Date, the calendar month preceding the month in which such Distribution Date occurs.

Commitment Period: The calendar quarter during which the related Agreed Price Parameters shall apply to the Flow Production for such period.

Control: The meaning specified in Section 8-106 of the UCC.

Credit File: Those documents, which may be originals, copies or electronically imaged, pertaining to each Mortgage Loan, held by or on behalf of Seller in connection with the servicing of the Mortgage Loan, which may include Mortgage Loan Documents and the credit documentation relating to the origination of such Mortgage Loan, and any documents gathered during the Servicing of a Mortgage Loan.

Cut-Off Date: As to any Transaction, the opening of business on the first day of the month of the related Closing Date.

Data Tape: Each tape listing the Mortgage Loans underlying the Excess MSRs that are the subject of the related Trade Confirmation.

Distribution Date: The sixth (6th) Business Day of each calendar month, beginning in the month following the month in which the initial Closing Date hereunder occurs, or such other day as mutually agreed upon by Seller and Purchaser.

Electronic Data File: A computer tape or other electronic medium in form and substance reasonably satisfactory to Purchaser generated by or on behalf of Seller and delivered or transmitted on each Distribution Date to Purchaser or its designee which provides information relating to the Mortgage Loans.

Eligible Investments: Any one or more of the obligations and securities listed below which investment provides for a date of maturity not later than the Distribution Date in each month or is payable on demand:

(1) direct obligations of, and obligations fully guaranteed as to timely payment of principal and interest by, the United States of America or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America ("Direct Obligations");

(2) federal funds, or demand and time deposits in, certificates of deposits of, or bankers' acceptances issued by, any depository institution or trust company (including U.S. subsidiaries of foreign depositories) incorporated or organized under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, so long as at the time of investment or the contractual commitment providing for such investment the commercial paper or other short term debt obligations of such depository institution or trust company (or, in the case of a depository institution or trust company which is the principal subsidiary of a holding company, the commercial paper or other short term debt or deposit obligations of such holding company or deposit institution, as the case may be) have been rated by at least one nationally recognized statistical rating organization ("NRSRO") in its highest short-term rating category or one of its two highest long-term rating categories;

(3) repurchase agreements collateralized by Direct Obligations or securities guaranteed by Fannie Mae or Freddie Mac with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the Federal Deposit Insurance Corporation, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated by at least one NRSRO in its highest short-term rating category;

(4) securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States of America or any state thereof which have a credit rating from at least one NRSRO, at the time of investment or the contractual commitment providing for such investment NRSRO *provided*, *however*, that such securities will not be Eligible Investments if they are published as being under review with negative implications from any NRSRO;

(5) commercial paper (including both non-interest-bearing discount obligations and interest bearing obligations payable on demand or on a specified date not more than 180 days after the date of issuance thereof) rated by any NRSRO in its highest short-term rating category;

(6) certificates or receipts representing direct ownership interests in future interest or principal payments on obligations of the United States of America or its agencies or instrumentalities (which obligations are backed by the full faith and credit of the United States of America) held by a custodian in safekeeping on behalf of the holders of such receipts; and

(7) any other demand, money market, common trust fund or time deposit or obligation, or interest bearing or other security or investment, rated, if applicable, in the highest rating category by any NRSRO. Such investments in this subsection (7) may include money market mutual funds or a common trust fund, and such funds may be managed by the Bank or one of its Affiliates; *provided*, *however*, that no such instrument shall be an Eligible Investment if such instrument evidences either (i) a right to receive only interest payments with respect to the obligations underlying such instrument, or (ii) both principal and interest payments derived from obligations underlying such instrument and the principal and interest payments with respect to such instrument provide a yield to maturity of greater than 120% of the yield to maturity at par of such underlying obligations.

Eligible Servicing Agreement: Unless otherwise agreed to by Purchaser, a Servicing Agreement with an Applicable Agency in respect of which the following eligibility requirements have been satisfied:

(a) such Servicing Agreement is in full force and effect, and is in all respects genuine as appearing on its face or as represented in the books and records of Seller, and no event of default, early amortization event, termination event, or other event giving any party thereto (including with notice or lapse of time or both) the right to terminate Seller as servicer thereunder for cause has occurred and is continuing; provided, however, that with respect to any Servicing Agreement and the occurrence of any event set forth in this clause (a) which is based on a breach of a collateral performance test, such Servicing Agreement shall remain an Eligible Servicing Agreement so long as no notice of termination based on such breach has been given or threatened in writing and subject to the restrictions set forth herein; and

(b) Seller has not resigned or been terminated as servicer under such Servicing Agreement and has no actual knowledge of any pending or threatened action to terminate Seller, as servicer (whether for cause or without cause).

Entitlement Holder: The meaning specified in Section 8-102(a)(7) of the UCC.

Excess MSRs: The rights of Seller, severable from each (and all) of the other rights under the applicable Servicing Agreements, to the portion of the Servicing Spread Collections that exceeds the Base Servicing Fee.

Excess Servicing Fee Rate: As to any Mortgage Loan, the excess of the Gross Servicing Fee Rate for such Mortgage Loan over the related Base Servicing Fee Rate.

Fannie Mae: The Federal National Mortgage Association or any successor thereto.

Freddie Mac: The Federal Home Loan Mortgage Corporation or any successor thereto.

GAAP: Generally accepted accounting principles in the United States of America as in effect from time to time set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be in general use by significant segments of the accounting profession, that are applicable to the circumstances as of the date of determination.

Ginnie Mae: Government National Mortgage Association, and any successor thereto.

Governmental Authority: With respect to any Person, any nation or government, any state or other political subdivision, agency or instrumentality thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having jurisdiction over such Person, any of its subsidiaries or any of its properties.

Grant: To grant, bargain, sell, warrant, alienate, remise, demise, release, convey, assign, transfer, mortgage, pledge, create and grant a security interest in and right of setoff against, deposit, set over or confirm.

Gross Servicing Fee Rate: As to any Mortgage Loan, the annual rate at which the servicing fee is calculated for such Mortgage Loan, determined as provided in the related Servicing Agreement.

HAMP: The U.S. Department of the Treasury’s Home Affordable Modification Program.

HAMP Loans: Mortgage Loans that have been modified or will be modified in accordance with HAMP.

Independent Directors: The non-executive officer members of Purchaser's board of directors.

IRS: The United States Internal Revenue Service.

Lien: Any mortgage, deed of trust, pledge, hypothecation, collateral assignment, charge, deposit, arrangement, encumbrance, lien (statutory or other), security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever intended to assure payment of any indebtedness or the performance of any other obligation, including any conditional sale or other title retention agreement.

Loss or Losses: Any and all direct, actual and out-of-pocket losses (including any loss in the value of the Excess MSRs), damages, deficiencies, claims, costs or expenses, including reasonable attorneys' fees and disbursements, excluding (i) any amounts attributable to or arising from overhead allocations, general or administrative costs and expenses, or any cost for the time of any Party's employees, (ii) consequential losses or damages consisting of speculative lost profits, lost investment or business opportunity, damage to reputation or operating losses, or (iii) punitive or treble damages; provided, however, that the exclusions set forth in clauses (ii) or (iii) above do not apply if and to the extent any such amounts are actually incurred in payment to a third party or Governmental Authority.

Make Whole Amount: For any Calculation Period, an amount equal to the sum of the following for each Pool: the product of (x) the applicable Sold Percentage, (y) the applicable Make Whole Percentage and (z) the excess, if any, of (i) the product of the weighted average Excess Servicing Fee Rate of the Mortgage Loans in such Pool that became Refinanced Mortgage Loans during such Calculation Period, and the aggregate unpaid principal balances of such Refinanced Mortgage Loans as of their respective Refinancing Dates over (ii) the product of the weighted average Excess Servicing Fee Rate of the related New Mortgage Loans and the original principal balances of such New Mortgage Loans.

Make Whole Percentage: Ninety percent (90%) or such other percentage not greater than 90% that the Parties may agree to in a Trade Confirmation.

Maximum Percentage: Eighty-five percent (85%).

Measurement Date: With respect to any Collection Period, the first day of such Collection Period.

MERS: Mortgage Electronic Registration Systems, Inc., or any successor thereto.

MI: Insurance provided by private mortgage insurance companies to make payments on certain Mortgage Loans in the event that the related Mortgagor defaults in its obligation in respect of the Mortgage.

Minimum Percentage: Sixty-five percent (65%) for Flow Production and forty percent (40%) for Bulk Purchases.

Mortgage: Each of those mortgages, deeds of trust, security deeds or deeds to secure debt creating a first lien on or an interest in real property securing a Mortgage Note and related to a Mortgage Loan.

Mortgage Loan: A loan that is secured by a mortgage, deed of trust or similar instrument on a one- to four-family residence and that is listed on a Schedule of Mortgage Loans delivered pursuant to this Agreement.

Mortgage Loan Documents: With respect to each Mortgage Loan, the documents and agreements related to such Mortgage Loan required to be held by the applicable custodian, including, without limitation, the original Mortgage Note, and any other documents or agreements evidencing and/or governing such Mortgage Loan.

Mortgage Note: With respect to any Mortgage Loan, the note or other evidence of indebtedness of the Mortgagor, thereunder, including, if applicable, an allonge and lost note affidavit.

Mortgage Servicing Rights: The rights and responsibilities of Seller with respect to servicing the Mortgage Loans under the Servicing Agreements, including any and all of the following if and to the extent provided therein: (a) all rights to service a Mortgage Loan; (b) all rights to receive servicing fees, Ancillary Income, reimbursements or indemnification for servicing the Mortgage Loan, and any payments received in respect of the foregoing and proceeds thereof; (c) the right to collect, hold and disburse escrow payments or other payments with respect to the Mortgage Loan and any amounts actually collected with respect thereto and to receive interest income on such amounts to the extent permitted by Applicable Law; (d) all accounts and other rights to payment related to any of the property described in this paragraph; (e) possession and use of any and all Credit Files pertaining to the Mortgage Loan or pertaining to the past, present or prospective servicing of the Mortgage Loan; (f) to the extent applicable, all rights and benefits relating to the direct solicitation of the related Mortgagors for refinance or modification of the Mortgage Loans and attendant right, title and interest in and to the list of such Mortgagors and data relating to their respective Mortgage Loans; and (g) all rights, powers and privileges incident to any of the foregoing.

Mortgaged Property: The Mortgagor’s real property, securing repayment of a related Mortgage Note, consisting of an interest in a single parcel of real property, improved by a one- to four-family residential dwelling.

Mortgagor: An obligor under a residential mortgage loan.

New Mortgage Loan: A Mortgage Loan the proceeds of which were used, in whole or in part, to prepay the related Refinanced Mortgage Loan.

Non-qualifying Income: Any amount that is treated as gross income for purposes of Section 856 of the Code and which is not Qualifying Income.

Opinion of Counsel: One or more written opinions, in form and substance reasonably satisfactory to the recipient, of an attorney at law admitted to practice in any state of the United States or the District of Columbia, which attorney may be counsel for Seller or Purchaser, as the case may be.

Owner Consent: As to any Transaction, the consent of the owner of the related Mortgage Loans to the sale of an interest in the related Excess MSRs, to the extent such consent is required under the applicable Servicing Agreement.

Party or Parties: Either Seller or Purchaser, as the context may require, or both of Seller and Purchaser.

Permitted Liens: Liens in favor of an Applicable Agency required pursuant to the applicable Servicing Agreements.

Person: Any individual, partnership, corporation, limited liability company, limited liability partnership, business entity, joint stock company, trust, business trust, unincorporated organization, association, enterprise, joint venture, government, any department or agency of any government or any other entity of whatever nature.

Pool: Each group of Mortgage Loans acquired (i) in a particular Bulk Purchase (including any related New Mortgage Loans and Additional Mortgage Loans) and (ii) pursuant to the same Trade Confirmation (including any related New Mortgage Loans and Additional Mortgage Loans).

Prime Rate: The prime rate announced to be in effect from time to time, as published as the average rate in *The Wall Street Journal*.

Purchase Price: As to any Transaction, the purchase price set forth in the related Trade Confirmation which, for Flow Production, shall be calculated in accordance with the applicable Agreed Price Parameters, as adjusted if applicable due to the occurrence of a Re-Pricing Trigger.

Purchaser: As defined in the preamble hereof.

Purchaser Indemnitees: The meaning given to such term in Section 10.01.

Qualifying Income: Gross income that is described in Section 856(c)(2) or 856(c)(3) of the Code.

Refinanced Interest Payment: For any New Mortgage Loan, an amount equal to the related Sold Percentage of interest accrued at the Excess Servicing Fee Rate on the unpaid principal balance of such New Mortgage Loan for the period from the Refinancing Date for the related Refinanced Mortgage Loan to the Assignment Date for such New Mortgage Loan.

Refinanced Mortgage Loan: A Mortgage Loan that is refinanced by Seller through its retail channel during the term of the Agreement.

Refinancing Date: The date on which a Refinanced Mortgage Loan is prepaid by the related New Mortgage Loan.

REIT Requirements: The requirements imposed on real estate investment trusts pursuant to Sections 856 through and including 860 of the Code.

Related Escrow Accounts: Mortgage Loan escrow impound accounts maintained by Seller relating to the Mortgage Servicing Rights, including accounts for buydown funds, real estate taxes and MI, flood and hazard insurance premiums.

Release Document: As defined in Section 10.01(c) hereof.

Remaining Expected Servicing Spread: As of any date of determination, the Total Servicing Spread expected to be paid over the expected remaining lives of the Mortgage Loans.

Required Reserve Amount: On each Closing Date and each Distribution Date on which a Trigger Event is not in effect, an amount equal to one month's scheduled Servicing Spread Collections on the Mortgage Loans (assuming no delinquencies or prepayments). On any Distribution Date on which a Trigger Event is in effect, an amount equal to two months scheduled Servicing Spread Collections (assuming no delinquencies or prepayments).

Requirement of Law: As to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

Reporting Date: As to any Distribution Date, the tenth Business Day after such Distribution Date.

Re-pricing Trigger: With respect to any Commitment Period during the term of this Agreement, either (i) the yield on the 10-year U.S. Treasury security increases by more than [ ] basis points since the first day of such Commitment Period, as reported on *Bloomberg* page [ ] or (ii) the credit and collateral characteristics of the Mortgage Loans underlying the offered Excess MSRs for any month in such Commitment Period differ materially from those of the Flow Production for the trailing three-month period.

Reserve Account: The account specified in the Reserve Account Control Agreement and maintained by Bank or any successor thereto, or any other third party custodian or trustee selected by Purchaser.

Reserve Account Agreement: The applicable deposit account agreement and other related account documentation governing the Reserve Account.

Reserve Account Control Agreement: The account control agreement among Seller, Purchaser and Bank, dated on or before the initial Closing Date hereunder, entered into with respect to the Reserve Account, as amended, restated, supplemented or otherwise modified from time to time.

Retained Servicing Spread: The rights of Seller, severable from each (and all) of the other rights under the applicable Servicing Agreement, to the Retained Percentage of the Total Servicing Spread.

Retained Percentage: As to any Transaction and the related Excess MSRs, 100% minus the applicable Sold Percentage as set forth in the related Trade Confirmation.

Sales Proceeds: The proceeds received upon a sale (approved by the Parties) of the Total Servicing Spread (except without giving effect to clause (b) of the definition thereof) in whole or in part.

Schedule of Mortgage Loans: As of any date of determination, the list or lists of Mortgage Loans for which Seller has sold the Sold Percentage of the related Excess MSRs to Purchaser pursuant to this Agreement.

Scheduled Total Servicing Spread: As to any Distribution Date, an amount equal to the Total Servicing Spread for the related Collection Period, calculated on the basis of the scheduled unpaid principal balances of the Mortgage Loans.

Seller: As defined in the preamble hereof.

Seller Indemnitees: The meaning given to such term in Section 10.02.

Servicing: The responsibilities with respect to servicing the Mortgage Loans under the Servicing Agreements.

Servicing Agreements: The servicing agreements, as amended from time to time, and any waivers, consent letters, acknowledgments and other agreements under which Seller is the servicer of the Mortgage Loans relating to the Mortgage Servicing Rights and governing the servicing of the Mortgage Loans, or with respect to Mortgage Loans owned by Seller, the credit and collection standards, policies, procedures and practices of Seller relating to residential mortgage loans owned and serviced by Seller.

Servicing Spread Collections: For each Collection Period, the funds collected on the Mortgage Loans and allocated as the servicing compensation payable to Seller as servicer of the Mortgage Loans with respect to such Collection Period pursuant to the applicable Servicing Agreements, other than Ancillary Income and, for the avoidance of doubt, other than reimbursements received by Seller for advances and other out-of- pocket expenditures.

Sold Percentage: As to any Transaction and the interest in the related Excess MSRs sold to Purchaser pursuant to this Agreement, the percentage set forth as such in the related Trade Confirmation

Solvent: With respect to any Person as of any date of determination, (a) the value of the assets of such Person is greater than the total amount of liabilities (including contingent and un-liquidated liabilities) of such Person as determined in accordance with GAAP, (b) such Person is able to pay all liabilities of such Person as such liabilities mature and (c) such Person does not have unreasonably small capital. In computing the amount of contingent or un-liquidated liabilities at any time, such liabilities will be computed at the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

Standby Trigger Event: Unless otherwise specified in a Trade Confirmation for a Transaction for which the Applicable Agency is not Ginnie Mae, the existence of any of the following: (i) Seller's Tangible Net Worth is less than the sum of (x) $40,000,000 and (y) the required net worth determined in accordance with HUD's regulations; (ii) the percentage of the loans serviced for Ginnie Mae that are more than 90 days delinquent, determined as provided in the Ginnie Mae guide, exceeds 4.25% as of any date such delinquency percentage is reported to Ginnie Mae in accordance with that guide; (iii) the existence of a default, an event of default or an event which with the giving of notice or the passage of time or both, will become a default or an event of default under any warehouse agreement of Seller; or (iv) Seller's cash and cash equivalents are less than $50,000,000.

Substitute Mortgage Loan: A mortgage loan originated by Seller that would satisfy the criteria for Additional Mortgage Loans set forth in Section 3.03 hereof.

Tangible Net Worth: The net worth of Seller determined in accordance with GAAP, minus all intangibles determined in accordance with GAAP (including goodwill, capitalized financing costs and capitalized administration costs but excluding originated and purchased mortgage servicing rights or retained residual securities) and any and all advances to, investments in and receivables held from affiliates; provided, however, that the non-cash effect (gain or loss) of any mark-to-market adjustments made directly to stockholders' equity for fluctuation of the value of financial instruments as mandated under the Statement of Financial Accounting Standards No. 133 (or any successor statement) shall be excluded from the calculation of Tangible Net Worth.

Third Party Claim: The meaning given to such term in Section 10.01.

Total Servicing Spread: For each Collection Period, the sum of the following: (a) the Servicing Spread Collections received during such Collection Period and remaining after payment of the Base Servicing Fee, (b) all Sales Proceeds received during such Collection Period; and (c) all other amounts payable by an Applicable Agency to Seller (or Purchaser under the related Owner Consent) with respect to the Mortgage Servicing Rights for Mortgage Loans, including any termination fees paid by such Applicable Agency to Seller for terminating Seller as the servicer of any of the Mortgage Loans, but for the avoidance of doubt, excluding all Ancillary Income and reimbursements received by Seller for advances and other out-of-pocket expenditures.

Trade Confirmation: As to any Transaction, the agreement or confirmation, which may be in electronic form, between Seller and Purchaser (including any schedules, exhibits or attachments thereto) setting forth the terms and conditions of such purchase and sale, which my different from the terms and conditions set forth herein and describing the Mortgage Loans underlying the Excess MSRs that are the subject of such Transaction.

Transaction: Each purchase and sale of a Sold Percentage of Excess MSRs from a discrete pool of Mortgage Loans pursuant to this Agreement.

Transaction Documents: For any Transaction, the related Owner Consent, if any, the applicable Trade Confirmation, the related Schedule of Mortgage Loans and the applicable Assignment Agreement.

Trigger Event: As of any date of determination: (i) the existence of a default, an event of default or an event which, with the giving of notice or the passage of time or both, will become a default or an event of default, under any of Seller's warehouse agreements; or (ii) Seller is in default under, or in breach of any material covenant or obligation in, this Agreement or any other agreement then in effect to which Seller and Purchaser are parties.

UCC: The Uniform Commercial Code as in effect from time to time in the applicable jurisdiction.

Section 1.02 General Interpretive Principles.

For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) The terms defined in this Agreement have the meanings assigned to them in this Agreement and include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other gender;

(b) Accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP;

(c) References herein to "Articles," "Sections," "Subsections," "Paragraphs," and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, Paragraphs and other subdivisions of this Agreement;

(d) A reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to Paragraphs and other subdivisions;

(e) The words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular provision; and

(f) The term "include" or "including" shall mean without limitation by reason of enumeration.

ARTICLE II
PURCHASE AND SALE

Section 2.01 Sale of Excess MSRs on Flow Production.

(a) No later than the 5th day of each Commitment Period, Seller and Purchaser shall mutually set the Agreed Price Parameters that will apply for such Commitment Period unless changed following a Re-pricing Trigger. Such Agreed Price Parameters must be approved by the Independent Directors. At such time, Seller and Purchaser also shall specify whether or not the recapture provisions in Article III hereof shall apply during the applicable Commitment Period, and if not, the terms of any recapture or non-solicitation provision that will apply during such Commitment Period. Each Commitment Period will be three months beginning, in the case of the first such period, with the first Business Day of the month following the month in which the Agreement Date occurs, with each subsequent period beginning on the first Business Day of the month following the last day of the prior Commitment Period. If a Re-pricing Trigger occurs in a Commitment Period, either Seller or Purchaser may notify the other that it wishes to adjust the Agreed Price Parameters for the balance of such Commitment Period. Following receipt of such a notice, the parties shall negotiate in good faith to revise the Agreed Price Parameters in light of the factor constituting the Re-pricing Trigger. Any change must be approved by the Independent Directors before it will apply to any offer or sale.

(b) Each month during the term of this Agreement, beginning with the month after the month in which the Agreement Date occurs, Seller shall offer, in good faith, to sell to Purchaser a participation interest in the Excess MSR for each Mortgage Loan (other than a New Mortgage Loan or an Additional Mortgage Loan) originated by Seller during the prior month. Each such offer shall be made by Seller's delivery to Purchaser of a proposed Trade Confirmation signed by Seller (which may be an electronic signature) by the 10th day of the applicable month. Such Trade Confirmation shall (i) include as an exhibit, a Schedule of Mortgage Loans relating to the Excess MSRs being offered, (ii) be accompanied by a Data Tape with respect to the loans listed on the Schedule of Mortgage Loans, (iii) specify the proposed Sold Percentage of the offered participation interest (which shall not be less than the applicable Minimum Percentage or more than the Maximum Percentage) and (iv) set forth the related Closing Date and any other relevant terms and conditions. Purchaser shall have 5 days after receipt of the Trade Confirmation to accept or reject the offer based in part on the evaluation thereof obtained from an Approved Valuation Firm. If such offer is rejected, Seller may offer all or some of the Excess MSRs to third parties and shall have no further obligation to offer the same to Purchaser.

(c) If Purchaser accepts any such offer, it shall sign (which may be an electronic signature) and return the applicable Trade Confirmation to Seller, whereupon Seller will be obligated to sell, and Purchaser will be obligated to purchase the applicable Sold Percentage of the Excess MSRs at the price calculated in accordance with the then-applicable Agreed Price Parameters. The closing of such purchase and sale shall occur on the Closing Date specified in the Trade Confirmation but in no event later than the last Business Day of the month in which the Trade Confirmation was signed by Purchaser. On the agreed upon Closing Date, Seller shall execute and deliver an Assignment Agreement to Purchaser, along with the related Schedule of Mortgage Loans and Data Tape, and Purchaser shall pay the Purchase Price by wire transfer of immediately available funds to the account specified by Seller.

(d) The sale and delivery of the Sold Percentage of each Excess MSR on or before the related Closing Date is mandatory from and after the date of the execution of the related Trade Confirmation by Purchaser, it being specifically understood and agreed that each related Mortgage Loan is unique and identifiable and that an award of money damages would be insufficient to compensate Purchaser for the losses and damages incurred by Purchaser in the event of Seller's failure to deliver the Sold Percentage of each related Excess MSR on or before the related Closing Date.

Section 2.02 Sale of Excess MSRs on Bulk Purchases.

(a) During the term of this Agreement, if Seller proposes to make a Bulk Purchase, it shall offer, in good faith, to sell to Purchaser a participation interest in the related Excess MSRs. Any such offer shall be made by Seller's delivery to Purchaser of a proposed Trade Confirmation signed by Seller (which may be an electronic signature) at least 5 days (or such other number of days as may be practicable in the circumstances and agreed to by Purchaser) prior to the date Seller must submit its bid on the proposed purchase. The Trade Confirmation shall (i) include as an exhibit a Schedule of Mortgage Loans relating to the Excess MSRs being offered, (ii) be accompanied by a Data Tape with respect to the loans listed in the Schedule of Mortgage Loans to the extent the same is available to Seller at the time, (iii) specify the proposed Sold Percentage of the offered participation interest (which shall not be less than the applicable Minimum Percentage or more than the Maximum Percentage), (iv) specify the price at which Seller is willing to sell and (v) set forth the related Closing Date and any other relevant terms and conditions. Purchaser will (i) submit the proposed Trade Confirmation to the Independent Directors for review and, if applicable, approval. and engage an Approved Valuation Firm to assess the terms of the offered interest, Purchaser shall have 5 Business Days after receipt of the proposed Trade Confirmation to accept or reject the same. If such offer is rejected, Seller may (but is not obligated to) offer the opportunity to third parties or proceed on its own, and shall have no further obligation to offer the same to Purchaser.

(b) If Purchaser accepts any such offer, it shall sign (which may be an electronic signature) and return the applicable Trade Confirmation to Seller, whereupon Seller will be obligated to sell, and Purchaser will be obligated to purchase the applicable Sold Percentage of the Excess MSRs at the Purchase Price agreed upon by the Parties. The closing of such purchase and sale shall occur on the Closing Date specified in the related Trade Confirmation. On the agreed upon Closing Date, Seller shall execute and deliver an Assignment Agreement to Purchaser, along with the related Schedule of Mortgage Loans and Data Tape, and Purchaser shall pay the Purchase Price by wire transfer of immediately available funds to the account specified by Seller.

(c) If so specified in a Trade Confirmation delivered pursuant to this Section 2.02, the terms and provisions of Article III hereof shall not apply to the Sold Percentage of Excess MSRs related to the applicable Bulk Purchase. In such case, either (i) Seller and Purchaser shall agree on alternative recapture provisions to be applicable to the related Mortgage Loans or (ii) Seller agrees that it will not take any action or permit or cause any action to be taken by any of its

agents or affiliates, or by any independent contractors or independent mortgage brokerage companies on Seller's behalf, to personally, by telephone, mail or electronic mail, solicit the Mortgagor under any Mortgage Loan related to the applicable Trade Confirmation for the purpose of refinancing such Mortgage Loan. It is understood and agreed that promotions undertaken by Seller or any of its affiliates which are directed to the general public at large, including, without limitation, mass mailings based on commercially acquired mailing lists, newspaper, radio or television advertisements shall not constitute solicitation under this Section, nor is Seller prohibited from responding to unsolicited requests or inquiries made by a Mortgagor or an agent of a Mortgagor.

Section 2.03 Grant of Security Interest.

In order to secure Seller's obligations (i) to deliver the Sold Percentage of the Total Servicing Spread which arises from the Excess MSRs described in Sections 2.01 and 2.02, the payments in respect thereof, any payments in respect of Make Whole Amounts and the Refinanced Interest Payments and (ii) to perform its obligations hereunder, Seller hereby Grants to Purchaser a valid and continuing first priority and perfected Lien on and security interest in all of Seller's right, title and interest in, to and under (x) the Excess MSRs related to the Mortgage Loans identified on each Schedule of Mortgage Loans delivered to Purchaser pursuant to this Agreement (including both the Sold Percentage and the Retained Percentage thereof), (y) the Reserve Account, together with all amounts on deposit therein from time to time and (z) all cash and non-cash proceeds thereof, in each case, whether now owned or existing, or hereafter acquired and arising (the "Collateral").

Section 2.04 Closing Date Transactions.

On each Closing Date, subject to the satisfaction of the terms and conditions herein:

(a) Seller shall execute and deliver an Assignment Agreement with respect to the applicable Sold Percentage of the Excess MSRs on the related Mortgage Loans;

(b) Seller shall deposit into the Reserve Account the amount, if any, necessary to make the amount on deposit therein equal to the Required Reserve Amount for such Closing Date: and

(c) Purchaser shall remit to Seller the applicable Purchase Price by wire transfer of immediately available funds to the account designated by Seller.

ARTICLE III

RECAPTURE PROVISIONS

Section 3.01 Refinancing and Substitution of Mortgage Loans.

(a) Unless otherwise specified in the related Trade Confirmation, if Seller, through its retail channel refinances any Mortgage Loan during the term of this Agreement, Seller hereby sells, assigns, transfers and conveys (a "Transfer") to Purchaser, the Sold Percentage of the Excess MSR with respect to the related New Mortgage Loan, such Transfer to be effective on the

Assignment Date for such New Mortgage Loan; provided, however, that Seller may Transfer the Sold Percentage of the Excess MSR with respect to a Substitute Mortgage Loan in lieu of a New Mortgage Loan so long as that, as of the date of the proposed substitution, the unpaid principal balance of the proposed Substitute Mortgage Loan, when added to the aggregate unpaid principal balance of all Substitute Mortgage Loans, as of their respective Assignment Dates, Transferred prior to such date, does not exceed 1% of the aggregate unpaid principal balance of the Mortgage Loans then subject to this Agreement. Once a Substitute Mortgage Loan is Transferred, it shall be deemed to be a New Mortgage Loan thereafter.

(b) On the Assignment Date for any New Mortgage Loan, Seller shall (i) execute and deliver an Assignment Agreement with a Schedule of Mortgage Loans attached and (ii) deliver the related Data Tape to Purchaser. In addition on that Assignment Date, Seller shall remit to Purchaser the related Refinanced Interest Payment by wire transfer of immediately available funds to the account designated by Purchaser.

Section 3.02 Requirement to Designate Additional Mortgage Loans.

(a) Within 5 days after the end of each Calculation Period, Seller shall calculate the Make Whole Amount, if any, with respect to such Calculation Period and shall furnish the same to Purchaser along with commercially reasonable documentation supporting such calculation. Purchaser shall have 5 days to notify Seller that Purchaser accepts or objects to such calculation. If Purchaser objects to such calculation, it shall furnish Seller with commercially reasonable supporting documentation of its objection, and the Parties shall cooperate in good faith to resolve the objection. If the Parties cannot resolve the disagreement, they shall proceed in accordance with subsection (d) below. If Seller accepts the calculation, or the disagreement is otherwise resolved as provided in this Section, Seller shall designate Additional Mortgage Loans as provided in Section 3.02 (b) below such that the Make Whole Amount (calculated as though such Additional Mortgage Loans were New Mortgage Loans) is not more than zero.

(b) Seller shall designate eligible Mortgage Loans as Additional Mortgage Loans in an amount calculated in accordance with Section 3.02(a) by the 10th day of the month after the month in which the applicable Calculation Period ended by preparing and delivering to Purchaser an Assignment Agreement with a Schedule of Mortgage Loans attached. Each Assignment Agreement shall also be accompanied by a Data Tape with respect to the Mortgage Loans on the related Mortgage Loan Schedule. Upon delivery of such Assignment Agreement, Seller will have sold, assigned, transferred and otherwise conveyed the Sold Percentage of the Excess MSR on each such Additional Mortgage Loan as of the related Assignment Date. The Additional Mortgage Loans shall satisfy the requirements of Section 3.03 below and shall have Excess Servicing Fee Rates such that the Make Whole Amount (calculated as though such Additional Mortgage Loans were New Mortgage Loans) is not more than zero.

(c) In lieu of designating Additional Mortgage Loans to eliminate the Make Whole Amount, Seller may pay Purchaser an amount equal to the fair market value of the Make Whole Amount. Within 5 days after the end of each Calculation Period for which Seller desires to make a cash payment in lieu of designating Additional Loans, Seller shall submit its calculation of the fair market value, which shall take into account the delay between the first day of the month and the date on which the cash payment is to be made, along with commercially reasonable

supporting documentation to Purchaser. Purchaser shall have 5 days to notify Seller that Purchaser accepts or objects to such calculation. If Purchaser accepts such calculation, Seller shall pay the agreed upon amount within one Business Day after receipt of Purchaser's acceptance of the fair market value calculation. If Purchaser objects to such calculation, it shall furnish Seller with commercially reasonable supporting documentation of its objection, and the Parties shall cooperate in good faith to resolve the objection. If the Parties cannot resolve the disagreement, they shall proceed in accordance with subsection (d) below.

(d) If the Parties cannot resolve a disagreement under this Section 3.02, they shall pick an Approved Valuation Firm to calculate the amount in dispute, and the decision of such Approved Valuation Firm shall be final and binding on the Parties. Each Party agrees to cooperate in good faith with the requests for information by such Approved Valuation Firm, and each Party shall pay 50% of the fees and expenses of such firm. Within 2 Business Days after the decision of the Approved Valuation Firm, Seller shall designate Additional Mortgage Loans or pay the cash fair market value, as applicable so that the Make Whole Amount is not more than zero.

Section 3.03 Criteria for Additional Mortgage Loans.

As of the applicable Assignment Date, unless otherwise agreed upon by Seller and Purchaser, the Additional Mortgage Loans shall satisfy the following criteria:

(1) Each Additional Mortgage Loan is included in a mortgage backed security guaranteed by Ginnie Mae, Fannie Mae or Freddie Mac;

(2) The weighted average of the mortgage rates on the Additional Mortgage Loans is within 0.125 basis points per annum of the weighted average of the mortgage rates on the New Mortgage Loans originated during the applicable Calculation Period;

(3) The weighted average remaining term to maturity of the Additional Mortgage Loans is not less than the weighted average remaining term to maturity of the New Mortgage Loans originated during the applicable Calculation Period;

(4) The weighted average seasoning of the Additional Mortgage Loans is less than or equal to that of the New Mortgage Loans originated during the applicable Calculation Period;

(5) The average unpaid principal balance of the Additional Mortgage Loans is not less than the average unpaid principal balance of the New Mortgage Loans that were originated during the applicable Calculation Period;

(6) The remaining material credit characteristics of the Additional Mortgage Loan (other than as specified in clauses (1), (2), (3), (4) and (5) above) are substantially similar to the credit characteristics of the New Mortgage Loans originated during the applicable Calculation Period;

(7) Each Additional Mortgage Loan is current as of the applicable Assignment Date; and

(8) Each Additional Mortgage Loan is not subject to any foreclosure or similar proceeding, is not in, and has not gone through, the process of modification, workout or any other loss mitigation process and is not involved in litigation.

Section 3.04 Assignment of Excess MSRs.

Subject to the satisfaction of the terms and conditions in this Agreement, on each Assignment Date, Seller shall execute and deliver an Assignment Agreement (with a Schedule of Mortgage Loans attached and accompanied by a Data Tape of the Mortgage Loans listed on such schedule) for the Sold Percentage of the Excess MSRs to be assigned on such Assignment Date with respect to (i) the New Mortgage Loans originated during the applicable Calculation Period (or any Substitute Mortgage Loans Transferred in lieu thereof) and (ii) any Additional Mortgage Loans designated as provided in Section 3.02 to satisfy the Make Whole Amount for such Calculation Period.

ARTICLE IV

PAYMENTS AND DISTRIBUTIONS

Section 4.01 Distributions.

(a) On each Distribution Date, Seller shall remit by wire transfer of immediately available funds to the account designated in writing by Purchaser an amount equal to, for each Transaction, the applicable Sold Percentage of the portion of the Scheduled Total Servicing Spread for the prior Collection Period applicable to the Excess MSRs that were the subject of such Transaction; provided, however, that on the first Distribution Date for a Transaction, Seller shall remit an amount equal to the product of (i) the Scheduled Total Servicing Spread for such Transaction for the prior Collection Period, (ii) the percentage equivalent of a fraction, the numerator of which is the number of days from and including the applicable Closing Date. To and including the last day of the month in which such Closing Date occurs, and the denominator of which is 30, and (iii) the applicable Sold Percentage. Within ten Business Days after each Distribution Date, Seller shall (x) reconcile the Scheduled Total Servicing Spread for the applicable Collection Period and the actual Total Servicing Spread for such Collection Period, (y) deliver to Purchaser commercially reasonable documentation of such reconciliation and (z) remit by wire transfer of immediately available funds to the above account the amount of any shortfall in the amount to which Purchaser is entitled. If Purchaser was overpaid on the Distribution Date, it shall promptly remit the over-payment to Seller by wire transfer of immediately available funds.

(b) With respect to any distribution received by Purchaser after the Business Day on which such payment was due, Seller shall pay Purchaser interest on any such late payment at an annual rate equal to the Prime Rate, adjusted as of the date of each change, plus three (3) percentage points, but in no event greater than the maximum amount permitted by Applicable

Law. Such interest shall be paid on the date such late payment is made and shall cover the period commencing with the Business Day on which such payment was due and ending on the Business Day immediately preceding the Business Day on which such payment was made, both inclusive. The payment by Seller of any such interest shall not be deemed an extension of time for payment or a waiver of any breach of Seller's obligations hereunder.

(c) The Reserve Account will be established with the Bank pursuant to the Reserve Account Control Agreement with respect to which Purchaser is an Entitlement Holder with Control. The Reserve Account shall be a blocked account for which Purchaser shall have the sole right to make withdrawals. Seller agrees to take all actions reasonably necessary, including the filing of appropriate financing statements, to protect Purchaser's interest in the Reserve Account.

(d) On each Distribution Date, Seller shall deposit in the Reserve Account an amount equal to the excess, if any, of the Required Reserve Amount for such Distribution Date over the amount on deposit in the Reserve Account. Seller shall immediately notify Purchaser in writing if a Trigger Event is in effect and when the Trigger Event is no longer in effect.

Section 4.02 Withdrawals from the Reserve Account.

On any Business Day, Purchaser may direct the Bank to apply funds in the Reserve Account, if any, to the payment of indemnity payments payable to a Purchaser Indemnitee pursuant to Section10.01. In addition, if on any Distribution Date, Purchaser does not receive the Sold Percentage of the Total Servicing Spread as provided in Section 4.01, Purchaser may direct the Bank to remit to Purchaser the amount of the shortfall to the extent of funds then on deposit in the Reserve Account. If on any Distribution Date the amount on deposit in the Reserve Account exceeds the Required Reserve Amount for such date (after any other withdrawals therefrom on such date), Purchaser shall direct the Bank to disburse such excess to Seller. Upon termination of this Agreement, after all amounts due to Purchaser shall have been paid, Purchaser shall direct the Bank to distribute any amounts remaining in the Reserve Account to or upon the order of Seller.

Section 4.03 Investment of Funds in the Reserve Account.

Seller may direct the Bank to invest amounts on deposit in the Reserve Account in Eligible Investments that mature not later than the Business Day next preceding the first Distribution Date occurring after the date of the investment except that if the investment is an obligation of the Bank it may mature on the Distribution Date. Any Eligible Investment shall not be sold or disposed of before its maturity. Any gain or loss on such investments shall be taxed to Seller.

Section 4.04 Payment to Seller of Base Servicing Fee.

Seller shall be entitled to payment of the Base Servicing Fee only to the extent payments from Mortgagors are available therefor. Under no circumstances shall Purchaser be liable to Seller for payment of the Base Servicing Fee. The servicing fees and expenses of any sub-servicer shall be paid by Seller and in no event will the amount of Servicing Spread Collections or termination payments otherwise allocable to the Excess MSRs be reduced due to the payment of sub-servicing fees and expenses.

Section 4.05 Intent and Characterization.

(a) Seller and Purchaser intend that each sale of the Sold Percentage of the Excess MSRs pursuant to this Agreement constitutes a valid sale of such percentage of the related Excess MSRs from Seller to Purchaser, conveying good title thereto free and clear of any Lien other than Permitted Liens, and that the beneficial interest in and title to each Sold Percentage of the related Excess MSRs not be part of Seller's estate in the event of the bankruptcy of Seller. Seller and Purchaser intend and agree to treat the transfer and assignment of each Sold Percentage of the related Excess MSRs as an absolute sale for tax purposes, and as an absolute and complete conveyance of title for property law purposes. In the case of the Sold Percentage of the Excess MSR with respect to a New Mortgage Loan, Seller and Purchaser intend that, solely for income tax purposes, the sale and assignment shall occur as of the Refinancing Date of the related Refinanced Mortgage Loan. Seller and Purchaser intend that, for income tax purposes, the replacement of the Sold Percentage of the Excess MSR with respect to a Refinanced Mortgage Loan with the Sold Percentage of the Excess MSR with respect to the related New Mortgage Loan and any related Additional Mortgage Loans pursuant to Article III shall be treated as a sale of the Sold Percentage of the Excess MSR with respect to the Refinanced Mortgage Loan in exchange for the Sold Percentage of the Excess MSR with respect to the related New Mortgage Loan and any related Additional Mortgage Loans (or payment in cash of the Make Whole Amount in lieu thereof pursuant to Section 3.02(c). Except for financial accounting purposes, neither party intends the transactions contemplated hereby to be characterized as a loan from Purchaser to Seller.

(b) The Parties hereto shall treat the Excess MSRs for income tax purposes as a series of "stripped coupons" within the meaning of Section 1286 of the Code. Seller shall not, without Purchaser's prior written consent, make an election under Revenue Procedure 91-50 for any taxable year that would result in the Revenue Procedure 91-50 safe harbor applying to any Mortgage Servicing Right with respect to which an Excess MSR is transferred to Purchaser pursuant to this Agreement.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF SELLER

As an inducement to Purchaser to enter into this Agreement, Seller represents and warrants to Purchaser as of the Agreement Date, each Closing Date and each Assignment Date (or as of the date specified below, as applicable):

Section 5.01 Due Organization and Good Standing.

Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. Seller is qualified to transact business in each jurisdiction in which such qualification is necessary to service the Mortgage Loans. Seller has, in full force and effect (without notice of possible suspension, revocation or impairment), all required permits, approvals, licenses, and registrations to conduct all activities in all states in which its activities with respect to the Mortgage Loans or the Mortgage Servicing Rights require it to be licensed, registered or approved in order to service the Mortgage Loans and own the Mortgage Servicing Rights.

Section 5.02 Authority and Capacity.

Seller has all requisite corporate power, authority and capacity, subject to the approvals required pursuant to Section 5.03, to enter into this Agreement and each other Transaction Document to which it is a party and to perform the obligations required of it hereunder and thereunder. The execution and delivery of this Agreement and each other Transaction Document to which Seller is a party and the consummation of the transactions contemplated hereby and thereby have each been duly and validly authorized by all necessary corporate action. This Agreement and each other Transaction Document to which it is a party has been duly executed and delivered by Seller. This Agreement constitutes, and each other applicable Transaction Document to which Seller is a party constitutes or will constitute, a valid and legally binding agreement of Seller enforceable in accordance with its terms, and no offset, counterclaim or defense exists to the full performance by Seller of this Agreement or such other Transaction Document, except as the same may be limited by bankruptcy, insolvency, reorganization and similar laws affecting the enforcement of creditors' rights generally and by general equity principles.

Section 5.03 Agency Consents.

Seller will have obtained the Acknowledgment Agreement and all necessary approvals, agreements and consents, if any, of the Applicable Agency with respect to this Agreement and the Transaction Documents on or prior to the applicable Closing Date.

Section 5.04 Title to the Mortgage Servicing Rights.

As of each Closing Date and each applicable Assignment Date, Seller will be the lawful owner of the Mortgage Servicing Rights, will be responsible for the maintenance of the Related Escrow Accounts, and will have the sole right and authority to Transfer the applicable Sold Percentage of the related Sold Percentage of the Excess MSRs shall be free and clear of any and all claims, charges, defenses, offsets, Liens and encumbrances of any kind or nature whatsoever other than Permitted Liens.

Section 5.05 Effective Agreements.

The execution, delivery and performance of this Agreement and each other Transaction Document that has been executed by Seller, the compliance with the terms hereof and thereof and the consummation of the transactions contemplated hereby and thereby did not, and will not, violate, conflict with, result in a breach of, constitute a default under, be prohibited by or require any additional approval under its corporate charter, any material instrument or material agreement to which it is a party or by which it is bound or which affects the Mortgage Servicing Rights or the Excess MSRs, or any state or federal law, rule or regulation or any judicial or administrative decree, order, ruling or regulation applicable to it or to the Excess MSRs.

Section 5.06 No Accrued Liabilities.

There are no accrued liabilities of Seller with respect to the Mortgage Loans or the Mortgage Servicing Rights or circumstances under which such accrued liabilities will arise against Purchaser as purchaser of the Sold Percentage of the Excess MSRs.

Section 5.07 Seller/Servicer Standing.

Seller is approved by each Applicable Agency as an issuer or seller/servicer, as applicable, in good standing with the requisite financial criteria and adequate resources to complete the transactions contemplated hereby on the conditions stated herein. No event has occurred, including but not limited to a change in insurance coverage, which would make Seller unable to comply with the eligibility requirements of an Applicable Agency or which would require notification to any Applicable Agency.

Section 5.08 MERS Membership.

Seller is a member in good standing under the MERS system.

Section 5.09 Agency Set-off Rights.

Seller has no actual notice, including any notice received from an Applicable Agency, or any reason to believe, that, other than in the normal course of Seller's business, any circumstances exist that would result in Seller being liable to an Applicable Agency for any amount by reason of: (i) any breach of servicing obligations or breach of mortgage selling warranty to such Applicable Agency under the servicing agreements relating to Seller's entire servicing portfolio for such Applicable Agency (including any unmet mortgage repurchase obligation that is not in dispute), (ii) any unperformed obligation with respect to mortgage loans that Seller is servicing for such Applicable Agency, (iii) any loss or damage to such Applicable Agency by reason of any inability to transfer to a purchaser of the servicing rights Seller's selling and servicing representations, warranties and obligations, or (iv) any other unmet obligations to such Applicable Agency under a servicing contract relating to Seller's entire servicing portfolio with such Applicable Agency.

Section 5.10 Solvency.

Seller is Solvent and each sale of the applicable Sold Percentage of the related Excess MSRs will not cause Seller to become insolvent. Each sale of the applicable Sold Percentage of the related Excess MSRs is not undertaken to hinder, delay or defraud any of the creditors of Seller. The consideration received by Seller upon each sale of the applicable Sold Percentage of the related Excess MSRs constitutes fair consideration and reasonably equivalent value therefor.

Section 5.11 Obligations with Respect to Origination.

Seller shall remain liable for all obligations with respect to the origination of each Mortgage Loan and, if applicable, for all obligations with respect to the sale of such Mortgage Loan.

Section 5.12 No Actions.

There are no pending or, to the best of Seller's knowledge, threatened, actions, suits or proceedings which will likely materially and adversely affect the consummation of the transactions contemplated by any Transaction Document.

Section 5.13 No Purchaser Responsibility.

Purchaser shall have no responsibility, liability or other obligation whatsoever under any Servicing Agreement or with respect to any Mortgage Loan, or to make any advance thereunder, or to pay any servicing fees. Purchaser shall have no right to control the manner in which Seller satisfies its obligations under the Servicing Agreements. Seller is and shall be responsible for the acts or omissions of its sub-servicer and for all costs of originating any Mortgage Loan.

Section 5.14 Representations Concerning the Excess MSRs.

(a) Seller has not assigned, pledged, conveyed, or encumbered the Collateral, including without limitation, the Excess MSRs to any other Person (other than Permitted Liens) and immediately prior to the sale of the Sold Percentage of the Excess MSRs on the related Closing Date or the related Assignment Date, as applicable, Seller was the sole owner thereof and had good and marketable title thereto (subject to the rights of the related Applicable Agency under the related Servicing Agreements and the related Acknowledgement Agreement), free and clear of all Liens (other than Permitted Liens), and no Person, other than Purchaser, has any Lien (other than Permitted Liens) on the Collateral, including without limitation, the Excess MSRs. No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral, including without limitation, the Excess MSRs which has been signed by Seller or which Seller has authorized any other Person to sign or file or record, is on file or of record with any public office, except such as may have been terminated or filed by or on behalf of Purchaser.

(b) The sale and grant of a security interest by Seller to Purchaser of and on the Excess MSRs does not and will not violate any Requirement of Law, the effect of which violation is to render void or voidable such assignment.

(c) As contemplated under Section 2.03, upon the filing of financing statements on Form UCC-1 naming Purchaser as "Secured Party" and Seller as "Debtor", and describing the Collateral, in the jurisdictions and recording offices listed on Exhibit I attached hereto, the sale and security interests granted hereunder in the Collateral, including without limitation, the Excess MSRs will constitute perfected first priority security interests under the UCC in all right, title and interest of Seller in, to and under the Collateral, including without limitation, the Excess MSRs.

(d) Purchaser has and will continue to have the full right, power and authority to pledge the Sold Percentage of the Excess MSRs, and the Sold Percentage of the Excess MSRs may be further assigned without any requirement, in each case, subject only to the related Applicable Agency's consent.

(e) Each Servicing Agreement constitutes an Eligible Servicing Agreement.

Section 5.15 Accuracy of Servicing Information.

The information in each Data Tape and Electronic Data File is true and correct in all material respects as of the date specified therein.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement to Seller to enter into this Agreement, Purchaser represents and warrants to Seller as of the Agreement Date and each Closing Date (or as of the date specified below, as applicable):

Section 6.01 Due Organization and Good Standing.

Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland. Purchaser is qualified to transact business in each jurisdiction in which such qualification is necessary for the conduct of its business.

Section 6.02 Authority and Capacity.

Purchaser has all requisite corporate power, authority and capacity to enter into this Agreement and each other Transaction Document to which it is a party and to perform the obligations required of it hereunder and thereunder. The execution and delivery of this Agreement and each other Transaction Document to which it is a party and the consummation of the transactions contemplated hereby and thereby have each been duly and validly authorized by all necessary corporate action. This Agreement constitutes, and each other applicable Transaction Document to which Purchaser is a party constitutes or will constitute, a valid and legally binding agreement of Purchaser enforceable in accordance with its terms, and no offset, counterclaim or defense exists to the full performance by Purchaser of this Agreement or such other Transaction Document, except as the same may be limited by bankruptcy, insolvency, reorganization and similar laws affecting the enforcement of creditors' rights generally and by general equity principles.

Section 6.03 Effective Agreements.

The execution, delivery and performance of this Agreement and each other Transaction Document to which it is a party by Purchaser, its compliance with the terms hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not violate, conflict with, result in a breach of, constitute a default under, be prohibited by or require any additional approval under its corporate charter or by-laws, any instrument or agreement to which it is a party or by which it is bound, or any state or federal law, rule or regulation or any judicial or administrative decree, order, ruling or regulation applicable to it, in each case which violation, conflict, breach or requirement would reasonably be expected to have a material adverse effect on Purchaser's ability to perform its obligations under this Agreement and any other Transaction Document to which it is a party.

Section 6.04 Sophisticated Investor.

Purchaser is a sophisticated investor and its decision to acquire the Sold Percentage of the Excess MSRs is based upon Purchaser's own independent experience, knowledge, due diligence and evaluation of this transaction. Purchaser has relied solely on such experience, knowledge, due diligence and evaluation and has not relied on any oral or written information provided by Seller other than the representations and warranties made by Seller herein.

Section 6.05 No Actions.

There are no pending or, to the best of Purchaser's knowledge, threatened actions, suits or proceedings against Purchaser that will likely materially and adversely affect the consummation of the transactions contemplated hereby.

ARTICLE VII

SELLER COVENANTS

Section 7.01 Servicing Obligations.

(a) Seller shall pay, perform and discharge all liabilities and obligations relating to the Servicing, including all liabilities and obligations under the Mortgage Loan Documents, Applicable Law, the Servicing Agreements and the agreement with the Sub-servicer, and shall pay, perform and discharge all the rights, obligations and duties with respect to the Related Escrow Accounts as required by the Applicable Agency, the Servicing Agreements, the Mortgage Loan Documents and Applicable Law.

(b) Under no circumstances shall Purchaser be responsible for the Servicing acts and omissions of Seller or any other servicer or any originator of the Mortgage Loans, or for any servicing related obligations or liabilities of any servicer in the Servicing Agreements or of any Person under the Mortgage Loan Documents, or for any other obligations or liabilities of Seller.

(c) Upon termination of any Servicing Agreement, Seller shall remain liable to Purchaser and the related Applicable Agency for all liabilities and obligations incurred by the servicer or its designee while Seller or its designee was acting as the servicer thereunder.

(d) Seller shall conduct quality control reviews of its servicing operations in accordance with Applicable Law, Accepted Servicing Practices and the requirements of the Applicable Agency.

Section 7.02 Cooperation; Further Assurances.

Seller shall cooperate with and assist Purchaser, as reasonably requested, in carrying out the purposes of this Agreement. Seller will cooperate and assist Purchaser, as reasonably requested in obtaining consents from each Applicable Agency as may be required or advisable to assign, transfer, deliver, hypothecate, pledge, subdivide, finance or otherwise deal with the Excess MSRs. If Seller is terminated under any Servicing Agreement, (i) subject to the rights of the related Applicable Agency, Purchaser shall have the right to appoint or approve a successor and (ii) Seller shall cooperate fully and at its own expense in transferring such Servicing to such successor.

Section 7.03 Financing Statements.

Seller hereby authorizes the filing of any financing statements or continuation statements, and amendments to financing statements, in any jurisdictions and with any filing offices as Purchaser may determine, in its sole discretion, are necessary or advisable to perfect the sale of the Sold Percentage of the Excess MSRs and the security interests granted to Purchaser in the Collateral. Seller agrees to execute financing statements in form reasonably acceptable to Purchaser and Seller at the request of Purchaser in order to reflect Purchaser's interest in the Collateral.

Section 7.04 Supplemental Information.

From time to time after the Closing Date, Seller promptly shall furnish Purchaser such incidental information, which is reasonably available to Seller, supplemental to the information contained in the documents and schedules delivered pursuant to this Agreement, as may reasonably be requested to monitor performance of the Mortgage Loans and the payment of the Excess MSRs.

Section 7.05 Access to Information.

(a) From time to time, at such times as are reasonably convenient to Seller, Purchaser or its designees may conduct audits or visit and inspect (a) any of the Mortgage Loans or places where the Credit Files are located, to examine the Credit Files, warehouse agreements, internal controls and procedures maintained by Seller and its agents, and take copies and extracts therefrom, and to discuss Seller's affairs with its officers, employees and, upon notice to Seller, independent accountants and (b) Seller's servicing facilities and those of its sub-servicer, for the purpose of satisfying the Purchaser that Seller, has the ability to service the Mortgage Loans related to Mortgage Servicing Rights in accordance with the standards set forth in the applicable Servicing Agreement. Any audit provided for herein will be conducted in accordance with Seller's rules respecting safety and security on its premises, in accordance with applicable privacy and confidentiality laws and without materially disrupting operations. Seller hereby authorizes such officers, employees, designees and independent accountants to discuss with Purchaser the affairs of Seller.

(b) Seller shall arrange for Purchaser to have access to the investor website of Seller's sub-servicer so that Purchaser may monitor the servicing of the Mortgage Loans. In addition, Seller shall furnish to Purchaser copies of all performance reporting received from each Applicable Agency promptly following Seller's receipt thereof. If any such reporting indicates any issues, Seller agrees to keep Purchaser informed of the response or action being taken to resolve the same, as when the same are made or taken.

(c) Seller and Purchaser are aware of their obligations under the Gramm-Leach-Bliley Act and the regulations promulgated thereunder and each has in place policies intended to protect the private information of consumers. Any access to consumer information under this Agreement will be undertaken in a manner that complies with such law and regulations.

Section 7.06 Home Affordable Modification Program.

Seller shall continue to service any HAMP Loan in accordance with the terms and requirements of HAMP and will ensure the timely compliance and filing of any appropriate HAMP documentation with the applicable regulator.

Section 7.07 Distribution Date Data Tapes and Reports.

Seller shall deliver the following to Purchaser two Business Days on each Reporting Date:

(a) An Electronic Data File in form and substance acceptable to Purchaser containing, for each Mortgage Loan, principal, interest and Servicing Spread Collections, and delinquency status (i.e. 30, 60, 90, FCL, REO) as of the last day of the prior Collection Period;

(b) A summary activity report with respect to the Mortgage Loans, with an identifier for each New Mortgage Loan(including an identifier of any Substitute Mortgage Loan that became a New Mortgage Loan as described herein), each Additional Mortgage Loan and each other Mortgage Loan) with respect to the prior Collection Period containing:

(i) aggregate principal balance as of the first and last date of the Collection Period,

(ii) aggregate scheduled principal collected,

(iii) aggregate interest collected,

(iv) aggregate liquidation principal,

(v) aggregate unscheduled principal,

(vi) short sales,

(vii) aggregate balance of loans refinanced by Seller and by third parties,

(viii) aggregate amount of uncollected principal and interest payments,

(ix) recoveries in respect of Base Servicing Fees and Excess MSRs on delinquent or defaulted loans,

(x) for each New Mortgage Loan, an identifier of the related Refinanced Mortgage Loan, and

(xi) (1) for each Mortgage Loan, the principal balance, the applicable servicing spread, the final maturity date, the mortgage interest rate, the loan-to-value ratio and the FICO score, and (2) for each Mortgage Loan that was refinanced by a lender other than Seller or an affiliate thereof, to the extent such information is known to Seller in the ordinary course of business and the collection and delivery of such information does not impose any additional and undue burden on Seller, the name of such lender and the mortgage interest rate of the newly originated residential mortgage loan;

(c) A delinquency report (using MBA delinquency methodology) with respect to the Mortgage Loans containing:

(i) The aggregate outstanding principal balance of the Mortgage Loans and percentages of the aggregate outstanding principal balance of the Mortgage Loans in each of the following categories as of the last day of the prior Collection Period:

(1) Current Mortgage Loans,

(2) 30-59 days delinquent,

(3) 60-89 days delinquent,

(4) 90 days or more delinquent,

(5) Mortgage Loans in Foreclosure (current and delinquent),

(6) Mortgage Loans with respect to which the related Mortgaged Properties have become real estate owned properties, and

(7) Mortgage Loans in which the Mortgagor is in bankruptcy (current and delinquent);

(ii) For each of the above categories, a roll report showing the migration of Mortgage Loans in such category from the last day of the second prior Collection Period;

(d) A disbursement report containing:

(i) The Servicing Spread Collections for the prior Collection Period,

(ii) The Base Servicing Fee paid to Seller,

(iii) The amount of the Excess MSRs paid to Purchaser and Seller, and

(iv) The amount of funds, if any, transferred to the Reserve Account.

(e) Such other or additional reports and information as Purchaser may reasonably request.

Section 7.08 Financial Statements and Officer's Certificates.

(a) If Seller's financial statements are not filed with the U.S. Securities and Exchange Commission and are not publicly available, Seller shall deliver to Purchaser copies of Seller's most recent unaudited quarterly financial statements within 45 days of the end of each of Seller's fiscal quarters and its most recent audited annual financial statements within 90 days of the end of each of Seller's fiscal years.

(b) On each Distribution Date Seller shall deliver to Purchaser a certificate from a duly authorized officer of Seller certifying that no Trigger Event or Standby Trigger Event has occurred.

Section 7.09 Make Whole Calculation.

Each calculation of a Make Whole Amount shall include the following information for the applicable Calculation Period:

(i) the weighted average Excess Servicing Fee Rate of the Mortgage Loans that became Refinanced Mortgage Loans during such Calculation Period,

(ii) the aggregate unpaid principal balance of such Refinanced Mortgage Loans as of their respective Refinancing Dates,

(iii) the weighted average Excess Servicing Fee Rate of the related New Mortgage Loans,

(iv) the aggregate original principal balance of the related New Mortgage Loans,

(v) the aggregate principal balance of any Additional Mortgage Loans,

(vi) the weighted average Excess Servicing Fee Rate of such Additional Mortgage Loans,

(vii) the cash payment to be made by Seller in lieu of adding Additional Mortgage Loans and the fair market value calculation used to determine such amount, and

(viii) a Data Tape of the Refinanced Mortgage Loans, the related New Mortgage Loans and the proposed Additional Mortgage Loans.

Section 7.10 Timely Payment of Agency Obligations.

Seller shall pay all of its obligations to each Applicable Agency in a timely manner so as to avoid exercise of any right of set-off by that Agency against Seller.

Section 7.11 Servicing Agreements.

Seller shall service the Mortgage Loans in accordance with Accepted Servicing Practices and shall perform its obligations in all material respects in accordance with the Servicing Agreements and Applicable Law. In particular, without limitation, Seller shall comply with any advancing obligation under the Servicing Agreements. Without the express written consent of Purchaser (which consent may be withheld in its absolute discretion), Seller shall not (a) cancel, terminate or amend any Mortgage Servicing Rights, (b) expressly provide any required consent to any termination, amendment or modification of any Servicing Agreements either verbally or in writing, (c) expressly provide any required consent to any termination, amendment or

modification of any other servicing agreements or enter into any other agreement or arrangement with an Applicable Agency that may be reasonably material to Purchaser either verbally or in writing, (d) expressly or verbally waive any material default under or breach of any Servicing Agreement by an Applicable Agency that may be material to Purchaser (in Purchaser's reasonable determination) or (e) take any other action in connection with any such Servicing Agreement that would impair in any material respect the value of the interests or rights of Purchaser hereunder. Seller shall conduct its business and perform its obligations under the Servicing Agreements in a manner such that each Applicable Agency will not have cause to terminate any Servicing Agreement. Notwithstanding the foregoing, in no event will the prohibitions contained in this Section 7.11 apply to any amendments or modifications of the Servicing Agreements that are either (i) required by the Applicable Agency or (ii) applicable to mortgage loans owned by Seller which do not affect the Excess MSRs and are not reasonably material to the Purchaser.

Section 7.12 Transfer of Mortgage Servicing Rights.

Seller shall not assign, transfer, sell or otherwise encumber any of its (x) Mortgage Servicing Rights related to the Excess MSRs, or (y) the applicable Retained Percentage of any Excess MSRs, without the prior written consent of Purchaser which may be granted or withheld in Purchaser's absolute discretion; provided, however, that Purchaser's consent is not required if the transfer of the Mortgage Servicing Rights is directed by the Applicable Agency.

Section 7.13 Consents to Transaction Documents.

Seller shall not terminate, amend, restate, modify or waive any conditions or provisions of any Transaction Document without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, delayed or conditioned.

Section 7.14 Notification of Certain Events.

Seller shall promptly notify Purchaser of any event which, with the passage of time, the giving of notice or both could reasonably be expected to result in a Trigger Event or a termination of any Servicing Agreement. Seller shall provide Purchaser with copies of (i) any notices from or to a warehouse lender of a default or potential default under any such warehouse agreement, (ii) any notices from any Applicable Agency of any breach, potential breach, default or potential default by Seller under any Servicing Agreement between Seller and that Agency, and (iii) copies of any notices from any Applicable Agency of any termination, potential termination or threatened termination of any Servicing Agreement. Seller shall promptly forward copies of any material notices received from any Applicable Agency or from any Governmental Authority with respect to the Mortgage Loans. Seller shall provide Purchaser with copies of all amendments to the its warehouse agreements, the Transaction Documents or the Servicing Agreements promptly after execution thereof. Furthermore, if at any time prior to the termination of this Agreement, Seller is unable to comply with any of the eligibility requirements of any Applicable Agency, it shall immediately notify Purchaser of the facts and circumstances surrounding such inability and of the course of action Seller proposes to take to address the same.

Section 7.15 Financing; Pledge of Excess MSRs.

Seller shall not pledge, obtain financing for, or otherwise permit any Lien of any creditor of Seller to exist on, any portion of the Servicing Spread Collections without the prior written consent of Purchaser. Seller's financial statements shall contain footnotes indicating that the Sold Percentage of the Excess MSRs has been sold, and Seller does not maintain any ownership interest therein.

Section 7.16 Existence, etc.

Seller shall:

(a) preserve and maintain its legal existence, good standing and material licenses necessary to service the Mortgage Loans;

(b) comply with the requirements of all Applicable Laws, rules, regulations and orders of Governmental Authorities (including truth in lending and real estate settlement procedures);

(c) keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, and maintain adequate accounts and reserves for all taxes (including income taxes), all depreciation, depletion, obsolescence and amortization of its properties, all contingencies, and all other reserves;

(d) not move its chief executive office or chief operating office from the addresses referred to in Exhibit H unless it shall have provided Purchaser not less than thirty (30) days prior written notice of such change;

(e) pay and discharge all material taxes, assessments and governmental charges or levies imposed on it or its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained. Seller and its subsidiaries shall file on a timely basis all federal, and material state and local tax and information returns, reports and any other information statements or schedules required to be filed by or in respect of it; and

(f) comply with its obligations under the Transaction Documents to which it is a party and each other agreement entered into with any Applicable Agency.

Section 7.17 Selection of, or Consent to, Successor Sub-Servicer.

If Seller chooses to replace the sub-servicer, Purchaser shall have the right to approve the successor and the terms of the related sub-servicing agreement, such approval not to be withheld, delayed or conditioned unreasonably. In addition, if the sub-servicer defaults under its agreement with Seller, Purchaser shall have the right to require Seller to replace the sub-servicer with a successor and a sub-servicing agreement reasonably satisfactory to Purchaser. Notwithstanding the foregoing, the approval by Purchaser of a new sub-servicer or the terms of the sub-servicing agreement shall not be required if an Applicable Agency selects or directs the selection of a new sub-servicer.

Section 7.18 Non-petition Covenant.

Seller shall not, prior to the date that is one year and one day after the payment in full of the Excess MSRs, petition or otherwise invoke the process of any court or governmental authority for the purpose of commencing or sustaining a case against Purchaser under any insolvency law or appointing a receiver, liquidator, assignee, trustee, custodian or other similar official of Purchaser or any substantial part of its property, or ordering the winding up or liquidation of the affairs of Purchaser.

Section 7.19 Insurance.

Seller shall maintain (a) general liability insurance, (b) errors and omission insurance or blanket bond coverage and (c) fidelity bond insurance, in each case, from reputable companies with coverage in amounts customarily maintained by such similarly situated entities in the same jurisdiction and industry as Seller.

Section 7.20 Defense of Title.

Seller shall warrant and defend the right, title and interest of Purchaser in and to the Sold Percentage of the Excess MSRs against all adverse claims and demands subject to Permitted Liens.

ARTICLE VIII

CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

The obligations of Purchaser under this Agreement and under each Trade Confirmation are subject to the satisfaction of the following conditions as of each Closing Date and each Assignment Date:

Section 8.01 Correctness of Representations and Warranties.

The representations and warranties made by Seller in this Agreement and each other Transaction Document to which Seller is a party shall be true and correct as if the same were made on and as of the Closing Date or the Assignment Date, as applicable.

Section 8.02 Compliance with Conditions.

All of the terms, covenants, conditions and obligations of this Agreement and each other Transaction Document required to be complied with and performed by Seller on or prior to the Closing Date or the Assignment Date, as applicable, shall have been duly complied with and performed, including without limitation, the deposit in the Reserve Account of the Required Reserve Amount.

Section 8.03 Corporate Resolution.

On the Agreement Date, Purchaser shall have received a certified copy of Seller's corporate resolution approving the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, together with such other certificates of incumbency and other evidences of corporate authority as Purchaser or its counsel may reasonably request.

Section 8.04 No Material Adverse Change.

From the Agreement Date, there shall not have been any change to Seller's financial or operating condition, or in the Mortgage Servicing Rights, the Mortgage Loans, the Related Escrow Accounts or to Seller's relationship with, or authority from, any Applicable Agency, that in each case will likely materially and adversely affect the consummation of the transactions contemplated hereby or the Excess MSRs. No Trigger Event shall be in effect.

Section 8.05 Consents.

Seller shall have obtained all consents, approvals or other requirements of third parties required for the consummation of the transactions contemplated by this Agreement and the Transaction Documents. All actions of all Governmental Authorities required to consummate the transactions contemplated by this Agreement and the Transaction Documents and the documents related thereto shall have been obtained or made.

Section 8.06 Delivery of Transaction Documents.

(a) On each Closing Date, Seller shall have delivered to the Purchaser executed copies of each of the following:

(i) The Owner Consent for the Transaction closing on the applicable Closing Date; and

(ii) An Assignment Agreement with respect to the Excess MSRs on the related Mortgage Loans together with the Schedule of Mortgage Loans and the related Data Tape.

(b) On the Agreement Date, Seller shall have delivered to Purchaser executed copies of the following:

(i) The executed Reserve Account Agreement;

(ii) The executed Reserve Account Control Agreement;

(iii) An Opinion of Counsel of Seller, in form and substance reasonably acceptable to Purchaser, regarding due authorization, authority, and enforceability of the applicable Transaction Documents to which Seller is a party, and regarding no conflicts with other material Seller agreements;

(iv) An Opinion of Counsel of Seller, reasonably acceptable to Purchaser, regarding the perfection of the assignment of Excess MSRs to Purchaser and the security interests granted hereunder;

(v) A recent certificate of good standing of Seller;

(vi) A secretary's certificate of Seller attaching its organizational documents, board resolutions and incumbency certificates;

(vii) A certificate, signed by an authorized officer of Seller dated as of such date, applicable to the transactions contemplated by this Agreement, to the effect that: (a) each of Seller's representations and warranties made in this Agreement and each other Transaction Document to which Seller is a party is true and correct in all material respects as of such date; (b) all of the terms, covenants, conditions and obligations of this Agreement and each other Transaction Document to which Seller is a party that are required to be complied with and performed by Seller at or prior to such date have been duly complied with and performed in all material respects; (c) the conditions set forth in Section 8.04 and Section 8.05 have been satisfied; and (d) as of such date, a Trigger Event is not in effect; and

(viii) A UCC-1 financing statement relating to the security interest of Purchaser in the Collateral in form and substance reasonably acceptable to Purchaser.

Section 8.07 No Actions or Proceedings.

No action, suit, proceeding or investigation by or before any Governmental Authority shall have been instituted to restrain or prohibit the consummation of, or to invalidate, any of the transactions contemplated by this Agreement and the documents related hereto in any material respect.

Section 8.08 Fees, Costs and Expenses.

The fees, costs and expenses payable by Seller on or prior to such Closing Date pursuant to Section 11.01 hereof and any other Transaction Document shall have been paid.

ARTICLE IX

CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER

The obligations of Seller under this Agreement are subject to the satisfaction of the following conditions as of each Closing Date.

Section 9.01 Correctness of Representations and Warranties.

The representations and warranties made by Purchaser in this Agreement shall be true and correct as if the same were made on and as of such Closing Date

Section 9.02 Compliance with Conditions.

All of the terms, conditions, covenants and obligations of this Agreement required to be complied with and performed by Purchaser on or prior to the applicable Closing Date shall have been duly complied with and performed.

Section 9.03 Corporate Resolution.

On the Agreement Date, Seller shall have received from Purchaser a certified copy of its corporate resolution approving the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, together with such other certificates of incumbency and other evidences of corporate authority as Seller or its counsel may reasonably request.

Section 9.04 No Material Adverse Change.

Since the Agreement Date, there shall not have been any change to Purchaser's financial condition that will likely materially and adversely affect the consummation of the transactions contemplated hereby.

Section 9.05 Certificate of Purchaser.

On the Agreement Date, Purchaser shall have provided Seller a certificate, signed by an authorized officer of Purchaser dated as of such date, applicable to the transactions contemplated by this Agreement, to the effect that: (a) each of Purchaser's representations and warranties made in this Agreement is true and correct in all material respects as of such date; and (b) all of the terms, covenants, conditions and obligations of this Agreement required to be complied with and performed by Purchaser at or prior to such date have been duly complied with and performed in all material respects.

Section 9.06 Good Standing Certificate of Purchaser.

On the Agreement Date, Purchaser shall have provided Seller a recent certificate of good standing of Purchaser.

ARTICLE X

INDEMNIFICATION; CURE

Section 10.01 Indemnification by Seller.

(a) Seller shall indemnify, defend and hold Purchaser, its affiliates and its and their respective directors, managers, officers, employees, agents, representatives and advisors (the "Purchaser Indemnitees") harmless from and shall reimburse the applicable Purchaser Indemnitee for any Losses suffered or incurred by any Purchaser Indemnitee which result from:

(i) Any material breach of a representation or warranty by Seller, or non-fulfillment of any covenant or obligation of Seller, contained in this Agreement or any Trade Confirmation or Assignment Agreement;

(ii) Any servicing act or omission of any prior servicer relating to any Mortgage Loan and any act or omission of any party related to the origination of any Mortgage Loan;

(iii) Any act, error or omission of Seller in servicing any of the Mortgage Loans, including improper action or failure to act when required to do so;

(iv) Any exercise of any rights of setoff or other netting arrangements by an Applicable Agency against Seller that results in a decrease in Servicing Agreements termination payments due to Seller with respect to the Mortgage Loans from that Agency or in a shortfall of funds to pay the Excess MSRs; and

(v) Litigation, proceedings, governmental investigations, orders, injunctions or decrees resulting from any of the items described in Section 10.01-(iv) above;

provided, however, that the applicable Purchaser Indemnitee has taken all commercially reasonable and appropriate actions to mitigate any such Losses as reasonably requested by Seller, which such failure of mitigation shall not relieve Seller of its indemnification obligations in this Section 10.01 but may affect the amount of such obligation; and further provided, that any Losses incurred by the Purchaser Indemnitee pursuant to any attempt to mitigate any such Losses shall be reimbursed by Seller as part of its indemnification obligations in this Section 10.01.

(b) Purchaser shall notify Seller promptly after receiving written notice of the assertion of any litigation, proceedings, governmental investigations, orders, injunctions, decrees or any third party claims subject to indemnification under this Agreement (each, a "Third Party Claim"). Upon receipt of notice of a Third Party Claim, Seller shall have the right to assume the defense of such Third Party Claim using counsel of its choice reasonably satisfactory to the applicable Purchaser Indemnitee, but may not enter into any settlement without the prior written consent of the applicable Purchaser Indemnitee; provided, however, that Seller may enter into a settlement without the prior consent of the Purchaser Indemnitee if Seller secures a full and unconditional release from any liability for the Third Party Claim in favor of the Purchaser Indemnitee. A Purchaser Indemnitee shall have the right to select separate counsel and to otherwise participate in its defense at its own expense. Any exercise of such rights by a Purchaser Indemnitee shall not relieve Seller of its obligations and liabilities under this Section 10.01 or any other provision of this Agreement. With respect to any Third Party Claim subject to indemnification under this Agreement, the applicable Purchaser Indemnitee shall be required to cooperate in good faith with Seller to ensure the proper and adequate defense of such Third-Party Claim. For the avoidance of doubt, Seller's obligations for Purchaser Indemnitees shall not be limited to funds available in the Reserve Account.

(c) Notwithstanding anything in Section 10.01(a) above, in the event that counsel or independent accountants for Purchaser determine that there exists a material risk that any amounts due to Purchaser under ARTICLE X hereof would be treated as Non-qualifying Income upon the payment of such amounts to Purchaser, the amount paid to Purchaser pursuant to this Agreement in any tax year shall not exceed the maximum amount that can be paid to Purchaser in such year without causing Purchaser to fail to meet the REIT Requirements for such year, determined as if the payment of such amount were Non-qualifying Income as determined by such counsel or independent accountants. If the amount payable for any tax year under the preceding sentence is less than the amount which Seller would otherwise be obligated to pay to Purchaser pursuant to ARTICLE X of this Agreement (the "Expense Amount"), then: (1) Seller shall place the Expense Amount into an escrow account (the "Expense Escrow Account") using an escrow agent and agreement reasonably acceptable to Purchaser and shall not release any portion thereof to Purchaser, and Purchaser shall not be entitled to any such amount, unless and until Purchaser delivers to Seller, at the sole option of Purchaser, (i) an opinion (an "Expense Amount Tax Opinion") of Purchaser's tax counsel to the effect that such amount, if and to the extent paid, would not constitute Non-qualifying Income, (ii) a letter (an "Expense Amount Accountant's Letter") from Purchaser's independent accountants indicating the maximum amount that can be paid at that time to Purchaser without causing Purchaser to fail to meet the REIT Requirements for any relevant taxable year, or (iii) a private letter ruling issued by the IRS to Purchaser indicating that the receipt of any Expense Amount hereunder will not cause Purchaser to fail to satisfy the REIT Requirements (a "REIT Qualification Ruling" and, collectively with an Expense Amount Tax Opinion and an Expense Amount Accountant's Letter, a "Release Document").

Section 10.02 Indemnification by Purchaser.

Purchaser shall indemnify, defend and hold Seller, its affiliates and its and their respective directors, managers, officers, employees, agents, representatives and advisors (the "Seller Indemnitees") harmless from and shall reimburse the applicable Seller Indemnitee for any Losses suffered or incurred by any Seller Indemnitee which result from:

(a) Any material breach of a representation or warranty by Purchaser, or non-fulfillment of any covenant or obligation of Purchaser contained in this Agreement; and

(b) Litigation, proceedings, governmental investigations, orders, injunctions or decrees, the basis for which occurred after the Agreement Date, resulting from any of the items described in Section 10.02(a) above;

provided, however, that the applicable Seller Indemnitee has taken all commercially reasonable and appropriate actions to mitigate any such Losses as reasonably requested by Purchaser, which such failure of mitigation shall not relieve Purchaser of its indemnification obligations in this Section 10.02 but may affect the amount of such obligation; and further provided, that any Losses incurred by the Seller Indemnitee pursuant to any attempt to mitigate any such Losses shall be reimbursed by Purchaser as part of its indemnification obligations in this Section 10.02. Seller shall notify Purchaser promptly after receiving written notice of the assertion of any Third Party Claim. Upon receipt of such notice of a Third Party Claim, Purchaser shall have the right to assume the defense of such Third Party Claim using counsel of its choice reasonably satisfactory to the applicable Seller Indemnitee, but may not enter into any settlement without the prior written consent of Purchaser; provided, however, Purchaser may enter into a settlement without the Seller Indemnitee's prior consent if Purchaser obtains a full and unconditional

release from liability for the Third Party Claim in favor of the Seller Indemnitee. A Seller Indemnitee shall have the right to select separate counsel and to otherwise participate in its defense at its own expense. Any exercise of such rights by a Seller Indemnitee shall not relieve Purchaser of its obligations and liabilities under this Section 10.02 or any other provision of this Agreement. With respect to any Third Party Claim subject to indemnification under this Agreement, the applicable Seller Indemnitee shall be required to cooperate in good faith with Purchaser to ensure the proper and adequate defense of such Third-Party Claim.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Costs and Expenses.

Except as otherwise provided herein, Purchaser and Seller shall each pay the expenses incurred by it in connection with the transactions contemplated hereby.

Section 11.02 Payments Adjustments.

If, subsequent to the payment of any Purchase Price or the payment of any amounts due hereunder to either Party, the outstanding principal balance of any Mortgage Loan is found to be in error, or if for any reason the Purchase Price or such other amounts is found to be in error, the Party benefiting from the error shall pay an amount sufficient to correct and reconcile the Purchase Price or such other amounts and shall provide a reconciliation statement and other such documentation to reasonably satisfy the other Party concerning the accuracy of such reconciliation. Such amounts shall be paid by the proper Party within ten (10) Business Days from receipt of satisfactory written verification of amounts due.

Section 11.03 Term and Termination.

(a) Unless earlier terminated as provided below, this Agreement shall remain in full force until the later to occur of the date (i) that is three (3) years after the Agreement Date and (ii) on which an affiliate of Seller is not acting as the external manager of Purchaser.

(b) In the event that a party materially breaches any representation or covenant herein, the other party may give written notice of the breach requiring the same to be remedied within 30 days of receipt of such notice. If the breaching party fails to remedy the material breach in such time period, the non-breaching party may terminate this Agreement by delivery of a written termination notice to the breaching party. Any such termination shall not relieve the breaching party from any obligation or liability arising prior to such termination.

(c) Any termination of this Agreement, whether upon expiration of the term or otherwise, shall only terminate the obligation of Seller to offer participation interests to Purchaser as described herein. All other covenants and obligations shall remain in full force and effect not withstanding such termination until Purchaser has received all amounts in respect of the Excess MSRs in which it has an interest.

Section 11.04 Relationship of Parties.

The Parties intend that the transactions contemplated in this Agreement and the Transaction Documents constitute arms-length transactions between unaffiliated parties. Nothing contained in this Agreement or the Transaction Documents will establish any fiduciary, partnership, joint venture or similar relationship between the Parties except to the extent otherwise expressly stated therein.

Section 11.05 Notices.

All notices, requests, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid or by prepaid overnight delivery service:

(a) If to Purchaser, to:

Cherry Hill Mortgage Investment Corp.
301 Harper Drive, Suite 110
Moorestown, New Jersey 08507
Att: Chief Financial Officer

(b) If to Seller, to:

Freedom Mortgage Corporation
907 Pleasant Valley Ave., Suite 3
Mount Laurel, New Jersey 08054
Att: Chief Corporate Counsel

or to such other address as Purchaser or Seller shall have specified in writing to the other.

Section 11.06 Waivers.

Either Purchaser or Seller may, by written notice to the other extend the time for the performance of any of the obligations or other transactions of the other or waive compliance with or performance of any of the terms, conditions, covenants or obligations required to be complied with or performed by the other hereunder. The waiver by Purchaser or Seller of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other subsequent breach.

Section 11.07 Entire Agreement; Amendment.

This Agreement and the Transaction Documents constitute the entire agreement between the Parties with respect to the transactions contemplated hereby and supersede all prior agreements with respect thereto. This Agreement may be amended only in a written instrument signed by both Seller and Purchaser.

Section 11.08 Binding Effect.

This Agreement shall inure to the benefit of and be binding upon the Parties and their successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person other than the Parties and their successors and permitted assigns, any rights, obligations, remedies or liabilities.

Section 11.09 Headings.

Headings on the Articles and Sections in this Agreement are for reference purposes only and shall not be deemed to have any substantive effect.

Section 11.10 Governing Law.

This Agreement shall be governed by the internal laws of the State of New York without giving effect to the conflict of law principles thereof, other than Section 5-1401 of the New York General Obligations Law.

Section 11.11 Submission to Jurisdiction; Waiver.

Each of Seller and Purchaser hereby unconditionally

(a) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND THE OTHER FACILITY DOCUMENTS, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(b) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND, TO THE EXTENT PERMITTED BY LAW, WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(c) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO ITS ADDRESS SET FORTH UNDER ITS SIGNATURE BELOW OR AT SUCH OTHER ADDRESS OF WHICH BUYER SHALL HAVE BEEN NOTIFIED;

(d) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION; AND

(e) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 11.12 Waivers, etc.

No failure on the part of Purchaser to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement or any Transaction Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement or any Transaction Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

Section 11.13 Incorporation of Exhibits.

The Exhibits attached hereto shall be incorporated herein and shall be understood to be a part hereof as though included in the body of this Agreement.

Section 11.14 Counterparts.

This Agreement may be executed in counterparts, each of which, when so executed and delivered, shall be deemed to be an original but all of which, taken together, shall constitute one and the same agreement.

Section 11.15 Severability of Provisions.

If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement or of the rights of the Parties hereto.

Section 11.16 Assignment.

(a) Seller may not assign, transfer, sell or subcontract all or any part of this Agreement, any interest herein, or any of Seller's interest in the Servicing Spread Collections, other than the Sold Percentage of the Excess MSRs sold hereby, without the prior written consent of Purchaser, provided that any successor to Seller must assume Seller's obligations under this Agreement. Subject to the rights of the Agency, Purchaser shall have the unrestricted right to further assign, transfer, deliver, hypothecate, pledge, subdivide or otherwise deal with its rights under this Agreement on whatever terms Purchaser shall determine without the consent of Seller; including the right to assign all or any portion of the Sold Percentage of the Excess MSRs and to assign the related rights under this Agreement. If Purchaser assigns any rights under this Agreement to a third party (a "Third Party Assignment"), such third party (a "Third Party Assignee") shall enter into a new agreement with Seller or Seller's assignee that provides such Third Party Assignee with the same rights with respect to the Sold Percentage of the Excess MSRs that Purchaser would have had under this Agreement if the Third Party Assignment had not occurred. Purchaser shall give the related Applicable Agency prompt notice of any such assignment.

(b) Seller shall maintain a register on which it enters the name and address of each holder of an interest in the Sold Percentage of the Excess MSRs and each holder's interest in the Sold Percentage of the Excess MSRs (the "Holder Register") for each transaction described in Section 11.16(a). The entries in the Holder Register shall be conclusive absent manifest error, and Seller shall treat each Person whose name is recorded in the Holder Register as an owner of an interest in the Excess MSRs for all purposes of this Agreement notwithstanding any notice to the contrary.

Section 11.17 Certain Acknowledgements.

Notwithstanding anything to the contrary contained herein:

(1) The property subject to the security interest reflected in this instrument includes all of the right, title and interest of Seller in certain mortgages and/or participation interests related to such mortgages ("Pooled Mortgages") and pooled under the mortgage-backed securities program of the Government National Mortgage Association ("Ginnie Mae"), pursuant to section 306(g) of the National Housing Act, 12 U.S.C. § 1721(g);

(2) To the extent that the security interest reflected in this instrument relates in any way to the Pooled Mortgages, such security interest is subject and subordinate to all rights, powers and prerogatives of Ginnie Mae, whether now existing or hereafter arising, under and in connection with: (i) 12 U.S.C. § 1721(g) and any implementing regulations; (ii) the terms and conditions of that certain Acknowledgment Agreement, with respect to the Security Interest, by and between Ginnie Mae, Freedom Mortgage Corporation ("Seller"), and Cherry Hill Mortgage Investment Corp.; (iii) applicable Guaranty Agreements and contractual agreements between Ginnie Mae and Seller; and (iv) the Ginnie Mae Mortgage-Backed Securities Guide, Handbook 5500.3 Rev. 1, and other applicable guides; and

(3) Such rights, powers and prerogatives of Ginnie Mae include, but are not limited to, Ginnie Mae's right, by issuing a letter of extinguishment to Seller, to effect and complete the extinguishment of all redemption, equitable, legal or other right, title or interest of Seller in the Pooled Mortgages, in which event the security interest as it relates in any way to the Pooled Mortgages shall, as more particularly described in the Acknowledgement Agreement instantly and automatically be extinguished as well.

IN WITNESS WHEREOF, each of the undersigned Parties has caused this Agreement to be duly executed in its corporate name by one of its duly authorized officers, all as of the date first above written.

CHERRY HILL MORTGAGE INVESTMENT CORP.
Purchaser

By: _____
Name:
Title:

FREEDOM MORTGAGE CORPORATION
Seller

By: _____
Name:
Title:

EXHIBIT A

FORM OF ASSIGNMENT AGREEMENT

Subject to, and upon the terms and conditions of the Flow and Bulk Purchase Agreement, dated as of [ ], 2013 (the "Agreement"), by and between Freedom Mortgage Corporation, a New Jersey corporation (together with its successors and permitted assigns, the "Seller") and Cherry Hill Mortgage Investment Corp. a Maryland corporation (together with its successors and permitted assigns, the "Purchaser"), as may be amended, restated, or otherwise modified and in effect from time to time, Seller hereby assigns, transfers and delivers to Purchaser all of Seller's right, title and interest in and to the Sold Percentage of the Excess MSRs for each of the Mortgage Loans set forth in Annex A attached hereto and all proceeds thereof, and agrees that as of the [Closing] [Assignment] Date, the applicable Mortgage Loan shall be deemed to be a "Mortgage Loan" for all purposes of the Agreement. Capitalized terms used in this Assignment Agreement have the meanings given to such terms in, or incorporated by reference into, the Agreement.

All of the terms, covenants, conditions and obligations of the Agreement required to be complied with and performed by Seller on or prior to the date hereof have been duly complied with and performed in all material respects.

FREEDOM MORTGAGE CORPORATION
Seller

By: _____
Name:
Title:

[ATTACH ANNEX A, WHICH MAY BE ON COMPUTER TAPE, COMPACT DISK, OR MICROFICHE, CONTAINING THE INFORMATION SET FORTH BELOW]

EXHIBIT B

SCHEDULE OF MORTGAGE LOANS

[SEPARATELY DELIVERED]

EXHIBIT C

LOCATION OF CREDIT FILES

EXHIBIT D

FORM OF SUMMARY REMITTANCE REPORT

[DELIVERED SEPARATELY]

EXHIBIT E

FORM OF DELINQUENCY REPORT

[DELIVERED SEPARATELY]

EXHIBIT F

FORM OF DISBURSEMENT REPORT

[DELIVERED SEPARATELY]

EXHIBIT H

SELLER JURISDICTIONS AND RECORDING OFFICES

Chief Executive Office:
907 Pleasant Valley Ave.
Mount Laurel, New Jersey 08054

Recording Office:
Secretary of State, State of New Jersey

EXHIBIT I

LIST OF REQUIRED FIELDS FOR DATA TAPE

1 Cut-off Date
2 Loan #
3 Agency
4 Remit
5 Product Description
6 Note Rate
7 Loan Amount
8 Current Balance
9 P & I
10 T & I
11 Total Payment
12 Term
13 Stated Remaining Term
14 Age
15 Closing Date
16 First Payment Date
17 Next Due Date
18 Interest Paid Through Date
19 Maturity Date
20 Escrow Balance
21 Other Advances
22 Suspense Funds
23 LTV
24 CLTV
25 DTI
26 Appraised Value
27 Sale Price
28 No Units
29 Loan Type
30 Property Type
31 Loan Purpose
32 Cash-out Flag
33 Occupancy
34 Lien Position
35 Address
36 City
37 State
45 Origination Rate
46 Origination P&I
47 Index Code
48 Plan Code
49 Current Index
50 Margin
51 Rate Chg Freq
52 Next Rate Change Date
53 First Rate Change Date
54 Initial Period
55 P&I Chg Freq
56 Next P&I Chg Date
57 First P&I Chg Date
58 Initial PI Chg Period
59 Initial Cap
60 Periodic Cap Inc
61 Periodic Cap Dec
62 Life Of Loan Cap Inc
63 Maximum Rate
64 Minimum Rate
65 Bankruptcy Status
66 Foreclosure Status
67 Interest Only
68 Interest Only Term
69 Interest Method
70 Prepay Penalty Term
71 Prepay Penalty Indicator
72 Prepay Penalty Description
73 Balloon Flag
74 Balloon Term
75 Origination Fico
76 Current Fico
77 Doc Type
78 Pay String History
79 Status
80 BK_Chapter
81 Foreclosure Start Date

38 Zip
39 County
40 Gross Serv Fee
41 Net Serv Fee
42 LPMI Fee
43 Guar Fee
44 Pool Number
82 Loss_Mitigation_Flag
83 Modification_Flag
84 LitigationFlag
85 MI Flag
86 MI Provider
87 Channel

Exhibit 10.3

POOL 1 EXCESS MSRs ACQUISITION and RECAPTURE AGREEMENT

by and between

FREEDOM MORTGAGE CORPORATION

(Seller)

and

CHERRY HILL MORTGAGE INVESTMENT CORP.

(Purchaser)

Dated as of , 2013

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POOL 1 EXCESS MSRs ACQUISITION and RECAPTURE AGREEMENT

THIS POOL 1 EXCESS MSRS ACQUISITION and RECAPTURE AGREEMENT, dated as of , 2013, is by and between Cherry Hill Mortgage Investment Corp., a Maryland corporation (together with its successors and permitted assigns, "Purchaser"), and Freedom Mortgage Corporation, a New Jersey corporation (together with its successors and permitted assigns, "Seller").

W I T N E S S E T H:

WHEREAS, Seller originates and services residential mortgage loans and is entitled to a servicing spread and other incidental fees with respect to those residential mortgage loans;

WHEREAS, the servicing spread exceeds the compensation that Seller requires to service the related residential mortgage loans;

WHEREAS, Seller desires to sell, and Purchaser desires to purchase, a portion of the servicing spread that exceeds such required compensation amount;

WHEREAS, Purchaser and Seller desire to set forth the terms and conditions pursuant to which Seller will sell, transfer and assign to Purchaser, all of Seller's right, title and interest in and to a portion of the servicing spread that exceeds the Seller's required compensation amount, and Purchaser will purchase all right, title and interest in and to such portion of the servicing spread;

WHEREAS, Seller desires to retain the right to refinance the residential mortgage loans subject to this Agreement, and Purchaser is willing to grant such right, as long as the newly-originated residential mortgage loans and, in certain cases, additional residential mortgage loans are included in this Agreement in replacement of the refinanced residential mortgage loans as described herein;

WHEREAS, Purchaser and Seller desire to set forth the terms and conditions pursuant to which residential mortgage loans subject to this Agreement may be refinanced and replaced; and

WHEREAS, Purchaser and Seller desire to set forth the conditions under which Seller may refinance the residential mortgage loans with respect to which Seller sold a portion of its servicing spread to Purchaser.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows.

ARTICLE I

DEFINITIONS; GENERAL INTERPRETIVE PRINCIPLES

Section 1.01 Definitions.

Whenever used herein, the following words and phrases shall have the following meanings:

Accepted Servicing Practices: With respect to any Mortgage Loan, those mortgage servicing practices (including collection procedures) of prudent mortgage lending institutions that service mortgage loans of the same type as the Mortgage Loans in the jurisdictions in which the Mortgaged Properties are located and which are in accordance with Agency servicing practices and procedures as set forth in the applicable Servicing Agreements, and in a manner at least equal in quality to the servicing that Seller provides for mortgage loans which it owns in its own portfolio.

Acknowledgment Agreement: The acknowledgment agreement by and among the Agency, Seller and Purchaser, in form and substance reasonably acceptable to such Persons, dated on or before the Closing Date, pursuant to which, among other things, the Agency acknowledges the Purchaser's security interest in the Excess MSRs and any other arrangements specified therein.

Additional Mortgage Loan: A Mortgage Loan for which the Sold Percentage of the related Excess MSR is assigned to Purchaser in total or partial satisfaction of the Make Whole Amount.

Agency: Ginnie Mae, or any successor thereto.

Agreement: This agreement, as the same may be amended in accordance with the terms hereof.

Agreement Date: The date first set forth above.

Ancillary Income: All incidental fees that are supplemental to the servicing spread payable to the servicer pursuant to the Servicing Agreements, including without limitation, late fees, assignment transfer fees, returned check fees, special services fees, amortization schedule fees, HAMP fees, modification and incentive income and any interest or earnings on funds deposited in an account maintained by Seller as servicer with respect to the Mortgage Loans.

Applicable Law: With reference to any Person, all laws (including common law), statutes, regulations, ordinances, treaties, judgments, decrees, injunctions, writs and orders of any court, governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any Governmental Authority applicable to such Person or its property or in respect of its operations.

Approved Valuation Firm: Any valuation firm that has been approved by the Independent Directors and that is agreed to by Seller and Purchaser.

Assignment Agreement: An agreement substantially in the form of Exhibit A to this Agreement or in such other form as mutually agreed upon by the Parties.

Assignment Date: With respect to a Refinanced Mortgage Loan and the related New Mortgage Loan, the first day of the second month after the month in which the related Refinancing Date occurred. With respect to any Additional Mortgage Loan, the first day of the Calculation Period beginning after the Calculation Period with respect to which the applicable Make Whole Amount was calculated.

Bank: The financial institution mutually agreed upon by Seller and Purchaser, acting in its capacity as "Bank" under the Reserve Account Control Agreement.

Base Servicing Fee: With respect to a Collection Period, an amount equal to the aggregate, for each Mortgage Loan, of the product of (A) the outstanding principal balance of such Mortgage Loans as of the related Measurement Date, (B) the Base Servicing Fee Rate and (C) (i) in the case of the initial Collection Period, a fraction, the numerator of which is the number of days in the period from and including the Closing Date to and including the last day of the initial Collection Period, and the denominator of which is 360, and (ii) in the case of all other Collection Periods, 1/12th; provided, however, that the Base Servicing Fee with respect to any Mortgage Loan (i) that is prepaid in full or (ii) whose Servicing Agreement is terminated during a Collection Period shall be pro-rated to the actual number of days within such Collection Period in which such Mortgage Loan was serviced by Seller; and provided further, that payment of the Base Servicing Fee for any delinquent Mortgage Loan shall be suspended unless and until Seller recovers the amount thereof from payments in respect thereof by the Mortgagor or the amount thereof is otherwise recovered from the liquidation of the related Mortgaged Property.

Base Servicing Fee Rate: 0.08% per annum.

Business Day: Any day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in the States of New Jersey or New York are authorized or obligated by law or by executive order to be closed or (c) such other days as agreed upon by the Parties.

Calculation Period: Each calendar quarter during the term of this Agreement beginning (x) in the case of the first such period, on the first day of the month in which the Closing Date occurs, and (y) in the case of each subsequent period, on the first day of the month occurring after the end of the prior period.

Closing Date: October , 2013 or such other date as Seller and Purchaser shall agree.

Code: The Internal Revenue Code of 1986, as amended from time to time.

Collateral: The meaning given to such term in Section 2.02.

Collection Period: With respect to any Distribution Date, the calendar month preceding the month in which such Distribution Date occurs.

Control: The meaning specified in Section 8-106 of the UCC.

Credit File: Those documents, which may be originals, copies or electronically imaged, pertaining to each Mortgage Loan, held by or on behalf of Seller in connection with the servicing of the Mortgage Loan, which may include Mortgage Loan Documents and the credit documentation relating to the origination of such Mortgage Loan, and any documents gathered during the Servicing of a Mortgage Loan.

Data Tape: Each tape accompanying an Assignment Agreement and containing the information specified in Exhibit I with respect to the related Mortgage Loans underlying the Excess MSRs that are subject to this Agreement.

Distribution Date: The sixth (6th) Business Day of each calendar month beginning in the month following the month in which the Closing Date occurs, or such other day as mutually agreed upon by Seller and Purchaser.

Electronic Data File: A computer tape or other electronic medium in form and substance reasonably satisfactory to Purchaser generated by or on behalf of Seller and delivered or transmitted on each Distribution Date to Purchaser or its designee which provides information relating to the Mortgage Loans.

Eligible Investments: Any one or more of the obligations and securities listed below which investment provides for a date of maturity not later than the Distribution Date in each month or is payable on demand:

(1) direct obligations of, and obligations fully guaranteed as to timely payment of principal and interest by, the United States of America or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America ("Direct Obligations");

(2) federal funds, or demand and time deposits in, certificates of deposits of, or bankers' acceptances issued by, any depository institution or trust company (including U.S. subsidiaries of foreign depositories) incorporated or organized under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, so long as at the time of investment or the contractual commitment providing for such investment the commercial paper or other short term debt obligations of such depository institution or trust company (or, in the case of a depository institution or trust company which is the principal subsidiary of a holding company, the commercial paper or other short term debt or deposit obligations of such holding company or deposit institution, as the case may be) have been rated by at least one nationally recognized statistical rating organization ("NRSRO") in its highest short-term rating category or one of its two highest long-term rating categories;

(3) repurchase agreements collateralized by Direct Obligations or securities guaranteed by Fannie Mae or Freddie Mac with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the Federal Deposit Insurance Corporation, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated by at least one NRSRO in its highest short-term rating category;

(4) securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States of America or any state thereof which have a credit rating from at least one NRSRO, at the time of investment or the contractual commitment providing for such investment NRSRO *provided, however*, that such securities will not be Eligible Investments if they are published as being under review with negative implications from any NRSRO;

(5) commercial paper (including both non-interest-bearing discount obligations and interest bearing obligations payable on demand or on a specified date not more than 180 days after the date of issuance thereof) rated by any NRSRO in its highest short-term rating category;

(6) certificates or receipts representing direct ownership interests in future interest or principal payments on obligations of the United States of America or its agencies or instrumentalities (which obligations are backed by the full faith and credit of the United States of America) held by a custodian in safekeeping on behalf of the holders of such receipts; and

(7) any other demand, money market, common trust fund or time deposit or obligation, or interest bearing or other security or investment, rated, if applicable, in the highest rating category by any NRSRO. Such investments in this subsection (7) may include money market mutual funds or a common trust fund, and such funds may be managed by the Bank or one of its Affiliates; *provided, however*, that no such instrument shall be an Eligible Investment if such instrument evidences either (i) a right to receive only interest payments with respect to the obligations underlying such instrument, or (ii) both principal and interest payments derived from obligations underlying such instrument and the principal and interest payments with respect to such instrument provide a yield to maturity of greater than 120% of the yield to maturity at par of such underlying obligations.

Eligible Servicing Agreement: Unless otherwise agreed to by Purchaser, a Servicing Agreement in respect of which the following eligibility requirements have been satisfied:

(a) such Servicing Agreement is in full force and effect, and is in all respects genuine as appearing on its face or as represented in the books and records of Seller, and no event of default, early amortization event, termination event, or other event giving any party thereto (including with notice or lapse of time or both) the right to terminate Seller as servicer thereunder for cause has occurred and is continuing; provided, however, that with respect to any Servicing Agreement and the occurrence of any event set forth in this clause (a) which is based on a breach of a collateral performance test, such Servicing Agreement shall remain an Eligible Servicing Agreement so long as no notice of termination based on such breach has been given or threatened in writing and subject to the restrictions set forth herein; and

(b) Seller has not resigned or been terminated as servicer under such Servicing Agreement and has no actual knowledge of any pending or threatened action to terminate Seller, as servicer (whether for cause or without cause).

Entitlement Holder: The meaning specified in Section 8-102(a)(7) of the UCC.

Excess MSRs: The rights of Seller, severable from each (and all) of the other rights under the applicable Servicing Agreements, to the portion of the Servicing Spread Collections that exceeds the Base Servicing Fee.

Excess Servicing Fee Rate: As to any Mortgage Loan, the excess of the Gross Servicing Fee Rate for such Mortgage Loan over the Base Servicing Fee Rate.

Fannie Mae: The Federal National Mortgage Association or any successor thereto.

Freddie Mac: The Federal Home Loan Mortgage Corporation or any successor thereto.

GAAP: Generally accepted accounting principles in the United States of America as in effect from time to time set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be in general use by significant segments of the accounting profession, that are applicable to the circumstances as of the date of determination.

Ginnie Mae: Government National Mortgage Association, or any successor thereto.

Governmental Authority: With respect to any Person, any nation or government, any state or other political subdivision, agency or instrumentality thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having jurisdiction over such Person, any of its subsidiaries or any of its properties.

Grant: To grant, bargain, sell, warrant, alienate, remise, demise, release, convey, assign, transfer, mortgage, pledge, create and grant a security interest in and right of setoff against, deposit, set over or confirm.

Gross Servicing Fee Rate: As to any Mortgage Loan, the annual rate at which the servicing fee is calculated for such Mortgage Loan, determined as provided in the related Servicing Agreement.

HAMP: The U.S. Department of the Treasury’s Home Affordable Modification Program.

HAMP Loans: Mortgage Loans that have been modified or will be modified in accordance with HAMP.

Independent Directors: The non-executive officer members of Purchaser’s board of directors.

Initial Mortgage Loans: The Mortgage Loans identified on the Schedule of Mortgage Loans attached to the Assignment Agreement that is delivered on the Closing Date.

IRS: The United States Internal Revenue Service.

Lien: Any mortgage, deed of trust, pledge, hypothecation, collateral assignment, charge, deposit, arrangement, encumbrance, lien (statutory or other), security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever intended to assure payment of any indebtedness or the performance of any other obligation, including any conditional sale or other title retention agreement.

Loss or Losses: Any and all direct, actual and out-of-pocket losses (including any loss in the value of the Excess MSRs), damages, deficiencies, claims, costs or expenses, including reasonable attorneys' fees and disbursements, excluding (i) any amounts attributable to or arising from overhead allocations, general or administrative costs and expenses, or any cost for the time of any Party's employees, (ii) consequential losses or damages consisting of speculative lost profits, lost investment or business opportunity, damage to reputation or operating losses, or (iii) punitive or treble damages; provided, however, that the exclusions set forth in clauses (ii) or (iii) above do not apply if and to the extent any such amounts are actually incurred in payment to a third party or Governmental Authority.

Make Whole Amount: For any Calculation Period, an amount equal to the product of (x) the Sold Percentage and (y) 90% of the excess, if any, of (i) the product of the weighted average Excess Servicing Fee Rate of the Mortgage Loans that became Refinanced Mortgage Loans during such Calculation Period and the aggregate unpaid principal balances of such Refinanced Mortgage Loans as of their respective Refinancing Dates over (ii) the product of the weighted average Excess Servicing Fee Rate and the original principal balances of the related New Mortgage Loans.

Measurement Date: With respect to any Collection Period, the first day of such Collection Period.

MERS: Mortgage Electronic Registration Systems, Inc., or any successor thereto.

MI: Insurance provided by private mortgage insurance companies to make payments on certain Mortgage Loans in the event that the related Mortgagor defaults in its obligation in respect of the Mortgage.

Mortgage: Each of those mortgages, deeds of trust, security deeds or deeds to secure debt creating a first lien on or an interest in real property securing a Mortgage Note and related to a Mortgage Loan.

Mortgage Loan: A loan originated by Seller that is secured by a mortgage, deed of trust or similar instrument on a one- to four-family residence and that is listed on a Schedule of Mortgage Loans delivered pursuant to this Agreement.

Mortgage Loan Documents: With respect to each Mortgage Loan, the documents and agreements related to such Mortgage Loan required to be held by the applicable custodian, including, without limitation, the original Mortgage Note, and any other documents or agreements evidencing and/or governing such Mortgage Loan.

Mortgage Note: With respect to any Mortgage Loan, the note or other evidence of indebtedness of the Mortgagor, thereunder, including, if applicable, an allonge and lost note affidavit.

Mortgage Servicing Rights: The rights and responsibilities of Seller with respect to servicing the Mortgage Loans under the Servicing Agreements, including any and all of the following if and to the extent provided therein: (a) all rights to service a Mortgage Loan; (b) all rights to receive servicing fees, Ancillary Income, reimbursements or indemnification for servicing the Mortgage Loan, and any payments received in respect of the foregoing and proceeds thereof; (c) the right to collect, hold and disburse escrow payments or other payments with respect to the Mortgage Loan and any amounts actually collected with respect thereto and to receive interest income on such amounts to the extent permitted by Applicable Law; (d) all accounts and other rights to payment related to any of the property described in this paragraph; (e) possession and use of any and all Credit Files pertaining to the Mortgage Loan or pertaining to the past, present or prospective servicing of the Mortgage Loan; (f) to the extent applicable, all rights and benefits relating to the direct solicitation of the related Mortgagors for refinance or modification of the Mortgage Loans and attendant right, title and interest in and to the list of such Mortgagors and data relating to their respective Mortgage Loans; and (g) all rights, powers and privileges incident to any of the foregoing.

Mortgaged Property: The Mortgagor's real property, securing repayment of a related Mortgage Note, consisting of an interest in a single parcel of real property, improved by a one- to four-family residential dwelling.

Mortgagor: An obligor under a residential mortgage loan.

New Mortgage Loan: A Mortgage Loan that would meet the criteria for an Additional Mortgage Loan the proceeds of which were used, in whole or in part, to prepay the related Refinanced Mortgage Loan.

Non-qualifying Income: Any amount that is treated as gross income for purposes of Section 856 of the Code and which is not Qualifying Income.

Opinion of Counsel: One or more written opinions, in form and substance reasonably satisfactory to the recipient, of an attorney at law admitted to practice in any state of the United States or the District of Columbia, which attorney may be counsel for Seller or Purchaser, as the case may be.

Party or Parties: Either Seller or Purchaser, as the context may require, or both of Seller and Purchaser.

Permitted Liens: Liens in favor of the Agency required pursuant to the applicable Servicing Agreements.

Person: Any individual, partnership, corporation, limited liability company, limited liability partnership, business entity, joint stock company, trust, business trust, unincorporated organization, association, enterprise, joint venture, government, any department or agency of any government or any other entity of whatever nature.

Prime Rate: The prime rate announced to be in effect from time to time, as published as the average rate in *The Wall Street Journal*.

Purchase Price: $[ ].

Purchaser: As defined in the preamble hereof.

Purchaser Indemnitees: The meaning given to such term in Section 10.01(a).

Qualifying Income: Gross income that is described in Section 856(c)(2) or 856(c)(3) of the Code.

Refinanced Interest Payment: For any New Mortgage Loan, an amount equal to the Sold Percentage of interest accrued at the related Excess Servicing Fee Rate on the unpaid principal balance of such New Mortgage Loan for the period from the Refinancing Date for the related Refinanced Mortgage Loan to the Assignment Date for such New Mortgage Loan.

Refinanced Mortgage Loan: A Mortgage Loan that is refinanced by Seller through its retail channel during the term of the Agreement.

Refinancing Date: The date on which a Refinanced Mortgage Loan is prepaid by the related New Mortgage Loan.

REIT Requirements: The requirements imposed on real estate investment trusts pursuant to Sections 856 through and including 860 of the Code.

Related Escrow Accounts: Mortgage Loan escrow impound accounts maintained by Seller relating to the Mortgage Servicing Rights, including accounts for buydown funds, real estate taxes and MI, flood and hazard insurance premiums.

Release Document: As defined in Section 10.01(b) hereof.

Remaining Expected Servicing Spread: As of any date of determination, the Total Servicing Spread expected to be paid over the expected remaining lives of the Mortgage Loans.

Reporting Date: As to any Distribution Date, the tenth (10^{th}) Business Day after such Distribution Date.

Required Reserve Amount: On the Closing Date, $2,300,000. On any Distribution Date on which a Trigger Event is not in effect, an amount equal to one month's expected Servicing Spread Collections on the Mortgage Loans, assuming no delinquencies or prepayments. On any Distribution Date on which a Trigger Event is in effect, an amount equal to two month's expected Servicing Spread Collections (assuming no delinquencies or prepayments).

Requirement of Law: As to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

Reserve Account: The account specified in the Reserve Account Control Agreement and maintained by Bank or any successor thereto, or any other third party custodian or trustee selected by Purchaser.

Reserve Account Agreement: The applicable deposit account agreement and other related account documentation governing the Reserve Account.

Reserve Account Control Agreement: The account control agreement among Seller, Purchaser and Bank, dated on or before the Closing Date, entered into with respect to the Reserve Account, as amended, restated, supplemented or otherwise modified from time to time.

Retained Servicing Spread: The rights of Seller, severable from each (and all) of the other rights under the applicable Servicing Agreement, to the Retained Percentage of the Total Servicing Spread.

Retained Percentage: 15%.

Sales Proceeds: The proceeds received upon a sale (approved by the Parties) of the Total Servicing Spread (except without giving effect to clause (b) of the definition thereof), in whole or in part.

Schedule of Mortgage Loans: As of any date of determination, the list or lists of Mortgage Loans for which Seller has sold the Sold Percentage of the related Excess MSRs to Purchaser pursuant to this Agreement.

Scheduled Total Servicing Spread: As to any Distribution Date, an amount equal to the Total Servicing Spread for the related Collection Period, calculated on the basis of the scheduled unpaid principal balances of the Mortgage Loans.

Seller: As defined in the preamble hereof.

Seller Indemnitees: The meaning given to such term in Section 10.02.

Servicing: The responsibilities with respect to servicing the Mortgage Loans under the Servicing Agreements.

Servicing Agreements: The servicing agreements, as amended from time to time, and any waivers, consent letters, acknowledgments and other agreements under which Seller is the servicer of the Mortgage Loans relating to the Mortgage Servicing Rights and governing the servicing of the Mortgage Loans, or with respect to Mortgage Loans owned by Seller, the credit and collection standards, policies, procedures and practices of Seller relating to residential mortgage loans owned and serviced by Seller.

Servicing Spread Collections: For each Collection Period, the funds collected on the Mortgage Loans and allocated as the servicing compensation payable to Seller as servicer of the Mortgage Loans with respect to such Collection Period pursuant to the applicable Servicing Agreements, other than Ancillary Income and, for the avoidance of doubt, other than reimbursements, if any, received by Seller for advances and other out-of- pocket expenditures.

Sold Percentage: 85%.

Solvent: With respect to any Person as of any date of determination, (a) the value of the assets of such Person is greater than the total amount of liabilities (including contingent and un-liquidated liabilities) of such Person as determined in accordance with GAAP, (b) such Person is able to pay all liabilities of such Person as such liabilities mature and (c) such Person does not have unreasonably small capital. In computing the amount of contingent or un-liquidated liabilities at any time, such liabilities will be computed at the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

Standby Trigger Event: The existence of any of the following: (i) Seller's Tangible Net Worth is less than the sum of $40,000,000 plus the required net worth determined in accordance with HUD's regulations; (ii) the percentage of the loans serviced for Ginnie Mae that are more than 90 days delinquent, determined as provided in the Ginnie Mae guide, exceeds 4.25% as of any date such delinquency percentage is reported to Ginnie Mae in accordance with that guide; (iii) the existence of a default, an event of default or an event which with the giving of notice or the passage of time or both, will become a default or an event of default under any warehouse agreement of Seller; or (iv) Seller's cash and cash equivalents are less $50,000,000.

Substitute Mortgage Loan: A mortgage loan originated by Seller that would satisfy the criteria for Additional Mortgage Loans set forth in Section 3.03 hereof.

Tangible Net Worth: The net worth of Seller determined in accordance with GAAP, minus all intangibles determined in accordance with GAAP (including goodwill, capitalized financing costs and capitalized administration costs but excluding originated and purchased mortgage servicing rights or retained residual securities) and any and all advances to, investments in and receivables held from affiliates; provided, however, that the non-cash effect (gain or loss) of any mark-to-market adjustments made directly to stockholders' equity for fluctuation of the value of financial instruments as mandated under the Statement of Financial Accounting Standards No. 133 (or any successor statement) shall be excluded from the calculation of Tangible Net Worth.

Third Party Claim: The meaning given to such term in Section 10.01.

Total Servicing Spread: For each Collection Period, the sum of the following: (a) the Servicing Spread Collections received during such Collection Period and remaining after payment of the Base Servicing Fee, (b) all Sales Proceeds received during such Collection Period; and (c) all other amounts payable by the Agency to Seller (or Purchaser under the Acknowledgement Agreement) with respect to the Mortgage Servicing Rights for Mortgage Loans, including any termination fees paid by the Agency to Seller for terminating Seller as the servicer of any of the Mortgage Loans, but for the avoidance of doubt, excluding all Ancillary Income and reimbursements, if any, received by Seller for advances and other out-of-pocket expenditures.

Transaction Documents: The Acknowledgement Agreement, the Reserve Account Agreement, the Reserve Account Control Agreement and each Assignment Agreement.

Trigger Event: As of any date of determination: (i) the existence of a default, an event of default or an event which, with the giving of notice or the passage of time or both, will become a default or an event of default, under any of Seller's warehouse agreements; or (ii) Seller is in default under, or in breach of any material covenant or obligation in, this Agreement or any other agreement then in effect to which Seller and Purchaser are parties.

UCC: The Uniform Commercial Code as in effect from time to time in the applicable jurisdiction.

Section 1.02 General Interpretive Principles.

For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) The terms defined in this Agreement have the meanings assigned to them in this Agreement and include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other gender;

(b) Accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP;

(c) References herein to "Articles," "Sections," "Subsections," "Paragraphs," and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, Paragraphs and other subdivisions of this Agreement;

(d) A reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to Paragraphs and other subdivisions;

(e) The words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular provision; and

(f) The term "include" or "including" shall mean without limitation by reason of enumeration.

ARTICLE II

PURCHASE AND SALE

Section 2.01 Sale of Excess MSRs.

Subject to, and upon the terms and conditions of this Agreement, Seller agrees to sell, transfer and assign to Purchaser, and Purchaser agrees to acquire from Seller, all of Seller's right, title and interest in and to the Sold Percentage of the Excess MSRs with respect to (i) the Initial Mortgage Loans, (ii) the New Mortgage Loans and (iii) the Additional Mortgage Loans, if any, and all proceeds thereof.

Section 2.02 Grant of Security Interest.

In order to secure Seller's obligations (i) to deliver the Sold Percentage of the Total Servicing Spread, which arises from the Excess MSRs described in Section 2.01, the payments in respect thereof, any payments in respect of Make Whole Amounts and the Refinanced Interest Payments and (ii) to perform its obligations hereunder, Seller hereby Grants to Purchaser a valid and continuing first priority and perfected Lien on and security interest in all of Seller's right, title and interest in, to and under (x) the Excess MSRs (including both the Sold Percentage and the Retained Percentage thereof) on the Initial Mortgage Loans, the New Mortgage Loans and any Additional Mortgage Loans, (y) the Reserve Account, together with all amounts on deposit therein from time to time and (z) all cash and non-cash proceeds thereof, in each case, whether now owned or existing, or hereafter acquired and arising (the "Collateral").

Section 2.03 Closing Date Transactions.

On the Closing Date, subject to the satisfaction of the terms and conditions herein:

(a) Seller shall execute and deliver an Assignment Agreement with respect to the Sold Percentage of the Excess MSRs on the Initial Mortgage Loans;

(b) Seller shall deposit the Required Reserve Amount into the Reserve Account; and

(c) Purchaser shall remit to Seller the Purchase Price by wire transfer of immediately available funds to the account designated by Seller.

ARTICLE III

RECAPTURE PROVISIONS

Section 3.01 Refinancing and Substitution of Mortgage Loans.

(a) If Seller, through its retail channel, refinances any Mortgage Loan during the term of this Agreement, Seller hereby sells, assigns, transfers and conveys (a "Transfer") to Purchaser, the Sold Percentage of the Excess MSR with respect to the related New Mortgage Loan, such Transfer to be effective on the Assignment Date for such New Mortgage Loan; provided, however that Seller may Transfer the Sold Percentage of the Excess MSR with respect

to a Substitute Mortgage Loan in lieu of a New Mortgage Loan so long as the aggregate unpaid principal balance of all Substitute Mortgage Loans, as of their respective Assignment Dates, Transferred over the term of this Agreement does not exceed 3% of the aggregate unpaid principal balance of the Initial Pool as of the Closing Date. Once a Substitute Mortgage Loan is so Transferred, it shall be deemed to be a New Mortgage Loan thereafter.

(b) On the Assignment Date for any New Mortgage Loan, Seller shall (i) execute and deliver an Assignment Agreement with a Schedule of Mortgage Loans attached and (ii) deliver the related Data Tape to Purchaser. In addition on that Assignment Date, Seller shall remit to Purchaser the related Refinanced Interest Payment by wire transfer of immediately available funds to the account designated by Purchaser.

Section 3.02 Requirement to Designate Additional Mortgage Loans.

(a) Within 5 days after the end of each Calculation Period, Seller shall calculate the Make Whole Amount, if any, with respect to such Calculation Period and shall furnish the same to Purchaser along with commercially reasonable documentation supporting such calculation. Purchaser shall have 5 days to notify Seller that Purchaser accepts or objects to such calculation. If Purchaser objects to such calculation, it shall furnish Seller with commercially reasonable supporting documentation of its objection, and the Parties shall cooperate in good faith to resolve the objection. If the Parties cannot resolve the disagreement, they shall proceed in accordance with subsection (d) below. If Purchaser accepts the calculation, or the disagreement is otherwise resolved as provided in this Section, Seller shall designate Additional Mortgage Loans as provided in Section 3.02(b) below such that the Make Whole Amount (calculated as though such Additional Mortgage Loans were New Mortgage Loans) is not more than zero.

(b) Seller shall designate eligible Mortgage Loans as Additional Mortgage Loans in an amount calculated in accordance with Section 3.02(a) by the 10th day of the month after the month in which the applicable Calculation Period ended by preparing and delivering to Purchaser an Assignment Agreement with a Schedule of Mortgage Loans attached. Each Assignment Agreement shall also be accompanied by a Data Tape with respect to the Mortgage Loans on the related Mortgage Loan Schedule. Upon delivery of such Assignment Agreement, Seller will have sold, assigned, transferred and otherwise conveyed the Sold Percentage of the Excess MSR on each such Additional Mortgage Loan as of the related Assignment Date. The Additional Mortgage Loans shall satisfy the requirements of Section 3.03 below and shall have Excess Servicing Fee Rates such that the Make Whole Amount (calculated as though such Additional Mortgage Loans were New Mortgage Loans) is not more than zero.

(c) In lieu of designating Additional Mortgage Loans to eliminate the Make Whole Amount, Seller may pay Purchaser an amount in cash equal to the fair market value of the Make Whole Amount. Within 5 days after the end of each Calculation Period for which Seller desires to make a cash payment in lieu of designating Additional Loans, Seller shall submit its calculation of the fair market value of the Make Whole Amount, which shall take into account the delay between the first day of the month and the date on which the cash payment is to be made, along with commercially reasonable supporting documentation to Purchaser. Purchaser shall have 5 days to notify Seller that Purchaser accepts or objects to such calculation. If Purchaser accepts such calculation, Seller shall pay the agreed upon amount within one Business

Day after receipt of Purchaser's acceptance of the fair market value calculation. If Purchaser objects to such calculation, it shall furnish Seller with commercially reasonable supporting documentation of its objection, and the Parties shall cooperate in good faith to resolve the objection. If the Parties cannot resolve the disagreement, they shall proceed in accordance with subsection (d) below.

(d) If the Parties cannot resolve a disagreement under this Section 3.02, they shall pick an Approved Valuation Firm to calculate the amount in dispute, and the decision of such Approved Valuation Firm shall be final and binding on the Parties. Each Party agrees to cooperate in good faith with the requests for information by such Approved Valuation Firm, and each Party shall pay 50% of the fees and expenses of such firm. Within 2 Business Days after the decision of the Approved Valuation Firm, Seller shall designate Additional Mortgage Loans or pay the cash fair market value, as applicable so that the Make Whole Amount is not more than zero.

Section 3.03 Criteria for Additional Mortgage Loans.

As of the applicable Assignment Date, unless otherwise agreed upon by Seller and Purchaser, the Additional Mortgage Loans shall satisfy the following criteria:

(1) Each Additional Mortgage Loan is included in a mortgage backed security guaranteed by Ginnie Mae;

(2) The weighted average of the mortgage rates on the Additional Mortgage Loans is within 0.125 basis points per annum of the weighted average of the mortgage rates on the New Mortgage Loans originated during the applicable Calculation Period;

(3) The weighted average remaining term to maturity of the Additional Mortgage Loans is not less than the weighted average remaining term to maturity of the New Mortgage Loans originated during the applicable Calculation Period;

(4) The weighted average seasoning of the Additional Mortgage Loans is less than or equal to that of the New Mortgage Loans originated during the applicable Calculation Period;

(5) The average unpaid principal balance of the Additional Mortgage Loans is not less than the average unpaid principal balance of the New Mortgage Loans that were originated during the applicable Calculation Period;

(6) The remaining material credit characteristics of the Additional Mortgage Loan (other than as specified in clauses (1), (2), (3), (4) and (5) above) are substantially similar to the credit characteristics of the New Mortgage Loans originated during the applicable Calculation Period;

(7) Each Additional Mortgage Loan is current as of the applicable Assignment Date; and

(8) Each Additional Mortgage Loan is not subject to any foreclosure or similar proceeding, is not in, and has not gone through, the process of modification, workout or any other loss mitigation process and is not involved in litigation.

Section 3.04 Assignment of Excess MSRs.

Subject to the satisfaction of the terms and conditions in this Agreement, on each Assignment Date, Seller shall execute and deliver an Assignment Agreement (with a Schedule of Mortgage Loans attached and accompanied by a Data Tape with respect to the Mortgage Loans listed on such schedule) for the Sold Percentage of the Excess MSRs to be assigned on such Assignment Date with respect to (i) the New Mortgage Loans originated during the applicable Calculation Period (or any Substitute Mortgage Loans Transferred in lieu thereof) and (ii) any Additional Mortgage Loans designated as provided in Section 3.02 to satisfy the Make Whole Amount for the applicable Calculation Period.

ARTICLE IV

PAYMENTS AND DISTRIBUTIONS

Section 4.01 Distributions.

(a) On each Distribution Date, Seller shall remit by wire transfer of immediately available funds to the account designated in writing by Purchaser the Sold Percentage of the Scheduled Total Servicing Spread for the prior Collection Period; provided, however, that on the first Distribution Date, Seller shall remit an amount equal to the product of (i) the Scheduled Total Servicing Spread for the prior Collection Period, (ii) the percentage equivalent of a fraction, the numerator of which is the number of days from and including the Closing Date to and including the last day of the month in which the Closing Date occurs, and the denominator of which is 30, and (iii) the Sold Percentage. Within ten Business Days after each Distribution Date, Seller shall (x) reconcile the Scheduled Total Servicing Spread for the applicable Collection Period and the actual Total Servicing Spread for such Collection Period, (y) deliver to Purchaser commercially reasonable documentation of such reconciliation and (z) remit by wire transfer of immediately available funds to the above account the amount of any shortfall in the amount to which Purchaser is entitled. If Purchaser was over paid on the Distribution Date, it shall promptly remit the over payment to Seller by wire transfer of immediately available funds.

(b) With respect to any distribution received by Purchaser after the Business Day on which such payment was due, Seller shall pay Purchaser interest on any such late payment at an annual rate equal to the Prime Rate, adjusted as of the date of each change, plus three (3) percentage points, but in no event greater than the maximum amount permitted by Applicable Law. Such interest shall be paid on the date such late payment is made and shall cover the period commencing with the Business Day on which such payment was due and ending on the Business Day immediately preceding the Business Day on which such payment was made, both inclusive. The payment by Seller of any such interest shall not be deemed an extension of time for payment or a waiver of any breach of Seller’s obligations hereunder.

(c) The Reserve Account will be established with the Bank pursuant to the Reserve Account Control Agreement with respect to which Purchaser is an Entitlement Holder with Control. The Reserve Account shall be a blocked account for which Purchaser shall have the sole right to make withdrawals. Seller agrees to take all actions reasonably necessary, including the filing of appropriate financing statements, to protect Purchaser's interest in the Reserve Account.

(d) On each Distribution Date, Seller shall deposit in the Reserve Account an amount equal to the excess, if any, of the Required Reserve Amount for such Distribution Date over the amount on deposit in the Reserve Account. Seller shall immediately notify Purchaser in writing if a Trigger Event is in effect and when the Trigger Event is no longer in effect.

Section 4.02 Withdrawals from the Reserve Account.

On any Business Day, Purchaser may direct the Bank to apply funds in the Reserve Account, if any, to the payment of indemnity payments payable to a Purchaser Indemnitee pursuant to Section 11.01. In addition, if on any Distribution Date, Purchaser does not receive the Sold Percentage of the Total Servicing Spread as provided in Section 4.01, Purchaser may direct the Bank to remit to Purchaser the amount of the shortfall to the extent of funds then on deposit in the Reserve Account. If on any Distribution Date the amount on deposit in the Reserve Account exceeds the Required Reserve Amount for such date (after any other withdrawals therefrom on such date), Purchaser shall direct the Bank to disburse such excess to Seller. Upon termination of this Agreement, after all amounts due to Purchaser shall have been paid, Purchaser shall direct the Bank to distribute any amounts remaining in the Reserve Account to or upon the order of Seller.

Section 4.03 Investment of Funds in the Reserve Account.

Seller may direct the Bank to invest amounts on deposit in the Reserve Account in Eligible Investments that mature not later than the Business Day next preceding the first Distribution Date occurring after the date of the investment except that if the investment is an obligation of the Bank it may mature on the Distribution Date. Any Eligible Investment shall not be sold or disposed of before its maturity. Any gain or loss on such investments shall be taxed to Seller.

Section 4.04 Payment to Seller of Base Servicing Fee.

Seller shall be entitled to payment of the Base Servicing Fee only to the extent payments from Mortgagors are available therefor. Under no circumstances shall Purchaser be liable to Seller for payment of the Base Servicing Fee. The servicing fees and expenses of any sub-servicer shall be paid by Seller and in no event will the amount of Servicing Spread Collections or termination payments otherwise allocable to the Excess MSRs be reduced due to the payment of sub-servicing fees and expenses.

Section 4.05 Intent and Characterization.

(a) Seller and Purchaser intend that the sale of the Sold Percentage of the Excess MSRs pursuant to this Agreement constitutes a valid sale of such percentage of the Excess MSRs from Seller to Purchaser, conveying good title thereto free and clear of any Lien other than Permitted Liens, and that the beneficial interest in and title to the Sold Percentage of the Excess MSRs not be part of Seller's estate in the event of the bankruptcy of Seller. Seller and Purchaser intend and agree to treat the transfer and assignment of the Sold Percentage of the Excess MSRs as an absolute sale for tax purposes, and as an absolute and complete conveyance of title for property law purposes. In the case of the Sold Percentage of the Excess MSR with respect to a New Mortgage Loan, Seller and Purchaser intend that, solely for income tax purposes, the sale and assignment shall occur as of the Refinancing Date of the related Refinanced Mortgage Loan. Seller and Purchaser intend that, for income tax purposes, the replacement of the Sold Percentage of the Excess MSR with respect to a Refinanced Mortgage Loan with the Sold Percentage of the Excess MSR with respect to the related New Mortgage Loan and any related Additional Mortgage Loans pursuant to Article III shall be treated as a sale of the Sold Percentage of the Excess MSR with respect to the Refinanced Mortgage Loan in exchange for the Sold Percentage of the Excess MSR with respect to the related New Mortgage Loan and any related Additional Mortgage Loans (or payment in cash of the Make Whole Amount in lieu thereof pursuant to Section 3.02(c). Except for financial accounting purposes, neither party intends the transactions contemplated hereby to be characterized as a loan from Purchaser to Seller.

(b) The Parties hereto shall treat the Excess MSRs with respect to Mortgage Servicing Rights created or acquired on or after January 1, 2012, for income tax purposes as a series of "stripped coupons" within the meaning of Section 1286 of the Code. Seller shall not, without Purchaser's prior written consent, make an election under Revenue Procedure 91-50 for any taxable year that would result in the Revenue Procedure 91-50 safe harbor applying to any Mortgage Servicing Right with respect to which an Excess MSR is transferred to Purchaser pursuant to this Agreement.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF SELLER

As an inducement to Purchaser to enter into this Agreement, Seller represents and warrants to Purchaser as of the Agreement Date, the Closing Date and each Assignment Date (or as of the date specified below, as applicable):

Section 5.01 Due Organization and Good Standing.

Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. Seller is qualified to transact business in each jurisdiction in which such qualification is necessary to service the Mortgage Loans. Seller has, in full force and effect (without notice of possible suspension, revocation or impairment), all required permits, approvals, licenses, and registrations to conduct all activities in all states in which its activities with respect to the Mortgage Loans or the Mortgage Servicing Rights require it to be licensed, registered or approved in order to service the Mortgage Loans and own the Mortgage Servicing Rights.

Section 5.02 Authority and Capacity.

Seller has all requisite corporate power, authority and capacity, subject to the approvals required pursuant to Section 5.03, to enter into this Agreement and each other Transaction Document to which it is a party and to perform the obligations required of it hereunder and thereunder. The execution and delivery of this Agreement and each other Transaction Document to which Seller is a party and the consummation of the transactions contemplated hereby and thereby have each been duly and validly authorized by all necessary corporate action. This Agreement and each other Transaction Document to which it is a party has been duly executed and delivered by Seller. This Agreement constitutes, and each other applicable Transaction Document to which Seller is a party constitutes or will constitute, a valid and legally binding agreement of Seller enforceable in accordance with its terms, and no offset, counterclaim or defense exists to the full performance by Seller of this Agreement or such other Transaction Document, except as the same may be limited by bankruptcy, insolvency, reorganization and similar laws affecting the enforcement of creditors' rights generally and by general equity principles.

Section 5.03 Agency Consents.

Seller will have obtained the Acknowledgement Agreement and all necessary approvals, agreements and consents, if any, of the Agency with respect to this Agreement and the Transaction Documents on or prior to the Closing Date.

Section 5.04 Title to the Mortgage Servicing Rights.

As of the Closing Date and each applicable Assignment Date, Seller will be the lawful owner of the Mortgage Servicing Rights, will be responsible for the maintenance of the Related Escrow Accounts, and will have the sole right and authority to Transfer the Sold Percentage of the applicable Excess MSRs as contemplated hereby. Each transfer, assignment and delivery of the Sold Percentage of the Excess MSRs shall be free and clear of any and all claims, charges, defenses, offsets, Liens and encumbrances of any kind or nature whatsoever other than Permitted Liens.

Section 5.05 Effective Agreements.

The execution, delivery and performance of this Agreement and each other Transaction Document that has been executed by Seller, the compliance with the terms hereof and thereof and the consummation of the transactions contemplated hereby and thereby did not, and will not, violate, conflict with, result in a breach of, constitute a default under, be prohibited by or require any additional approval under its corporate charter, any material instrument or material agreement to which it is a party or by which it is bound or which affects the Mortgage Servicing Rights or the Excess MSRs, or any state or federal law, rule or regulation or any judicial or administrative decree, order, ruling or regulation applicable to it or to the Mortgage Servicing Rights or the Excess MSRs.

Section 5.06 No Accrued Liabilities.

There are no accrued liabilities of Seller with respect to the Mortgage Loans or the Mortgage Servicing Rights or circumstances under which such accrued liabilities will arise against Purchaser as purchaser of the Sold Percentage of the Excess MSRs.

Section 5.07 Seller/Servicer Standing.

Seller is approved by the Agency as an issuer in good standing with the requisite financial criteria and adequate resources to complete the transactions contemplated hereby on the conditions stated herein. No event has occurred, including but not limited to a change in insurance coverage, which would make Seller unable to comply with the Agency eligibility requirements or which would require notification to the Agency.

Section 5.08 MERS Membership.

Seller is a member in good standing under the MERS system.

Section 5.09 Agency Set-off Rights.

Seller has no actual notice, including any notice received from the Agency, or any reason to believe, that, other than in the normal course of Seller's business, any circumstances exist that would result in Seller being liable to the Agency for any amount by reason of: (i) any breach of servicing obligations or breach of mortgage selling warranty to the Agency under the servicing agreements relating to Seller's entire servicing portfolio for the Agency (including any unmet mortgage repurchase obligation that is not in dispute), (ii) any unperformed obligation with respect to mortgage loans that Seller is servicing for the Agency, (iii) any loss or damage to the Agency by reason of any inability to transfer to a purchaser of the servicing rights Seller's selling and servicing representations, warranties and obligations, or (iv) any other unmet obligations to the Agency under a servicing contract relating to Seller's entire servicing portfolio with the Agency.

Section 5.10 Solvency.

Seller is Solvent and the sale of the Sold Percentage of the Excess MSRs will not cause Seller to become insolvent. The sale of the Sold Percentage of the Excess MSRs is not undertaken to hinder, delay or defraud any of the creditors of Seller. The consideration received by Seller upon the sale of the Sold Percentage of the Excess MSRs constitutes fair consideration and reasonably equivalent value therefor.

Section 5.11 Obligations with Respect to Origination.

Seller shall remain liable for all obligations with respect to the origination of each Mortgage Loan and, if applicable, for all obligations with respect to the sale of such Mortgage Loan.

Section 5.12 No Actions.

There are no pending or, to the best of Seller's knowledge, threatened, actions, suits or proceedings which will likely materially and adversely affect the consummation of the transactions contemplated by any Transaction Document.

Section 5.13 No Purchaser Responsibility.

Purchaser shall have no responsibility, liability or other obligation whatsoever under any Servicing Agreement or with respect to any Mortgage Loan, or to make any advance thereunder, or to pay any servicing fees. Purchaser shall have no right to control the manner in which Seller satisfies its obligations under the Servicing Agreements. Seller is and shall be responsible for the acts or omissions of its sub-servicer and for all costs of originating any Mortgage Loan. Notwithstanding the foregoing, Purchaser is obligated as provided in the Acknowledgement Agreement.

Section 5.14 Representations Concerning the Excess MSRs.

(a) Seller has not assigned, pledged, conveyed, or encumbered the Collateral, including without limitation, the Excess MSRs to any other Person (other than Permitted Liens) and immediately prior to the sale of the Sold Percentage of the Excess MSRs on the Closing Date or the applicable Assignment Date, Seller was the sole owner thereof and had good and marketable title thereto (subject to the rights of the Agency under the Servicing Agreements and the Acknowledgement Agreement), free and clear of all Liens (other than Permitted Liens), and no Person, other than Purchaser, has any Lien (other than Permitted Liens) on the Collateral, including without limitation, the Excess MSRs. No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral, including without limitation, the Excess MSRs, which has been signed by Seller or which Seller has authorized any other Person to sign or file or record, is on file or of record with any public office, except such as may have been terminated or filed by or on behalf of Purchaser.

(b) The sale and grant of a security interest by Seller to Purchaser of and on the Excess MSRs does not and will not violate any Requirement of Law, the effect of which violation is to render void or voidable such assignment.

(c) As contemplated under Section 2.02, upon the filing of financing statements on Form UCC-1 naming Purchaser as "Secured Party" and Seller as "Debtor", and describing the Collateral, in the jurisdictions and recording offices listed on Exhibit H attached hereto, the sale and security interests granted hereunder in the Collateral, including without limitation, the Excess MSRs, will constitute perfected first priority security interests under the UCC in all right, title and interest of Seller in, to and under the Collateral, including without limitation, the Excess MSRs.

(d) Purchaser has and will continue to have the full right, power and authority to pledge the Sold Percentage of the Excess MSRs, and the Sold Percentage of the Excess MSRs may be further assigned without any requirement, in each case, subject only to the Agency's consent.

(e) Each Servicing Agreement constitutes an Eligible Servicing Agreement.

Section 5.15 Accuracy of Servicing Information.

The information in each Data Tape and Electronic Data File is true and correct in all material respects as of the date specified therein.

Section 5.16 Revocation of Safe Harbor Election.

On its timely filed federal income tax return for its taxable year ended December 31, 2012, Seller has revoked its election under Revenue Procedure 91-50 to use the safe harbor determination of the amount of reasonable compensation with respect to a Mortgage Servicing Right.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement to Seller to enter into this Agreement, Purchaser represents and warrants to Seller as of the Agreement Date and the Closing Date (or as of the date specified below, as applicable):

Section 6.01 Due Organization and Good Standing.

Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland. Purchaser is qualified to transact business in each jurisdiction in which such qualification is necessary for the conduct of its business.

Section 6.02 Authority and Capacity.

Purchaser has all requisite corporate power, authority and capacity to enter into this Agreement and each other Transaction Document to which it is a party and to perform the obligations required of it hereunder and thereunder. The execution and delivery of this Agreement and each other Transaction Document to which it is a party and the consummation of the transactions contemplated hereby and thereby have each been duly and validly authorized by all necessary corporate action. This Agreement constitutes, and each other applicable Transaction Document to which Purchaser is a party constitutes or will constitute, a valid and legally binding agreement of Purchaser enforceable in accordance with its terms, and no offset, counterclaim or defense exists to the full performance by Purchaser of this Agreement or such other Transaction Document, except as the same may be limited by bankruptcy, insolvency, reorganization and similar laws affecting the enforcement of creditors' rights generally and by general equity principles.

Section 6.03 Effective Agreements.

The execution, delivery and performance of this Agreement and each other Transaction Document to which it is a party by Purchaser, its compliance with the terms hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not violate,

conflict with, result in a breach of, constitute a default under, be prohibited by or require any additional approval under its corporate charter or by-laws, any instrument or agreement to which it is a party or by which it is bound, or any state or federal law, rule or regulation or any judicial or administrative decree, order, ruling or regulation applicable to it, in each case which violation, conflict, breach or requirement would reasonably be expected to have a material adverse effect on Purchaser's ability to perform its obligations under this Agreement and any other Transaction Document to which it is a party.

Section 6.04 Sophisticated Investor.

Purchaser is a sophisticated investor and its decision to acquire the Sold Percentage of the Excess MSRs is based upon Purchaser's own independent experience, knowledge, due diligence and evaluation of this transaction. Purchaser has relied solely on such experience, knowledge, due diligence and evaluation and has not relied on any oral or written information provided by Seller other than the representations and warranties made by Seller herein.

Section 6.05 No Actions.

There are no pending or, to the best of Purchaser's knowledge, threatened actions, suits or proceedings against Purchaser that will likely materially and adversely affect the consummation of the transactions contemplated hereby.

ARTICLE VII

SELLER COVENANTS

Section 7.01 Servicing Obligations.

(a) Seller shall pay, perform and discharge all liabilities and obligations relating to the Servicing, including all liabilities and obligations under the Mortgage Loan Documents, Applicable Law, the Servicing Agreements and the agreement with the Sub-servicer, and shall pay, perform and discharge all the rights, obligations and duties with respect to the Related Escrow Accounts as required by the Agency, the Servicing Agreements, the Mortgage Loan Documents and Applicable Law.

(b) Under no circumstances shall Purchaser be responsible for the Servicing acts and omissions of Seller or any other servicer or any originator of the Mortgage Loans, or for any servicing related obligations or liabilities of any servicer in the Servicing Agreements or of any Person under the Mortgage Loan Documents, or for any other obligations or liabilities of Seller. Notwithstanding the foregoing, Purchaser is obligated as provided in the Acknowledgement Agreement

(c) Upon termination of any Servicing Agreement, Seller shall remain liable to Purchaser and the Agency for all liabilities and obligations incurred by the servicer or its designee while Seller or its designee was acting as the servicer thereunder.

(d) Seller shall conduct quality control reviews of its servicing operations in accordance with Applicable Law, Accepted Servicing Practices and the requirements of the Agency.

Section 7.02 Cooperation; Further Assurances.

Seller shall cooperate with and assist Purchaser, as reasonably requested, in carrying out the purposes of this Agreement. Seller will cooperate and assist Purchaser, as reasonably requested in obtaining consents from the Agency as may be required or advisable to assign, transfer, deliver, hypothecate, pledge, subdivide, finance or otherwise deal with the Excess MSRs. If Seller is terminated under any Servicing Agreement, (i) subject to the rights of the Agency, Purchaser shall have the right to appoint or approve a successor and (ii) Seller shall cooperate fully and at its own expense in transferring such Servicing to such successor.

Section 7.03 Financing Statements.

Seller hereby authorizes the filing of any financing statements or continuation statements, and amendments to financing statements, in any jurisdictions and with any filing offices as Purchaser may determine, in its sole discretion, are necessary or advisable to perfect the sale of the Sold Percentage of the Excess MSRs and the security interests granted to Purchaser in the Collateral. Seller agrees to execute financing statements in form reasonably acceptable to Purchaser and Seller at the request of Purchaser in order to reflect Purchaser's interest in the Collateral.

Section 7.04 Supplemental Information.

From time to time after the Closing Date, Seller promptly shall furnish Purchaser such incidental information, which is reasonably available to Seller, supplemental to the information contained in the documents and schedules delivered pursuant to this Agreement, as may reasonably be requested to monitor performance of the Mortgage Loans and the payment of the Excess MSRs.

Section 7.05 Access to Information.

(a) From time to time, at such times as are reasonably convenient to Seller, Purchaser or its designees may conduct audits or visit and inspect (a) any of the Mortgage Loans or places where the Credit Files are located, to examine the Credit Files, warehouse agreements, internal controls and procedures maintained by Seller and its agents, and take copies and extracts therefrom, and to discuss Seller's affairs with its officers, employees and, upon notice to Seller, independent accountants and (b) Seller's servicing facilities and those of its sub-servicer, for the purpose of satisfying the Purchaser that Seller, has the ability to service the Mortgage Loans related to Mortgage Servicing Rights in accordance with the standards set forth in the applicable Servicing Agreement. Any audit provided for herein will be conducted in accordance with Seller's rules respecting safety and security on its premises, in accordance with applicable privacy and confidentiality laws and without materially disrupting operations. Seller hereby authorizes such officers, employees, designees and independent accountants to discuss with Purchaser the affairs of Seller.

(b) Seller shall arrange for Purchaser to have access to the investor website of Seller's sub-servicer so that Purchaser may monitor the servicing of the Mortgage Loans. In addition, Seller shall furnish to Purchaser copies of all performance reporting received from Ginnie Mae promptly following Seller's receipt thereof. If any such reporting indicates any issues, Seller agrees to keep Purchaser informed of the response or action being taken to resolve the same, as when the same are made or taken.

(c) Seller and Purchaser are aware of their obligations under Gramm-Leach-Bliley Act and the regulations promulgated thereunder and each has in place policies intended to protect the private information of consumers. Any access to consumer information under this Agreement will be undertaken in a manner that complies with such law and regulations.

Section 7.06 Home Affordable Modification Program.

Seller shall continue to service any HAMP Loan in accordance with the terms and requirements of HAMP and will ensure the timely compliance and filing of any appropriate HAMP documentation with the applicable regulator.

Section 7.07 Distribution Date Data Tapes and Reports.

Seller shall deliver the following to Purchaser on each Reporting Date:

(a) An Electronic Data File in form and substance acceptable to Purchaser containing, for each Mortgage Loan, principal, interest and Servicing Spread Collections, and delinquency status (i.e. 30, 60, 90, FCL, REO) as of the last day of the prior Collection Period;

(b) A summary activity report with respect to the Mortgage Loans, with an identifier for each Initial Pool Mortgage Loan, New Mortgage Loan (including an identifier of any Substitute Mortgage Loan that became a New Mortgage Loan as described herein) and Additional Mortgage Loan, with respect to the prior Collection Period containing:

(i) aggregate principal balance as of the first and last date of the Collection Period,

(ii) aggregate scheduled principal collected,

(iii) aggregate interest collected,

(iv) aggregate liquidation principal,

(v) aggregate unscheduled principal,

(vi) short sales,

(vii) aggregate balance of loans refinanced by Seller and by third parties,

(viii) aggregate amount of uncollected principal and interest payments,

(ix) recoveries in respect of Base Servicing Fees and Excess MSRs on delinquent or defaulted loans,

(x) for each New Mortgage Loan, an identifier of the related Refinanced Mortgage Loan, and

(xi) (1) for each Mortgage Loan, the principal balance, the applicable servicing spread, the final maturity date, the mortgage interest rate, the loan-to-value ratio and the FICO score, and (2) for each Mortgage Loan that was refinanced by a lender other than Seller or an affiliate thereof, to the extent such information is known to Seller in the ordinary course of business and the collection and delivery of such information does not impose any additional and undue burden on Seller, the name of such lender and the mortgage interest rate of the newly originated residential mortgage loan.

(c) A delinquency report (using MBA delinquency methodology) with respect to the Mortgage Loans containing:

(i) The aggregate outstanding principal balance of the Mortgage Loans and percentages of the aggregate outstanding principal balance of the Mortgage Loans in each of the following categories as of the last day of the prior Collection Period:

(1) Current Mortgage Loans,

(2) 30-59 days delinquent,

(3) 60-89 days delinquent,

(4) 90 days or more delinquent,

(5) Mortgage Loans in Foreclosure (current and delinquent),

(6) Mortgage Loans with respect to which the related Mortgaged Properties have become real estate owned properties, and

(7) Mortgage Loans in which the Mortgagor is in bankruptcy (current and delinquent);

(ii) For each of the above categories, a roll report showing the migration of Mortgage Loans in such category from the last day of the second prior Collection Period.

(d) A disbursement report containing:

(i) The Servicing Spread Collections for the prior Collection Period,

(ii) The Base Servicing Fee paid to Seller,

(iii) The amount of the Excess MSRs paid to Purchaser and Seller, and

(iv) The amount of funds, if any, transferred to the Reserve Account.

(e) Such other or additional reports and information as Purchaser may reasonably request.

Section 7.08 Financial Statements and Officer's Certificates.

(a) If Seller's financial statements are not filed with the U.S. Securities and Exchange Commission and are not publicly available, Seller shall deliver to Purchaser copies of Seller's most recent unaudited quarterly financial statements within 45 days of the end of each of Seller's fiscal quarters and its most recent audited annual financial statements within 90 days of the end of each of Seller's fiscal years.

(b) On each Distribution Date Seller shall deliver to Purchaser a certificate from a duly authorized officer of Seller certifying that no Trigger Event or Standby Trigger Event has occurred

Section 7.09 Make Whole Calculation.

Each calculation of a Make Whole Amount shall include the following information for the applicable Calculation Period:

(i) the weighted average Excess Servicing Fee Rate of the Mortgage Loans that became Refinanced Mortgage Loans during such Calculation Period,

(ii) the aggregate unpaid principal balance of such Refinanced Mortgage Loans as of their respective Refinancing Dates,

(iii) the weighted average Excess Servicing Fee Rate of the related New Mortgage Loans,

(iv) the aggregate original principal balance of the related New Mortgage Loans,

(v) the aggregate principal balance of any Additional Mortgage Loans,

(vi) the weighted average Excess Servicing Fee Rate of such Additional Mortgage Loans,

(vii) the cash payment to be made by Seller in lieu of adding Additional Mortgage Loans and the fair market value calculation used to determine such amount, and

(viii) a Data Tape of the Refinanced Mortgage Loans, the related New Mortgage Loans and the proposed Additional Mortgage Loans.

Section 7.10 Timely Payment of Agency Obligations.

Seller shall pay all of its obligations to the Agency in a timely manner so as to avoid exercise of any right of set-off by the Agency against Seller.

Section 7.11 Servicing Agreements.

Seller shall service the Mortgage Loans in accordance with Accepted Servicing Practices and shall perform its obligations in all material respects in accordance with the Servicing Agreements and Applicable Law. In particular, without limitation, Seller shall comply with any advancing obligation under the Servicing Agreements. Without the express written consent of Purchaser (which consent may be withheld in its absolute discretion), Seller shall not (a) cancel, terminate or amend any Mortgage Servicing Rights, (b) expressly provide any required consent to any termination, amendment or modification of any Servicing Agreements either verbally or in writing, (c) expressly provide any required consent to any termination, amendment or modification of any other servicing agreements or enter into any other agreement or arrangement with the Agency that may be reasonably material to Purchaser either verbally or in writing, (d) expressly or verbally waive any material default under or breach of any Servicing Agreement by the Agency that may be material to Purchaser (in Purchaser's reasonable determination) or (e) take any other action in connection with any such Servicing Agreement that would impair in any material respect the value of the interests or rights of Purchaser hereunder. Seller shall conduct its business and perform its obligations under the Servicing Agreements in a manner such that the Agency will not have cause to terminate any Servicing Agreement. Notwithstanding the foregoing, in no event will the prohibitions contained in this Section 7.11 apply to any amendments or modifications of the Servicing Agreements that are either (i) required by the Agency or (ii) applicable to mortgage loans owned by Seller which do not affect the Excess MSRs and are not reasonably material to the Purchaser.

Section 7.12 Transfer of Mortgage Servicing Rights.

Seller shall not assign, transfer, sell or otherwise encumber any of its (x) Mortgage Servicing Rights related to the Excess MSRs, or (y) the Retained Percentage of the Excess MSRs without the prior written consent of Purchaser which may be granted or withheld in Purchaser's absolute discretion; provided, however, that Purchaser's consent is not required if the transfer of the Mortgage Servicing Rights is directed by the Agency.

Section 7.13 Consents to Transaction Documents.

Seller shall not terminate, amend, restate, modify or waive any conditions or provisions of any Transaction Document without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, delayed or conditioned.

Section 7.14 Notification of Certain Events.

Seller shall promptly notify Purchaser of any event which, with the passage of time, the giving of notice or both could reasonably be expected to result in a Trigger Event or termination of any Servicing Agreement. Seller shall provide Purchaser with copies of (i) any notices from or to a warehouse lender of a default or potential default under any such warehouse agreement, (ii) any notices from the Agency of any breach, potential breach, default or potential default by Seller under any Servicing Agreement between Seller and the Agency, and (iii) any notices from the Agency of any termination, potential termination or threatened termination of any Servicing Agreement. Seller shall promptly forward copies of any material notices received from the

Agency or from any Governmental Authority with respect to the Mortgage Loans. Seller shall provide Purchaser with copies of all amendments to the its warehouse agreements, Transaction Documents or the Servicing Agreements promptly after execution thereof. Furthermore, if at any time prior to the termination of this Agreement, Seller is unable to comply with any of the Agency eligibility requirements, it shall immediately notify Purchaser of the facts and circumstances surrounding such inability and of the course of action Seller proposes to take to address the same.

Section 7.15 Financing; Pledge of Excess MSRs.

Seller shall not pledge, obtain financing for, or otherwise permit any Lien of any creditor of Seller to exist on, any portion of the Servicing Spread Collections without the prior written consent of Purchaser. Seller's financial statements shall contain footnotes indicating that the Sold Percentage of the Excess MSRs has been sold, and Seller does not maintain any ownership interest therein.

Section 7.16 Existence, etc.

Seller shall:

(a) preserve and maintain its legal existence, good standing and material licenses necessary to service the Mortgage Loans;

(b) comply with the requirements of all Applicable Laws, rules, regulations and orders of Governmental Authorities (including truth in lending and real estate settlement procedures);

(c) keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, and maintain adequate accounts and reserves for all taxes (including income taxes), all depreciation, depletion, obsolescence and amortization of its properties, all contingencies, and all other reserves;

(d) not move its chief executive office or chief operating office from the addresses referred to in Exhibit H unless it shall have provided Purchaser not less than thirty (30) days prior written notice of such change;

(e) pay and discharge all material taxes, assessments and governmental charges or levies imposed on it or its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained. Seller and its subsidiaries shall file on a timely basis all federal, and material state and local tax and information returns, reports and any other information statements or schedules required to be filed by or in respect of it; and

(f) comply with its obligations under the Transaction Documents to which it is a party and each other agreement entered into with the Agency.

Section 7.17 Selection of, or Consent to, Successor Sub-Servicer.

If Seller chooses to replace the sub-servicer, Purchaser shall have the right to approve the successor and the terms of the related sub-servicing agreement, such approval not to be withheld, delayed or conditioned unreasonably. In addition, if the sub-servicer defaults under its agreement with Seller, Purchaser shall have the right to require Seller to replace the sub-servicer with a successor and a sub-servicing agreement reasonably satisfactory to Purchaser. Notwithstanding the foregoing, the approval by the Purchaser of a new sub-servicer or the terms of the sub-servicing agreement shall not be required if the Agency selects or directs the selection of a new sub-servicer.

Section 7.18 Non-petition Covenant.

Seller shall not, prior to the date that is one year and one day after the payment in full of the Excess MSRs, petition or otherwise invoke the process of any court or governmental authority for the purpose of commencing or sustaining a case against Purchaser under any insolvency law or appointing a receiver, liquidator, assignee, trustee, custodian or other similar official of Purchaser or any substantial part of its property, or ordering the winding up or liquidation of the affairs of Purchaser.

Section 7.19 Insurance.

Seller shall maintain (a) general liability insurance, (b) errors and omission insurance or blanket bond coverage and (c) fidelity bond insurance, in each case, from reputable companies with coverage in amounts customarily maintained by such similarly situated entities in the same jurisdiction and industry as Seller.

Section 7.20 Defense of Title.

Seller shall warrant and defend the right, title and interest of Purchaser in and to the Sold Percentage of the Excess MSRs against all adverse claims and demands subject to Permitted Liens.

ARTICLE VIII

CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

The obligations of Purchaser under this Agreement and under each Assignment Agreement are subject to the satisfaction of the following conditions as of the Closing Date and each Assignment Date:

Section 8.01 Correctness of Representations and Warranties.

The representations and warranties made by Seller in this Agreement and each other Transaction Document to which Seller is a party shall be true and correct as if the same were made on and as of the Closing Date or the Assignment Date, as applicable.

Section 8.02 Compliance with Conditions.

All of the terms, covenants, conditions and obligations of this Agreement and each other Transaction Document required to be complied with and performed by Seller on or prior to the Closing Date or the Assignment Date, as applicable, shall have been duly complied with and performed, including without limitation, the deposit in the Reserve Account of the Required Reserve Amount.

Section 8.03 Corporate Resolution.

On or prior to the Closing Date, Purchaser shall have received a certified copy of Seller's corporate resolution approving the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, together with such other certificates of incumbency and other evidences of corporate authority as Purchaser or its counsel may reasonably request.

Section 8.04 No Material Adverse Change.

From the Agreement Date, there shall not have been any change to Seller's financial or operating condition, or in the Mortgage Servicing Rights, the Mortgage Loans, the Related Escrow Accounts or to Seller's relationship with, or authority from, the Agency, that in each case will likely materially and adversely affect the consummation of the transactions contemplated hereby or the Excess MSRs. No Trigger Event shall be in effect.

Section 8.05 Consents.

Seller shall have obtained all consents, approvals or other requirements of third parties required for the consummation of the transactions contemplated by this Agreement and the Transaction Documents. All actions of all Governmental Authorities required to consummate the transactions contemplated by this Agreement and the Transaction Documents and the documents related thereto shall have been obtained or made.

Section 8.06 Delivery of Transaction Documents.

On or prior to the Closing Date, Seller shall have delivered to the Purchaser executed copies of each of the following:

(i) The Acknowledgement Agreement;

(ii) An Assignment Agreement with respect to the Excess MSRs on the Initial Mortgage Loans;

(iii) The executed Reserve Account Agreement;

(iv) The executed Reserve Account Control Agreement;

(v) An Opinion of Counsel of Seller, in form and substance reasonably acceptable to Purchaser, regarding due authorization, authority, and enforceability of the applicable Transaction Documents to which Seller is a party, and regarding no conflicts with other material Seller agreements;

(vi) An Opinion of Counsel of Seller, reasonably acceptable to Purchaser, regarding the perfection of the assignment of Excess MSRs to Purchaser and the security interests granted hereunder;

(vii) A recent certificate of good standing of Seller and of Purchaser;

(viii) A secretary's certificate of Seller attaching its organizational documents, board resolutions and incumbency certificates; and

(ix) A UCC-1 financing statement relating to the security interest of Purchaser in the Collateral in form and substance reasonably acceptable to Purchaser.

Section 8.07 Certificate of Seller.

On the Closing Date Seller shall have provided Purchaser a certificate, signed by an authorized officer of Seller dated as of such date, applicable to the transactions contemplated by this Agreement, to the effect that: (a) each of Seller's representations and warranties made in this Agreement and each other Transaction Document to which Seller is a party is true and correct in all material respects as of such date; (b) all of the terms, covenants, conditions and obligations of this Agreement and each other Transaction Document to which Seller is a party that are required to be complied with and performed by Seller at or prior to the Closing Date have been duly complied with and performed in all material respects; (c) the conditions set forth in Section 8.04 and Section 8.05 have been satisfied; and (d) as of the Closing Date, a Trigger Event is not in effect.

Section 8.08 No Actions or Proceedings.

No action, suit, proceeding or investigation by or before any Governmental Authority shall have been instituted to restrain or prohibit the consummation of, or to invalidate, any of the transactions contemplated by this Agreement and the documents related hereto in any material respect.

Section 8.09 Fees, Costs and Expenses.

The fees, costs and expenses payable by Seller on or prior to the Closing Date pursuant to Section 11.01 hereof and any other Transaction Document shall have been paid.

Section 8.10 Valuation.

Purchaser shall have received from an Approved Valuation Firm a valuation of the Sold Percentage of the Excess MSRs related to the Mortgage Loans in the Initial Pool that reasonably approximates the amount of the Purchase Price.

ARTICLE IX

CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER

The obligations of Seller under this Agreement are subject to the satisfaction of the following conditions as of the Closing Date.

Section 9.01 Correctness of Representations and Warranties.

The representations and warranties made by Purchaser in this Agreement shall be true and correct as if the same were made on and as of the Closing Date.

Section 9.02 Compliance with Conditions.

All of the terms, conditions, covenants and obligations of this Agreement required to be complied with and performed by Purchaser on or prior to the Closing Date shall have been duly complied with and performed.

Section 9.03 Corporate Resolution.

Seller shall have received from Purchaser a certified copy of its corporate resolution approving the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, together with such other certificates of incumbency and other evidences of corporate authority as Seller or its counsel may reasonably request.

Section 9.04 No Material Adverse Change.

Since the Agreement Date, there shall not have been any change to Purchaser's financial condition that will likely materially and adversely affect the consummation of the transactions contemplated hereby.

Section 9.05 Certificate of Purchaser.

Purchaser shall have provided Seller a certificate, signed by an authorized officer of Purchaser dated as of such date, applicable to the transactions contemplated by this Agreement, to the effect that: (a) each of Purchaser's representations and warranties made in this Agreement is true and correct in all material respects as of such date; and (b) all of the terms, covenants, conditions and obligations of this Agreement required to be complied with and performed by Purchaser at or prior to the Closing Date have been duly complied with and performed in all material respects.

Section 9.06 Good Standing Certificate of Purchaser.

Purchaser shall have provided Seller a recent certificate of good standing of Purchaser.

ARTICLE X

INDEMNIFICATION; CURE

Section 10.01 Indemnification by Seller.

(a) Seller shall indemnify, defend and hold Purchaser, its affiliates and its and their respective directors, managers, officers, employees, agents, representatives and advisors (the "Purchaser Indemnitees") harmless from and shall reimburse the applicable Purchaser Indemnitee for any Losses suffered or incurred by any Purchaser Indemnitee after the Closing Date which result from:

(i) Any material breach of a representation or warranty by Seller, or non-fulfillment of any covenant or obligation of Seller, contained in this Agreement or any Assignment Agreement;

(ii) Any servicing act or omission of any prior servicer relating to any Mortgage Loan and any act or omission of any party related to the origination of any Mortgage Loan;

(iii) Any act, error or omission of Seller in servicing any of the Mortgage Loans, including improper action or failure to act when required to do so;

(iv) Any exercise of any rights of setoff or other netting arrangements by the Agency against Seller that results in a decrease in Servicing Agreements termination payments due to Seller with respect to the Mortgage Loans from the Agency or in a shortfall of funds to pay the Excess MSRs; and

(v) Litigation, proceedings, governmental investigations, orders, injunctions or decrees resulting from any of the items described in Section 10.01(a)(i)-(iii) above;

provided, however, that the applicable Purchaser Indemnitee has taken all commercially reasonable and appropriate actions to mitigate any such Losses as reasonably requested by Seller, which such failure of mitigation shall not relieve Seller of its indemnification obligations in this Section 10.01 but may affect the amount of such obligation; and further provided, that any Losses incurred by the Purchaser Indemnitee pursuant to any attempt to mitigate any such Losses shall be reimbursed by Seller as part of its indemnification obligations in this Section 10.01.

(b) Purchaser shall notify Seller promptly after receiving written notice of the assertion of any litigation, proceedings, governmental investigations, orders, injunctions, decrees or any third party claims subject to indemnification under this Agreement (each, a "Third Party Claim"). Upon receipt of notice of a Third Party Claim, Seller shall have the right to assume the defense of such Third Party Claim using counsel of its choice reasonably satisfactory to the applicable Purchaser Indemnitee, but may not enter into any settlement without the prior written consent of the applicable Purchaser Indemnitee; provided, however, that Seller may enter into a settlement without the prior consent of the Purchaser Indemnitee if Seller secures a full and unconditional release from any liability for the Third Party Claim in favor of the Purchaser Indemnitee. A Purchaser Indemnitee shall have the right to select separate counsel and to

otherwise participate in its defense at its own expense. Any exercise of such rights by a Purchaser Indemnitee shall not relieve Seller of its obligations and liabilities under this Section 10.01 or any other provision of this Agreement. With respect to any Third Party Claim subject to indemnification under this Agreement, the applicable Purchaser Indemnitee shall be required to cooperate in good faith with Seller to ensure the proper and adequate defense of such Third-Party Claim. For the avoidance of doubt, Seller's obligations for Purchaser Indemnitees shall not be limited to funds available in the Reserve Account.

(c) Notwithstanding anything in Section 10.01(a) above, in the event that counsel or independent accountants for Purchaser determine that there exists a material risk that any amounts due to Purchaser under ARTICLE X hereof would be treated as Non-qualifying Income upon the payment of such amounts to Purchaser, the amount paid to Purchaser pursuant to this Agreement in any tax year shall not exceed the maximum amount that can be paid to Purchaser in such year without causing Purchaser to fail to meet the REIT Requirements for such year, determined as if the payment of such amount were Non-qualifying Income as determined by such counsel or independent accountants. If the amount payable for any tax year under the preceding sentence is less than the amount which Seller would otherwise be obligated to pay to Purchaser pursuant to ARTICLE X of this Agreement (the "Expense Amount"), then Seller shall place the Expense Amount into an escrow account (the "Expense Escrow Account") using an escrow agent and agreement reasonably acceptable to Purchaser and shall not release any portion thereof to Purchaser, and Purchaser shall not be entitled to any such amount, unless and until Purchaser delivers to Seller, at the sole option of Purchaser, (i) an opinion (an "Expense Amount Tax Opinion") of Purchaser's tax counsel to the effect that such amount, if and to the extent paid, would not constitute Non-qualifying Income, (ii) a letter (an "Expense Amount Accountant's Letter") from Purchaser's independent accountants indicating the maximum amount that can be paid at that time to Purchaser without causing Purchaser to fail to meet the REIT Requirements for any relevant taxable year, or (iii) a private letter ruling issued by the IRS to Purchaser indicating that the receipt of any Expense Amount hereunder will not cause Purchaser to fail to satisfy the REIT Requirements (a "REIT Qualification Ruling" and, collectively with an Expense Amount Tax Opinion and an Expense Amount Accountant's Letter, a "Release Document").

Section 10.02 Indemnification by Purchaser.

Purchaser shall indemnify, defend and hold Seller, its affiliates and its and their respective directors, managers, officers, employees, agents, representatives and advisors (the "Seller Indemnitees") harmless from and shall reimburse the applicable Seller Indemnitee for any Losses suffered or incurred by any Seller Indemnitee which result from:

(i) Any material breach of a representation or warranty by Purchaser, or non-fulfillment of any covenant or obligation of Purchaser contained in this Agreement; and

(ii) Litigation, proceedings, governmental investigations, orders, injunctions or decrees, the basis for which occurred after the Agreement Date, resulting from any of the items described in Section 10.01(a)(i) above;

provided, however, that the applicable Seller Indemnitee has taken all commercially reasonable and appropriate actions to mitigate any such Losses as reasonably requested by Purchaser, which such failure of mitigation shall not relieve Purchaser of its indemnification obligations in this Section 10.02 but may affect the amount of such obligation; and further provided, that any Losses incurred by the Seller Indemnitee pursuant to any attempt to mitigate any such Losses shall be reimbursed by Purchaser as part of its indemnification obligations in this Section 10.02. Seller shall notify Purchaser promptly after receiving written notice of the assertion of any Third Party Claim. Upon receipt of such notice of a Third Party Claim, Purchaser shall have the right to assume the defense of such Third Party Claim using counsel of its choice reasonably satisfactory to the applicable Seller Indemnitee, but may not enter into any settlement without the prior written consent of Purchaser; provided, however, Purchaser may enter into a settlement without the Seller Indemnitee's prior consent if Purchaser obtains a full and unconditional release from liability for the Third Party Claim in favor of the Seller Indemnitee. A Seller Indemnitee shall have the right to select separate counsel and to otherwise participate in its defense at its own expense. Any exercise of such rights by a Seller Indemnitee shall not relieve Purchaser of its obligations and liabilities under this Section 10.02 or any other provision of this Agreement. With respect to any Third Party Claim subject to indemnification under this Agreement, the applicable Seller Indemnitee shall be required to cooperate in good faith with Purchaser to ensure the proper and adequate defense of such Third-Party Claim.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Costs and Expenses.

Except as otherwise provided herein, Purchaser and Seller shall each pay the expenses incurred by it in connection with the transactions contemplated hereby.

Section 11.02 Payment Adjustments.

If, subsequent to the payment of the Purchase Price or the payment of any amounts due hereunder to either Party, the outstanding principal balance of any Mortgage Loan is found to be in error, or if for any reason the Purchase Price or such other amounts is found to be in error, the Party benefiting from the error shall pay an amount sufficient to correct and reconcile the Purchase Price or such other amounts and shall provide a reconciliation statement and other such documentation to reasonably satisfy the other Party concerning the accuracy of such reconciliation. Such amounts shall be paid by the proper Party within ten (10) Business Days from receipt of satisfactory written verification of amounts due.

Section 11.03 Term and Termination.

(a) This Agreement shall remain in full force until the tenth (10^{th}) anniversary of the Agreement Date, unless earlier terminated as provided below, and shall be renewed automatically for successive one-year periods thereafter until this Agreement is terminated in accordance with the terms hereof.

(b) Either Party may elect not to renew this Agreement at the expiration of the initial term or any renewal term by notice to the other Party at least 180 days, but not more than 270 days, prior to the end of the applicable term.

(c) A Party may terminate this Agreement for cause by giving the other Party thirty (30) days prior written notice thereof.

Section 11.04 Relationship of Parties.

The Parties intend that the transactions contemplated in this Agreement and the Transaction Documents constitute arms-length transactions between unaffiliated parties. Nothing contained in this Agreement or the Transaction Documents will establish any fiduciary, partnership, joint venture or similar relationship between the Parties except to the extent otherwise expressly stated therein.

Section 11.05 Notices.

All notices, requests, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid or by prepaid overnight delivery service:

(a) If to Purchaser, to:

Cherry Hill Mortgage Investment Corp.
301 Harper Drive, Suite 110
Moorestown, New Jersey 08057
Att: Chief Financial Officer

(b) If to Seller, to:

Freedom Mortgage Corporation
907 Pleasant Valley Ave., Suite 3
Mount Laurel, New Jersey 08054
Att: Chief Corporate Counsel

or to such other address as Purchaser or Seller shall have specified in writing to the other.

Section 11.06 Waivers.

Either Purchaser or Seller may, by written notice to the other extend the time for the performance of any of the obligations or other transactions of the other or waive compliance with or performance of any of the terms, conditions, covenants or obligations required to be complied with or performed by the other hereunder. The waiver by Purchaser or Seller of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other subsequent breach.

Section 11.07 Entire Agreement; Amendment.

This Agreement and the Transaction Documents constitute the entire agreement between the Parties with respect to the transactions contemplated hereby and supersede all prior agreements with respect thereto. This Agreement may be amended only in a written instrument signed by both Seller and Purchaser.

Section 11.08 Binding Effect.

This Agreement shall inure to the benefit of and be binding upon the Parties and their successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person other than the Parties and their successors and permitted assigns, any rights, obligations, remedies or liabilities.

Section 11.09 Headings.

Headings on the Articles and Sections in this Agreement are for reference purposes only and shall not be deemed to have any substantive effect.

Section 11.10 Governing Law.

This Agreement shall be governed by the internal laws of the State of New York without giving effect to the conflict of law principles thereof, other than Section 5-1401 of the New York General Obligations Law.

Section 11.11 Submission to Jurisdiction; Waiver.

Each of Seller and Purchaser hereby unconditionally

(a) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND THE OTHER FACILITY DOCUMENTS, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(b) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND, TO THE EXTENT PERMITTED BY LAW, WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(c) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO ITS ADDRESS SET FORTH UNDER ITS SIGNATURE BELOW OR AT SUCH OTHER ADDRESS OF WHICH BUYER SHALL HAVE BEEN NOTIFIED;

(d) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION; AND

(e) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 11.12 Waivers, etc.

No failure on the part of Purchaser to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement or any Transaction Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement or any Transaction Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

Section 11.13 Incorporation of Exhibits.

The Exhibits attached hereto shall be incorporated herein and shall be understood to be a part hereof as though included in the body of this Agreement.

Section 11.14 Counterparts.

This Agreement may be executed in counterparts, each of which, when so executed and delivered, shall be deemed to be an original but all of which, taken together, shall constitute one and the same agreement.

Section 11.15 Severability of Provisions.

If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement or of the rights of the Parties hereto.

Section 11.16 Assignment.

(a) Seller may not assign, transfer, sell or subcontract all or any part of this Agreement, any interest herein, or any of Seller’s interest in the Servicing Spread Collections, other than the Sold Percentage of the Excess MSRs sold hereby, without the prior written consent of Purchaser, provided that any successor to Seller must assume Seller’s obligations under this Agreement. Subject to the rights of the Agency, Purchaser shall have the unrestricted right to further assign, transfer, deliver, hypothecate, pledge, subdivide or otherwise deal with its rights under this Agreement on whatever terms Purchaser shall determine without the consent of Seller; including the right to assign all or any portion of the Sold Percentage of the Excess MSRs

and to assign the related rights under this Agreement. If Purchaser assigns any rights under this Agreement to a third party (a "Third Party Assignment"), such third party (a "Third Party Assignee") shall enter into a new agreement with Seller or Seller's assignee that provides such Third Party Assignee with the same rights with respect to the Sold Percentage of the Excess MSRs that Purchaser would have had under this Agreement if the Third Party Assignment had not occurred. Purchaser shall give prompt notice of any such assignment to Ginnie Mae.

(b) Seller shall maintain a register on which it enters the name and address of each holder of an interest in the Sold Percentage of the Excess MSRs and each holder's interest in the Sold Percentage of the Excess MSRs (the "Holder Register") for each transaction described in Section 11.16(a). The entries in the Holder Register shall be conclusive absent manifest error, and Seller shall treat each Person whose name is recorded in the Holder Register as an owner of an interest in the Excess MSRs for all purposes of this Agreement notwithstanding any notice to the contrary.

Section 11.17 Certain Acknowledgements.

Notwithstanding anything to the contrary contained herein:

(1) The property subject to the security interest reflected in this instrument includes all of the right, title and interest of Seller in certain mortgages and/or participation interests related to such mortgages ("Pooled Mortgages") and pooled under the mortgage-backed securities program of the Government National Mortgage Association ("Ginnie Mae"), pursuant to section 306(g) of the National Housing Act, 12 U.S.C. § 1721(g);

(2) To the extent that the security interest reflected in this instrument relates in any way to the Pooled Mortgages, such security interest is subject and subordinate to all rights, powers and prerogatives of Ginnie Mae, whether now existing or hereafter arising, under and in connection with: (i) 12 U.S.C. § 1721(g) and any implementing regulations; (ii) the terms and conditions of that certain Acknowledgment Agreement, with respect to the Security Interest, by and between Ginnie Mae, Freedom Mortgage Corporation ("Seller"), and Cherry Hill Mortgage Investment Corp.; (iii) applicable Guaranty Agreements and contractual agreements between Ginnie Mae and Seller; and (iv) the Ginnie Mae Mortgage-Backed Securities Guide, Handbook 5500.3 Rev. 1, and other applicable guides; and

(3) Such rights, powers and prerogatives of Ginnie Mae include, but are not limited to, Ginnie Mae's right, by issuing a letter of extinguishment to Seller, to effect and complete the extinguishment of all redemption, equitable, legal or other right, title or interest of Seller in the Pooled Mortgages, in which event the security interest as it relates in any way to the Pooled Mortgages shall, as more particularly described in the Acknowledgement Agreement instantly and automatically be extinguished as well.

IN WITNESS WHEREOF, each of the undersigned Parties has caused this Agreement to be duly executed in its corporate name by one of its duly authorized officers, all as of the date first above written.

CHERRY HILL MORTGAGE INVESTMENT CORP.
Purchaser

By: _____
Name:
Title:

FREEDOM MORTGAGE CORPORATION
Seller

By: _____
Name:
Title:

EXHIBIT A

FORM OF ASSIGNMENT AGREEMENT

Subject to, and upon the terms and conditions of the Excess MSR Acquisition and Recapture Agreement, dated as of [ ], 2013 (the "Agreement"), by and between Freedom Mortgage Corporation, a New Jersey corporation (together with its successors and permitted assigns, the "Seller") and Cherry Hill Mortgage Investment Corp. a Maryland corporation (together with its successors and permitted assigns, the "Purchaser"), as may be amended, restated, or otherwise modified and in effect from time to time, Seller hereby assigns, transfers and delivers to Purchaser all of Seller's right, title and interest in and to the Sold Percentage of the Excess MSRs for each of the Mortgage Loans set forth in Annex A attached hereto and all proceeds thereof, and agrees that as of the [Closing] [Assignment] Date, the applicable Mortgage Loan shall be deemed to be a "Mortgage Loan" for all purposes of the Agreement. Capitalized terms used in this Assignment Agreement have the meanings given to such terms in, or incorporated by reference into, the Agreement.

All of the terms, covenants, conditions and obligations of the Agreement required to be complied with and performed by Seller on or prior to the date hereof have been duly complied with and performed in all material respects.

FREEDOM MORTGAGE CORPORATION
Seller

By: _____
Name:
Title:

[ATTACH ANNEX A, WHICH MAY BE ON COMPUTER TAPE, COMPACT DISK, OR MICROFICHE, CONTAINING THE INFORMATION SET FORTH BELOW]

EXHIBIT B

SCHEDULE OF MORTGAGE LOANS

[SEPARATELY DELIVERED]

EXHIBIT C

LOCATION OF CREDIT FILES

EXHIBIT D

FORM OF SUMMARY REMITTANCE REPORT

[DELIVERED SEPARATELY]

EXHIBIT E

FORM OF DELINQUENCY REPORT

[DELIVERED SEPARATELY]

EXHIBIT F

FORM OF DISBURSEMENT REPORT

[DELIVERED SEPARATELY]

EXHIBIT H

SELLER JURISDICTIONS AND RECORDING OFFICES

Chief Executive Office:
907 Pleasant Valley Ave.
Mount Laurel, New Jersey 08054

Recording Office:
Secretary of State, State of New Jersey

EXHIBIT I

LIST OF REQUIRED FIELDS FOR EACH DATA TAPE

1 Cut-off Date
2 Loan #
3 Agency
4 Remit
5 Product Description
6 Note Rate
7 Loan Amount
8 Current Balance
9 P & I
10 T & I
11 Total Payment
12 Term
13 Stated Remaining Term
14 Age
15 Closing Date
16 First Payment Date
17 Next Due Date
18 Interest Paid Through Date
19 Maturity Date
20 Escrow Balance
21 Other Advances
22 Suspense Funds
23 LTV
24 CLTV
25 DTI
26 Appraised Value
27 Sale Price
28 No Units
29 Loan Type
30 Property Type
31 Loan Purpose
32 Cash-out Flag
33 Occupancy
34 Lien Position
35 Address
45 Origination Rate
46 Origination P&I
47 Index Code
48 Plan Code
49 Current Index
50 Margin
51 Rate Chg Freq
52 Next Rate Change Date
53 First Rate Change Date
54 Initial Period
55 P&I Chg Freq
56 Next P&I Chg Date
57 First P&I Chg Date
58 Initial PI Chg Period
59 Initial Cap
60 Periodic Cap Inc
61 Periodic Cap Dec
62 Life Of Loan Cap Inc
63 Maximum Rate
64 Minimum Rate
65 Bankruptcy Status
66 Foreclosure Status
67 Interest Only
68 Interest Only Term
69 Interest Method
70 Prepay Penalty Term
71 Prepay Penalty Indicator
72 Prepay Penalty Description
73 Balloon Flag
74 Balloon Term
75 Origination Fico
76 Current Fico
77 Doc Type
78 Pay String History
79 Status

36 City
37 State
38 Zip
39 County
40 Gross Serv Fee
41 Net Serv Fee
42 LPMI Fee
43 Guar Fee
44 Pool Number
80 BK_Chapter
81 Foreclosure Start Date
82 Loss_Mitigation_Flag
83 Modification_Flag
84 LitigationFlag
85 MI Flag
86 MI Provider
87 Channel

Exhibit 10.4

POOL 2 EXCESS MSRs ACQUISITION and RECAPTURE AGREEMENT

by and between

FREEDOM MORTGAGE CORPORATION

(Seller)

and

CHERRY HILL MORTGAGE INVESTMENT CORP.

(Purchaser)

Dated as of , 2013

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POOL 2 EXCESS MSRs ACQUISITION and RECAPTURE AGREEMENT

THIS POOL 2 EXCESS MSRS ACQUISITION and RECAPTURE AGREEMENT, dated as of , 2013, is by and between Cherry Hill Mortgage Investment Corp., a Maryland corporation (together with its successors and permitted assigns, "Purchaser"), and Freedom Mortgage Corporation, a New Jersey corporation (together with its successors and permitted assigns, "Seller").

W I T N E S S E T H:

WHEREAS, Seller originates and services residential mortgage loans and is entitled to a servicing spread and other incidental fees with respect to those residential mortgage loans;

WHEREAS, the servicing spread exceeds the compensation that Seller requires to service the related residential mortgage loans;

WHEREAS, Seller desires to sell, and Purchaser desires to purchase, a portion of the servicing spread that exceeds such required compensation amount;

WHEREAS, Purchaser and Seller desire to set forth the terms and conditions pursuant to which Seller will sell, transfer and assign to Purchaser, all of Seller's right, title and interest in and to a portion of the servicing spread that exceeds the Seller's required compensation amount, and Purchaser will purchase all right, title and interest in and to such portion of the servicing spread;

WHEREAS, Seller desires to retain the right to refinance the residential mortgage loans subject to this Agreement, and Purchaser is willing to grant such right, as long as the newly-originated residential mortgage loans and, in certain cases, additional residential mortgage loans are included in this Agreement in replacement of the refinanced residential mortgage loans as described herein; and

WHEREAS, Purchaser and Seller desire to set forth the conditions under which Seller may refinance the residential mortgage loans with respect to which Seller sold a portion of its servicing spread to Purchaser.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows.

ARTICLE I

DEFINITIONS; GENERAL INTERPRETIVE PRINCIPLES

Section 1.01 Definitions.

Whenever used herein, the following words and phrases shall have the following meanings:

Accepted Servicing Practices: With respect to any Mortgage Loan, those mortgage servicing practices (including collection procedures) of prudent mortgage lending institutions that service mortgage loans of the same type as the Mortgage Loans in the jurisdictions in which the Mortgaged Properties are located and which are in accordance with Agency servicing practices and procedures as set forth in the applicable Servicing Agreements, and in a manner at least equal in quality to the servicing that Seller provides for mortgage loans which it owns in its own portfolio.

Acknowledgment Agreement: The acknowledgment agreement by and among the Agency, Seller and Purchaser, in form and substance reasonably acceptable to such Persons, dated on or before the Closing Date, pursuant to which, among other things, the Agency acknowledges the Purchaser's security interest in the Excess MSRs and any other arrangements specified therein.

Additional Mortgage Loan: A Mortgage Loan for which the applicable Sold Percentage of the related Excess MSR is assigned to Purchaser in total or partial satisfaction of the Make Whole Amount.

Agency: Ginnie Mae, or any successor thereto.

Agreement: This agreement, as the same may be amended in accordance with the terms hereof.

Agreement Date: The date first set forth above.

Ancillary Income: All incidental fees that are supplemental to the servicing spread payable to the servicer pursuant to the Servicing Agreements, including without limitation, late fees, assignment transfer fees, returned check fees, special services fees, amortization schedule fees, HAMP fees, modification and incentive income and any interest or earnings on funds deposited in an account maintained by Seller as servicer with respect to the Mortgage Loans.

Applicable Law: With reference to any Person, all laws (including common law), statutes, regulations, ordinances, treaties, judgments, decrees, injunctions, writs and orders of any court, governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any Governmental Authority applicable to such Person or its property or in respect of its operations.

Approved Valuation Firm: Any valuation firm that has been approved by the Independent Directors and that is agreed to by Seller and Purchaser.

ARM: A mortgage loan the interest rate on which is subject to adjustment in accordance with the related mortgage note.

Assignment Agreement: An agreement substantially in the form of Exhibit A to this Agreement or in such other form as mutually agreed upon by the Parties.

Assignment Date: With respect to a Refinanced Mortgage Loan and the related New Mortgage Loan, the first day of the second month after the month in which the related Refinancing Date occurred. With respect to any Additional Mortgage Loan, the first day of the Calculation Period beginning after the Calculation Period with respect to which the applicable Make Whole Amount was calculated.

Bank: The financial institution mutually agreed upon by Seller and Purchaser, acting in its capacity as "Bank" under the Reserve Account Control Agreement.

Base Servicing Fee: With respect to a Collection Period, an amount equal to the aggregate, for each Mortgage Loan, of the product of (A) the outstanding principal balance of such Mortgage Loan as of the related Measurement Date, (B) the related Base Servicing Fee Rate and (C) (i) in the case of the initial Collection Period, a fraction, the numerator of which is the number of days in the period from and including the Closing Date to and including the last day of the initial Collection Period, and the denominator of which is 360, and (ii) in the case of all other Collection Periods, 1/12th; provided, however, that the Base Servicing Fee with respect to any Mortgage Loan (i) that is prepaid in full or (ii) whose Servicing Agreement is terminated during a Collection Period shall be pro-rated based on the actual number of days within such Collection Period in which such Mortgage Loan was serviced by Seller; and provided further, that payment of the Base Servicing Fee for any delinquent Mortgage Loan shall be suspended unless and until Seller recovers the amount thereof from payments in respect thereof by the Mortgagor or the amount thereof is otherwise recovered from the liquidation of the related Mortgaged Property.

Base Servicing Fee Rate: For each Initial Loan and each New Mortgage Loan, Substitute Mortgage Loan and Additional Mortgage Loan that is an ARM, 0.10% per annum. For each New Mortgage Loan, Substitute Mortgage Loan and Additional Mortgage Loan that is a Fixed Rate Mortgage Loan, 0.08% per annum.

Business Day: Any day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in the States of New Jersey or New York are authorized or obligated by law or by executive order to be closed or (c) such other days as agreed upon by the Parties.

Calculation Period: Each calendar quarter during the term of this Agreement beginning (x) in the case of the first such period, on the first day of the month in which the Closing Date occurs, and (y) in the case of each subsequent period, on the first day of the month occurring after the end of the prior period.

Closing Date: October , 2013 or such other date as Seller and Purchaser shall agree.

Code: The Internal Revenue Code of 1986, as amended from time to time.

Collateral: The meaning given to such term in Section 2.02.

Collection Period: With respect to any Distribution Date, the calendar month preceding the month in which such Distribution Date occurs.

Control: The meaning specified in Section 8-106 of the UCC.

Credit File: Those documents, which may be originals, copies or electronically imaged, pertaining to each Mortgage Loan, held by or on behalf of Seller in connection with the servicing of the Mortgage Loan, which may include Mortgage Loan Documents and the credit documentation relating to the origination of such Mortgage Loan, and any documents gathered during the Servicing of a Mortgage Loan.

Data Tape: Each tape accompanying an Assignment Agreement and containing the information specified in Exhibit I with respect to the related Mortgage Loans underlying the Excess MSRs that are subject to this Agreement.

Distribution Date: The sixth (6^{th}) Business Day of each calendar month beginning in the month following the month in which the Closing Date occurs, or such other day as mutually agreed upon by Seller and Purchaser.

Electronic Data File: A computer tape or other electronic medium in form and substance reasonably satisfactory to Purchaser generated by or on behalf of Seller and delivered or transmitted on each Distribution Date to Purchaser or its designee which provides information relating to the Mortgage Loans.

Eligible Investments: Any one or more of the obligations and securities listed below which investment provides for a date of maturity not later than the Distribution Date in each month or is payable on demand:

(1) direct obligations of, and obligations fully guaranteed as to timely payment of principal and interest by, the United States of America or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America ("Direct Obligations");

(2) federal funds, or demand and time deposits in, certificates of deposits of, or bankers' acceptances issued by, any depository institution or trust company (including U.S. subsidiaries of foreign depositories) incorporated or organized under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, so long as at the time of investment or the contractual commitment providing for such investment the commercial paper or other short term debt obligations of such depository institution or trust company (or, in the case of a depository institution or trust company which is the principal subsidiary of a holding company, the commercial paper or other short term debt or deposit obligations of such holding company or deposit institution, as the case may be) have been rated by at least one nationally recognized statistical rating organization ("NRSRO") in its highest short-term rating category or one of its two highest long-term rating categories;

(3) repurchase agreements collateralized by Direct Obligations or securities guaranteed by Fannie Mae or Freddie Mac with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the Federal Deposit Insurance Corporation, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated by at least one NRSRO in its highest short-term rating category;

(4) securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States of America or any state thereof which have a credit rating from at least one NRSRO, at the time of investment or the contractual commitment providing for such investment NRSRO *provided*, *however*, that such securities will not be Eligible Investments if they are published as being under review with negative implications from any NRSRO;

(5) commercial paper (including both non-interest-bearing discount obligations and interest bearing obligations payable on demand or on a specified date not more than 180 days after the date of issuance thereof) rated by any NRSRO in its highest short-term rating category;

(6) certificates or receipts representing direct ownership interests in future interest or principal payments on obligations of the United States of America or its agencies or instrumentalities (which obligations are backed by the full faith and credit of the United States of America) held by a custodian in safekeeping on behalf of the holders of such receipts; and

(7) any other demand, money market, common trust fund or time deposit or obligation, or interest bearing or other security or investment, rated, if applicable, in the highest rating category by any NRSRO. Such investments in this subsection (7) may include money market mutual funds or a common trust fund, and such funds may be managed by the Bank or one of its Affiliates; *provided*, *however*, that no such instrument shall be an Eligible Investment if such instrument evidences either (i) a right to receive only interest payments with respect to the obligations underlying such instrument, or (ii) both principal and interest payments derived from obligations underlying such instrument and the principal and interest payments with respect to such instrument provide a yield to maturity of greater than 120% of the yield to maturity at par of such underlying obligations.

Eligible Servicing Agreement: Unless otherwise agreed to by Purchaser, a Servicing Agreement in respect of which the following eligibility requirements have been satisfied:

(a) such Servicing Agreement is in full force and effect, and is in all respects genuine as appearing on its face or as represented in the books and records of Seller, and no event of default, early amortization event, termination event, or other event giving any party thereto

(including with notice or lapse of time or both) the right to terminate Seller as servicer thereunder for cause has occurred and is continuing; provided, however, that with respect to any Servicing Agreement and the occurrence of any event set forth in this clause (a) which is based on a breach of a collateral performance test, such Servicing Agreement shall remain an Eligible Servicing Agreement so long as no notice of termination based on such breach has been given or threatened in writing and subject to the restrictions set forth herein; and

(b) Seller has not resigned or been terminated as servicer under such Servicing Agreement and has no actual knowledge of any pending or threatened action to terminate Seller, as servicer (whether for cause or without cause).

Entitlement Holder: The meaning specified in Section 8-102(a)(7) of the UCC.

Excess MSRs: The rights of Seller, severable from each (and all) of the other rights under the applicable Servicing Agreements, to the sum, for each Mortgage Loan, of the portion of the Servicing Spread Collections attributable to such Mortgage Loan that exceeds the Base Servicing Fee for such Mortgage Loan.

Excess Servicing Fee Rate: As to any Mortgage Loan, the excess of the Gross Servicing Fee Rate for such Mortgage Loan over the Base Servicing Fee Rate for such Mortgage Loan.

Fannie Mae: The Federal National Mortgage Association or any successor thereto.

Fixed Rate Mortgage Loan: A mortgage loan the interest rate on which is fixed for the life of the loan.

Freddie Mac: The Federal Home Loan Mortgage Corporation or any successor thereto.

GAAP: Generally accepted accounting principles in the United States of America as in effect from time to time set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be in general use by significant segments of the accounting profession, that are applicable to the circumstances as of the date of determination.

Ginnie Mae: Government National Mortgage Association, or any successor thereto.

Governmental Authority: With respect to any Person, any nation or government, any state or other political subdivision, agency or instrumentality thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having jurisdiction over such Person, any of its subsidiaries or any of its properties.

Grant: To grant, bargain, sell, warrant, alienate, remise, demise, release, convey, assign, transfer, mortgage, pledge, create and grant a security interest in and right of setoff against, deposit, set over or confirm.

Gross Servicing Fee Rate: As to any Mortgage Loan, the annual rate at which the servicing fee is calculated for such Mortgage Loan, determined as provided in the related Servicing Agreement.

HAMP: The U.S. Department of the Treasury's Home Affordable Modification Program.

HAMP Loans: Mortgage Loans that have been modified or will be modified in accordance with HAMP.

Independent Directors: The non-executive officer members of Purchaser's board of directors.

Initial Mortgage Loans: The Mortgage Loans identified on the Schedule of Mortgage Loans attached to the Assignment Agreement that is delivered on the Closing Date.

IRS: The United States Internal Revenue Service.

Lien: Any mortgage, deed of trust, pledge, hypothecation, collateral assignment, charge, deposit, arrangement, encumbrance, lien (statutory or other), security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever intended to assure payment of any indebtedness or the performance of any other obligation, including any conditional sale or other title retention agreement.

Loss or Losses: Any and all direct, actual and out-of-pocket losses (including any loss in the value of the Excess MSRs), damages, deficiencies, claims, costs or expenses, including reasonable attorneys' fees and disbursements, excluding (i) any amounts attributable to or arising from overhead allocations, general or administrative costs and expenses, or any cost for the time of any Party's employees, (ii) consequential losses or damages consisting of speculative lost profits, lost investment or business opportunity, damage to reputation or operating losses, or (iii) punitive or treble damages; provided, however, that the exclusions set forth in clauses (ii) or (iii) above do not apply if and to the extent any such amounts are actually incurred in payment to a third party or Governmental Authority.

Make Whole Amount: For any Calculation Period, an amount equal to the sum, for each Mortgage Loan that became a Refinanced Mortgage Loan during such Calculation Period, of the product of (x) the applicable Sold Percentage for such Refinanced Mortgage Loan, and (y) 90% of the excess, if any, of (i) the product of the Excess Servicing Fee Rate of such Refinanced Mortgage Loan and the unpaid principal balance of such Refinanced Mortgage Loan as of its Refinancing Date over (ii) the product of the Excess Servicing Fee Rate of the related New Mortgage Loan and the original principal balance of such New Mortgage Loan.

Measurement Date: With respect to any Collection Period, the first day of such Collection Period.

MERS: Mortgage Electronic Registration Systems, Inc., or any successor thereto.

MI: Insurance provided by private mortgage insurance companies to make payments on certain Mortgage Loans in the event that the related Mortgagor defaults in its obligation in respect of the Mortgage.

Mortgage: Each of those mortgages, deeds of trust, security deeds or deeds to secure debt creating a first lien on or an interest in real property securing a Mortgage Note and related to a Mortgage Loan.

Mortgage Loan: A loan originated by Seller that is secured by a mortgage, deed of trust or similar instrument on a one- to four-family residence and that is listed on a Schedule of Mortgage Loans delivered pursuant to this Agreement.

Mortgage Loan Documents: With respect to each Mortgage Loan, the documents and agreements related to such Mortgage Loan required to be held by the applicable custodian, including, without limitation, the original Mortgage Note, and any other documents or agreements evidencing and/or governing such Mortgage Loan.

Mortgage Note: With respect to any Mortgage Loan, the note or other evidence of indebtedness of the Mortgagor, thereunder, including, if applicable, an allonge and lost note affidavit.

Mortgage Servicing Rights: The rights and responsibilities of Seller with respect to servicing the Mortgage Loans under the Servicing Agreements, including any and all of the following if and to the extent provided therein: (a) all rights to service a Mortgage Loan; (b) all rights to receive servicing fees, Ancillary Income, reimbursements or indemnification for servicing the Mortgage Loan, and any payments received in respect of the foregoing and proceeds thereof; (c) the right to collect, hold and disburse escrow payments or other payments with respect to the Mortgage Loan and any amounts actually collected with respect thereto and to receive interest income on such amounts to the extent permitted by Applicable Law; (d) all accounts and other rights to payment related to any of the property described in this paragraph; (e) possession and use of any and all Credit Files pertaining to the Mortgage Loan or pertaining to the past, present or prospective servicing of the Mortgage Loan; (f) to the extent applicable, all rights and benefits relating to the direct solicitation of the related Mortgagors for refinance or modification of the Mortgage Loans and attendant right, title and interest in and to the list of such Mortgagors and data relating to their respective Mortgage Loans; and (g) all rights, powers and privileges incident to any of the foregoing.

Mortgaged Property: The Mortgagor’s real property, securing repayment of a related Mortgage Note, consisting of an interest in a single parcel of real property, improved by a one- to four-family residential dwelling.

Mortgagor: An obligor under a residential mortgage loan.

New Mortgage Loan: A Mortgage Loan that would meet the criteria for an Additional Mortgage Loan the proceeds of which were used, in whole or in part, to prepay the related Refinanced Mortgage Loan.

Non-qualifying Income: Any amount that is treated as gross income for purposes of Section 856 of the Code and which is not Qualifying Income.

Opinion of Counsel: One or more written opinions, in form and substance reasonably satisfactory to the recipient, of an attorney at law admitted to practice in any state of the United States or the District of Columbia, which attorney may be counsel for Seller or Purchaser, as the case may be.

Party or Parties: Either Seller or Purchaser, as the context may require, or both of Seller and Purchaser.

Permitted Liens: Liens in favor of the Agency required pursuant to the applicable Servicing Agreements.

Person: Any individual, partnership, corporation, limited liability company, limited liability partnership, business entity, joint stock company, trust, business trust, unincorporated organization, association, enterprise, joint venture, government, any department or agency of any government or any other entity of whatever nature.

Prime Rate: The prime rate announced to be in effect from time to time, as published as the average rate in *The Wall Street Journal*.

Purchase Price: $[ ].

Purchaser: As defined in the preamble hereof.

Purchaser Indemnitees: The meaning given to such term in Section 10.01(a).

Qualifying Income: Gross income that is described in Section 856(c)(2) or 856(c)(3) of the Code.

Refinanced Interest Payment: For any New Mortgage Loan, an amount equal to the applicable Sold Percentage of interest accrued at the related Excess Servicing Fee Rate on the unpaid principal balance of such New Mortgage Loan for the period from the Refinancing Date for the related Refinanced Mortgage Loan to the Assignment Date for such New Mortgage Loan.

Refinanced Mortgage Loan: A Mortgage Loan that is refinanced by Seller through its retail channel during the term of the Agreement.

Refinancing Date: The date on which a Refinanced Mortgage Loan is prepaid by the related New Mortgage Loan.

REIT Requirements: The requirements imposed on real estate investment trusts pursuant to Sections 856 through and including 860 of the Code.

Related Escrow Accounts: Mortgage Loan escrow impound accounts maintained by Seller relating to the Mortgage Servicing Rights, including accounts for buydown funds, real estate taxes and MI, flood and hazard insurance premiums.

Release Document: As defined in Section 10.01(b) hereof.

Remaining Expected Servicing Spread: As of any date of determination, the Total Servicing Spread expected to be paid over the expected remaining lives of the Mortgage Loans.

Reporting Date: As to any Distribution Date, the tenth (10th) Business Day after such Distribution Date.

Required Reserve Amount: On the Closing Date, $3,900,000. On any Distribution Date on which a Trigger Event is not in effect, an amount equal to one month's expected Servicing Spread Collections on the Mortgage Loans, assuming no delinquencies or prepayments. On any Distribution Date on which a Trigger Event is in effect, an amount equal to two month's expected Servicing Spread Collections (assuming no delinquencies or prepayments).

Requirement of Law: As to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

Reserve Account: The account specified in the Reserve Account Control Agreement and maintained by Bank or any successor thereto, or any other third party custodian or trustee selected by Purchaser.

Reserve Account Agreement: The applicable deposit account agreement and other related account documentation governing the Reserve Account.

Reserve Account Control Agreement: The account control agreement among Seller, Purchaser and Bank, dated on or before the Closing Date, entered into with respect to the Reserve Account, as amended, restated, supplemented or otherwise modified from time to time.

Retained Servicing Spread: The rights of Seller, severable from each (and all) of the other rights under the applicable Servicing Agreement, to the sum, for each Mortgage Loan, of the product of the applicable Retained Percentage and the portion of the Total Servicing Spread attributable to such Mortgage Loan.

Retained Percentage: For each Initial Mortgage Loan and each New Mortgage Loan, Substitute Mortgage Loan and Additional Mortgage Loan that is an ARM, 50%. For each New Mortgage Loan, Substitute Mortgage Loan and Additional Mortgage Loan that is a Fixed Rate Mortgage Loan, 15%.

Sales Proceeds: The proceeds received upon a sale (approved by the Parties) of the Total Servicing Spread (except without giving effect to clause (b) of the definition thereof), in whole or in part.

Schedule of Mortgage Loans: As of any date of determination, the list or lists of Mortgage Loans for which Seller has sold the Sold Percentage of the related Excess MSRs to Purchaser pursuant to this Agreement.

Scheduled Total Servicing Spread: As to any Distribution Date, an amount equal to the Total Servicing Spread for the related Collection Period, calculated on the basis of the scheduled unpaid principal balances of the Mortgage Loans.

Seller: As defined in the preamble hereof.

Seller Indemnitees: The meaning given to such term in Section 10.02.

Servicing: The responsibilities with respect to servicing the Mortgage Loans under the Servicing Agreements.

Servicing Agreements: The servicing agreements, as amended from time to time, and any waivers, consent letters, acknowledgments and other agreements under which Seller is the servicer of the Mortgage Loans relating to the Mortgage Servicing Rights and governing the servicing of the Mortgage Loans, or with respect to Mortgage Loans owned by Seller, the credit and collection standards, policies, procedures and practices of Seller relating to residential mortgage loans owned and serviced by Seller.

Servicing Spread Collections: For each Collection Period, the funds collected on the Mortgage Loans and allocated as the servicing compensation payable to Seller as servicer of the Mortgage Loans with respect to such Collection Period pursuant to the applicable Servicing Agreements, other than Ancillary Income and, for the avoidance of doubt, other than reimbursements, if any, received by Seller for advances and other out-of- pocket expenditures.

Sold Percentage: For each Mortgage Loan, 100% minus the Retained Percentage for such Mortgage Loan.

Solvent: With respect to any Person as of any date of determination, (a) the value of the assets of such Person is greater than the total amount of liabilities (including contingent and un-liquidated liabilities) of such Person as determined in accordance with GAAP, (b) such Person is able to pay all liabilities of such Person as such liabilities mature and (c) such Person does not have unreasonably small capital. In computing the amount of contingent or un-liquidated liabilities at any time, such liabilities will be computed at the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

Standby Trigger Event: The existence of any of the following: (i) Seller’s Tangible Net Worth is less than the sum of $40,000,000 plus the required net worth determined in accordance with HUD’s regulations; (ii) the percentage of the loans serviced for Ginnie Mae that are more than 90 days delinquent, determined as provided in the Ginnie Mae guide, exceeds 4.25% as of any date such delinquency percentage is reported to Ginnie Mae in accordance with that guide; (iii) the existence of a default, an event of default or an event which with the giving of notice or the passage of time or both, will become a default or an event of default under any warehouse agreement of Seller; or (iv) Seller’s cash and cash equivalents are less $50,000,000.

Substitute Mortgage Loan: A mortgage loan originated by Seller that would satisfy the criteria for Additional Mortgage Loans set forth in Section 3.03 hereof.

Tangible Net Worth: The net worth of Seller determined in accordance with GAAP, minus all intangibles determined in accordance with GAAP (including goodwill, capitalized financing costs and capitalized administration costs but excluding originated and purchased mortgage servicing rights or retained residual securities) and any and all advances to, investments in and receivables held from affiliates; provided, however, that the non-cash effect (gain or loss) of any mark-to-market adjustments made directly to stockholders' equity for fluctuation of the value of financial instruments as mandated under the Statement of Financial Accounting Standards No. 133 (or any successor statement) shall be excluded from the calculation of Tangible Net Worth.

Third Party Claim: The meaning given to such term in Section 10.01.

Total Servicing Spread: For each Collection Period, the sum of the following: (a) the Servicing Spread Collections received during such Collection Period and remaining after payment of the Base Servicing Fee, (b) all Sales Proceeds received during such Collection Period; and (c) all other amounts payable by the Agency to Seller (or Purchaser under the Acknowledgement Agreement) with respect to the Mortgage Servicing Rights for Mortgage Loans, including any termination fees paid by the Agency to Seller for terminating Seller as the servicer of any of the Mortgage Loans, but for the avoidance of doubt, excluding all Ancillary Income and reimbursements, if any, received by Seller for advances and other out-of-pocket expenditures.

Transaction Documents: The Acknowledgement Agreement, the Reserve Account Agreement, the Reserve Account Control Agreement and each Assignment Agreement.

Trigger Event: As of any date of determination: (i) the existence of a default, an event of default or an event which, with the giving of notice or the passage of time or both, will become a default or an event of default, under any of Seller's warehouse agreements; or (ii) Seller is in default under, or in breach of any material covenant or obligation in, this Agreement or any other agreement then in effect to which Seller and Purchaser are parties.

UCC: The Uniform Commercial Code as in effect from time to time in the applicable jurisdiction.

Section 1.02 General Interpretive Principles.

For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) The terms defined in this Agreement have the meanings assigned to them in this Agreement and include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other gender;

(b) Accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP;

(c) References herein to "Articles," "Sections," "Subsections," "Paragraphs," and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, Paragraphs and other subdivisions of this Agreement;

(d) A reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to Paragraphs and other subdivisions;

(e) The words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular provision; and

(f) The term "include" or "including" shall mean without limitation by reason of enumeration.

ARTICLE II

PURCHASE AND SALE

Section 2.01 Sale of Excess MSRs.

Subject to, and upon the terms and conditions of this Agreement, Seller agrees to sell, transfer and assign to Purchaser, and Purchaser agrees to acquire from Seller, all of Seller's right, title and interest in and to the applicable Sold Percentages of the Excess MSRs with respect to (i) the Initial Mortgage Loans, (ii) the New Mortgage Loans and (iii) the Additional Mortgage Loans, if any, and all proceeds thereof.

Section 2.02 Grant of Security Interest.

In order to secure Seller's obligations (i) to deliver the applicable Sold Percentages of the Total Servicing Spread, which arises from the Excess MSRs described in Section 2.01, the payments in respect thereof, any payments in respect of Make Whole Amounts and the Refinanced Interest Payments and (ii) to perform its obligations hereunder, Seller hereby Grants to Purchaser a valid and continuing first priority and perfected Lien on and security interest in all of Seller's right, title and interest in, to and under (x) the Excess MSRs (including both the applicable Sold Percentages and the related Retained Percentages thereof) on the Initial Mortgage Loans, the New Mortgage Loans and any Additional Mortgage Loans, (y) the Reserve Account, together with all amounts on deposit therein from time to time and (z) all cash and non-cash proceeds thereof, in each case, whether now owned or existing, or hereafter acquired and arising (the "Collateral").

Section 2.03 Closing Date Transactions.

On the Closing Date, subject to the satisfaction of the terms and conditions herein:

(a) Seller shall execute and deliver an Assignment Agreement with respect to the Sold Percentages of the Excess MSRs on the Initial Mortgage Loans;

(b) Seller shall deposit the Required Reserve Amount into the Reserve Account; and

(c) Purchaser shall remit to Seller the Purchase Price by wire transfer of immediately available funds to the account designated by Seller.

ARTICLE III

RECAPTURE PROVISIONS

Section 3.01 Refinancing and Substitution of Mortgage Loans.

(a) If Seller, through its retail channel, refinances any Mortgage Loan during the term of this Agreement, Seller hereby sells, assigns, transfers and conveys (a "Transfer") to Purchaser, the applicable Sold Percentage of the Excess MSR with respect to the related New Mortgage Loan, such Transfer to be effective on the Assignment Date for such New Mortgage Loan; provided, however that Seller may Transfer the applicable Sold Percentage of the Excess MSR with respect to a Substitute Mortgage Loan in lieu of a New Mortgage Loan so long as the aggregate unpaid principal balance of all Substitute Mortgage Loans, as of their respective Assignment Dates, Transferred over the term of this Agreement does not exceed 3% of the aggregate unpaid principal balance of the Initial Mortgage Loans as of the Closing Date. Once a Substitute Mortgage Loan is so Transferred, it shall be deemed to be a New Mortgage Loan thereafter.

(b) On the Assignment Date for any New Mortgage Loan, Seller shall (i) execute and deliver an Assignment Agreement with a Schedule of Mortgage Loans attached and (ii) deliver the related Data Tape to Purchaser. In addition on that Assignment Date, Seller shall remit to Purchaser the related Refinanced Interest Payment by wire transfer of immediately available funds to the account designated by Purchaser.

Section 3.02 Requirement to Designate Additional Mortgage Loans.

(a) Within 5 days after the end of each Calculation Period, Seller shall calculate the Make Whole Amount, if any, with respect to such Calculation Period and shall furnish the same to Purchaser along with commercially reasonable documentation supporting such calculation. Purchaser shall have 5 days to notify Seller that Purchaser accepts or objects to such calculation. If Purchaser objects to such calculation, it shall furnish Seller with commercially reasonable supporting documentation of its objection, and the Parties shall cooperate in good faith to resolve the objection. If the Parties cannot resolve the disagreement, they shall proceed in accordance with subsection (d) below. If Purchaser accepts the calculation, or the disagreement is otherwise resolved as provided in this Section, Seller shall designate Additional Mortgage Loans as provided in Section 3.02(b) below such that the Make Whole Amount (calculated as though such Additional Mortgage Loans were New Mortgage Loans) is not more than zero.

(b) Seller shall designate eligible Mortgage Loans as Additional Mortgage Loans in an amount calculated in accordance with Section 3.02(a) by the 15th day of the month after the month in which the applicable Calculation Period ended by preparing and delivering to Purchaser an Assignment Agreement with a Schedule of Mortgage Loans attached. Each Assignment Agreement shall also be accompanied by a Data Tape with respect to the Mortgage Loans on the related Mortgage Loan Schedule. Upon delivery of such Assignment Agreement, Seller will have sold, assigned, transferred and otherwise conveyed the applicable Sold Percentage of the Excess MSR on each such Additional Mortgage Loan as of the related Assignment Date. The Additional Mortgage Loans shall satisfy the requirements of Section 3.03 below and shall have Excess Servicing Fee Rates such that the Make Whole Amount (calculated as though such Additional Mortgage Loans were New Mortgage Loans) is not more than zero.

(c) In lieu of designating Additional Mortgage Loans to eliminate the Make Whole Amount, Seller may pay Purchaser an amount in cash equal to the fair market value of the Make Whole Amount. Within 5 days after the end of each Calculation Period for which Seller desires to make a cash payment in lieu of designating Additional Loans, Seller shall submit its calculation of the fair market value of the Make Whole Amount, which shall take into account the delay between the first day of the month and the date on which the cash payment is to be made, along with commercially reasonable supporting documentation to Purchaser. Purchaser shall have 5 days to notify Seller that Purchaser accepts or objects to such calculation. If Purchaser accepts such calculation, Seller shall pay the agreed upon amount within one Business Day after receipt of Purchaser's acceptance of the fair market value calculation. If Purchaser objects to such calculation, it shall furnish Seller with commercially reasonable supporting documentation of its objection, and the Parties shall cooperate in good faith to resolve the objection. If the Parties cannot resolve the disagreement, they shall proceed in accordance with subsection (d) below.

(d) If the Parties cannot resolve a disagreement under this Section 3.02, they shall pick an Approved Valuation Firm to calculate the amount in dispute, and the decision of such Approved Valuation Firm shall be final and binding on the Parties. Each Party agrees to cooperate in good faith with the requests for information by such Approved Valuation Firm, and each Party shall pay 50% of the fees and expenses of such firm. Within 2 Business Days after the decision of the Approved Valuation Firm, Seller shall designate Additional Mortgage Loans or pay the cash fair market value, as applicable so that the Make Whole Amount is not more than zero.

Section 3.03 Criteria for Additional Mortgage Loans.

As of the applicable Assignment Date, unless otherwise agreed upon by Seller and Purchaser, the Additional Mortgage Loans shall satisfy the following criteria:

(1) Each Additional Mortgage Loan is included in a mortgage backed security guaranteed by Ginnie Mae;

(2) The weighted average of the mortgage rates on the Additional Mortgage Loans is within 0.125 basis points per annum of the weighted average of the mortgage rates on the New Mortgage Loans originated during the applicable Calculation Period;

(3) The weighted average remaining term to maturity of the Additional Mortgage Loans is not less than the weighted average remaining term to maturity of the New Mortgage Loans originated during the applicable Calculation Period;

(4) The weighted average seasoning of the Additional Mortgage Loans is less than or equal to that of the New Mortgage Loans originated during the applicable Calculation Period;

(5) The average unpaid principal balance of the Additional Mortgage Loans is not less than the average unpaid principal balance of the New Mortgage Loans that were originated during the applicable Calculation Period;

(6) The remaining material credit characteristics of the Additional Mortgage Loan (other than as specified in clauses (1), (2), (3), (4) and (5) above) are substantially similar to the credit characteristics of the New Mortgage Loans originated during the applicable Calculation Period;

(7) Each Additional Mortgage Loan is current as of the applicable Assignment Date; and

(8) Each Additional Mortgage Loan is not subject to any foreclosure or similar proceeding, is not in, and has not gone through, the process of modification, workout or any other loss mitigation process and is not involved in litigation.

Section 3.04 Assignment of Excess MSRs.

Subject to the satisfaction of the terms and conditions in this Agreement, on each Assignment Date, Seller shall execute and deliver an Assignment Agreement (with a Schedule of Mortgage Loans attached and accompanied by a Data Tape with respect to the Mortgage Loans listed on such schedule) for the applicable Sold Percentages of the Excess MSRs to be assigned on such Assignment Date with respect to (i) the New Mortgage Loans originated during the applicable Calculation Period (or any Substitute Mortgage Loans Transferred in lieu thereof) and (ii) any Additional Mortgage Loans designated as provided in Section 3.02 to satisfy the Make Whole Amount for the applicable Calculation Period.

ARTICLE IV

PAYMENTS AND DISTRIBUTIONS

Section 4.01 Distributions.

(a) On each Distribution Date, Seller shall remit by wire transfer of immediately available funds to the account designated in writing by Purchaser the sum, for each Mortgage Loan, of the applicable Sold Percentage of the Scheduled Total Servicing Spread attributable to such Mortgage Loan for the prior Collection Period. Notwithstanding the foregoing, on the first Distribution Date, Seller shall remit an amount equal to the amount calculated pursuant to the preceding sentence and (ii) the percentage equivalent of a fraction, the numerator of which is the number of days from and including the Closing Date to and including the last day of the month in which the Closing Date occurs, and the denominator of which is 30. Within ten (10) Business Days after each Distribution Date, Seller shall (x) reconcile the Scheduled Total Servicing Spread for the applicable Collection Period and the actual Total Servicing Spread for such Collection Period, (y) deliver to Purchaser commercially reasonable documentation of such reconciliation and (z) remit by wire transfer of immediately available funds to the above account the amount of any shortfall in the amount to which Purchaser is entitled. If Purchaser was over paid on the Distribution Date, it shall promptly remit the over payment to Seller by wire transfer of immediately available funds.

(b) With respect to any distribution received by Purchaser after the Business Day on which such payment was due, Seller shall pay Purchaser interest on any such late payment at an annual rate equal to the Prime Rate, adjusted as of the date of each change, plus three (3) percentage points, but in no event greater than the maximum amount permitted by Applicable Law. Such interest shall be paid on the date such late payment is made and shall cover the period commencing with the Business Day on which such payment was due and ending on the Business Day immediately preceding the Business Day on which such payment was made, both inclusive. The payment by Seller of any such interest shall not be deemed an extension of time for payment or a waiver of any breach of Seller’s obligations hereunder.

(c) The Reserve Account will be established with the Bank pursuant to the Reserve Account Control Agreement with respect to which Purchaser is an Entitlement Holder with Control. The Reserve Account shall be a blocked account for which Purchaser shall have the sole right to make withdrawals. Seller agrees to take all actions reasonably necessary, including the filing of appropriate financing statements, to protect Purchaser’s interest in the Reserve Account.

(d) On each Distribution Date, Seller shall deposit in the Reserve Account an amount equal to the excess, if any, of the Required Reserve Amount for such Distribution Date over the amount on deposit in the Reserve Account. Seller shall immediately notify Purchaser in writing if a Trigger Event is in effect and when the Trigger Event is no longer in effect.

Section 4.02 Withdrawals from the Reserve Account.

On any Business Day, Purchaser may direct the Bank to apply funds in the Reserve Account, if any, to the payment of indemnity payments payable to a Purchaser Indemnitee pursuant to Section 11.01. In addition, if on any Distribution Date, Purchaser does not receive the Sold Percentage of the Total Servicing Spread as provided in Section 4.01, Purchaser may direct the Bank to remit to Purchaser the amount of the shortfall to the extent of funds then on deposit in the Reserve Account. If on any Distribution Date the amount on deposit in the Reserve Account exceeds the Required Reserve Amount for such date (after any other withdrawals therefrom on such date), Purchaser shall direct the Bank to disburse such excess to Seller. Upon termination of this Agreement, after all amounts due to Purchaser shall have been paid, Purchaser shall direct the Bank to distribute any amounts remaining in the Reserve Account to or upon the order of Seller.

Section 4.03 Investment of Funds in the Reserve Account.

Seller may direct the Bank to invest amounts on deposit in the Reserve Account in Eligible Investments that mature not later than the Business Day next preceding the first Distribution Date occurring after the date of the investment except that if the investment is an obligation of the Bank it may mature on the Distribution Date. Any Eligible Investment shall not be sold or disposed of before its maturity. Any gain or loss on such investments shall be taxed to Seller.

Section 4.04 Payment to Seller of Base Servicing Fee.

Seller shall be entitled to payment of the Base Servicing Fee only to the extent payments from Mortgagors are available therefor. Under no circumstances shall Purchaser be liable to Seller for payment of the Base Servicing Fee. The servicing fees and expenses of any sub-servicer shall be paid by Seller and in no event will the amount of Servicing Spread Collections or termination payments otherwise allocable to the Excess MSRs be reduced due to the payment of sub-servicing fees and expenses.

Section 4.05 Intent and Characterization.

(a) Seller and Purchaser intend that the sale of the applicable Sold Percentages of the Excess MSRs pursuant to this Agreement constitutes a valid sale of such percentages of the Excess MSRs from Seller to Purchaser, conveying good title thereto free and clear of any Lien other than Permitted Liens, and that the beneficial interest in and title to the applicable Sold Percentages of the Excess MSRs not be part of Seller's estate in the event of the bankruptcy of Seller. Seller and Purchaser intend and agree to treat the transfer and assignment of the applicable Sold Percentages of the Excess MSRs as an absolute sale for tax purposes, and as an absolute and complete conveyance of title for property law purposes. In the case of the applicable Sold Percentage of the Excess MSR with respect to a New Mortgage Loan, Seller and Purchaser intend that, solely for income tax purposes, the sale and assignment shall occur as of the Refinancing Date of the related Refinanced Mortgage Loan. Seller and Purchaser intend that, for income tax purposes, the replacement of the applicable Sold Percentage of the Excess MSR with respect to a Refinanced Mortgage Loan with the applicable Sold Percentage of the Excess MSR with respect to the related New Mortgage Loan and any related Additional Mortgage Loans pursuant to Article III shall be treated as a sale of the applicable Sold Percentage of the Excess MSR with respect to the Refinanced Mortgage Loan in exchange for the applicable Sold Percentage of the Excess MSR with respect to the related New Mortgage Loan and any related

Additional Mortgage Loans (or payment in cash of the Make Whole Amount in lieu thereof pursuant to Section 3.02(c). Except for financial accounting purposes, neither party intends the transactions contemplated hereby to be characterized as a loan from Purchaser to Seller.

(b) The Parties hereto shall treat the Excess MSRs for income tax purposes as a series of "stripped coupons" within the meaning of Section 1286 of the Code. Seller shall not, without Purchaser's prior written consent, make an election under Revenue Procedure 91-50 for any taxable year that would result in the Revenue Procedure 91-50 safe harbor applying to any Mortgage Servicing Right with respect to which an Excess MSR is transferred to Purchaser pursuant to this Agreement.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF SELLER

As an inducement to Purchaser to enter into this Agreement, Seller represents and warrants to Purchaser as of the Agreement Date, the Closing Date and each Assignment Date (or as of the date specified below, as applicable):

Section 5.01 Due Organization and Good Standing.

Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. Seller is qualified to transact business in each jurisdiction in which such qualification is necessary to service the Mortgage Loans. Seller has, in full force and effect (without notice of possible suspension, revocation or impairment), all required permits, approvals, licenses, and registrations to conduct all activities in all states in which its activities with respect to the Mortgage Loans or the Mortgage Servicing Rights require it to be licensed, registered or approved in order to service the Mortgage Loans and own the Mortgage Servicing Rights.

Section 5.02 Authority and Capacity.

Seller has all requisite corporate power, authority and capacity, subject to the approvals required pursuant to Section 5.03, to enter into this Agreement and each other Transaction Document to which it is a party and to perform the obligations required of it hereunder and thereunder. The execution and delivery of this Agreement and each other Transaction Document to which Seller is a party and the consummation of the transactions contemplated hereby and thereby have each been duly and validly authorized by all necessary corporate action. This Agreement and each other Transaction Document to which it is a party has been duly executed and delivered by Seller. This Agreement constitutes, and each other applicable Transaction Document to which Seller is a party constitutes or will constitute, a valid and legally binding agreement of Seller enforceable in accordance with its terms, and no offset, counterclaim or defense exists to the full performance by Seller of this Agreement or such other Transaction Document, except as the same may be limited by bankruptcy, insolvency, reorganization and similar laws affecting the enforcement of creditors' rights generally and by general equity principles.

Section 5.03 Agency Consents.

Seller will have obtained the Acknowledgement Agreement and all necessary approvals, agreements and consents, if any, of the Agency with respect to this Agreement and the Transaction Documents on or prior to the Closing Date.

Section 5.04 Title to the Mortgage Servicing Rights.

As of the Closing Date and each applicable Assignment Date, Seller will be the lawful owner of the Mortgage Servicing Rights, will be responsible for the maintenance of the Related Escrow Accounts, and will have the sole right and authority to Transfer the Sold Percentage of the applicable Excess MSRs as contemplated hereby. Each transfer, assignment and delivery of the Sold Percentage of the Excess MSRs shall be free and clear of any and all claims, charges, defenses, offsets, Liens and encumbrances of any kind or nature whatsoever other than Permitted Liens.

Section 5.05 Effective Agreements.

The execution, delivery and performance of this Agreement and each other Transaction Document that has been executed by Seller, the compliance with the terms hereof and thereof and the consummation of the transactions contemplated hereby and thereby did not, and will not, violate, conflict with, result in a breach of, constitute a default under, be prohibited by or require any additional approval under its corporate charter, any material instrument or material agreement to which it is a party or by which it is bound or which affects the Mortgage Servicing Rights or the Excess MSRs, or any state or federal law, rule or regulation or any judicial or administrative decree, order, ruling or regulation applicable to it or to the Mortgage Servicing Rights or the Excess MSRs.

Section 5.06 No Accrued Liabilities.

There are no accrued liabilities of Seller with respect to the Mortgage Loans or the Mortgage Servicing Rights or circumstances under which such accrued liabilities will arise against Purchaser as purchaser of the applicable Sold Percentages of the Excess MSRs.

Section 5.07 Seller/Servicer Standing.

Seller is approved by the Agency as an issuer in good standing with the requisite financial criteria and adequate resources to complete the transactions contemplated hereby on the conditions stated herein. No event has occurred, including but not limited to a change in insurance coverage, which would make Seller unable to comply with the Agency eligibility requirements or which would require notification to the Agency.

Section 5.08 MERS Membership.

Seller is a member in good standing under the MERS system.

Section 5.09 Agency Set-off Rights.

Seller has no actual notice, including any notice received from the Agency, or any reason to believe, that, other than in the normal course of Seller's business, any circumstances exist that would result in Seller being liable to the Agency for any amount by reason of: (i) any breach of servicing obligations or breach of mortgage selling warranty to the Agency under the Servicing Agreements relating to Seller's entire servicing portfolio for the Agency (including any unmet mortgage repurchase obligation that is not in dispute), (ii) any unperformed obligation with respect to mortgage loans that Seller is servicing for the Agency, (iii) any loss or damage to the Agency by reason of any inability to transfer to a purchaser of the servicing rights Seller's selling and servicing representations, warranties and obligations, or (iv) any other unmet obligations to the Agency under a servicing contract relating to Seller's entire servicing portfolio with the Agency.

Section 5.10 Solvency.

Seller is Solvent and the sale of the applicable Sold Percentages of the Excess MSRs will not cause Seller to become insolvent. The sale of the applicable Sold Percentages of the Excess MSRs is not undertaken to hinder, delay or defraud any of the creditors of Seller. The consideration received by Seller upon the sale of the applicable Sold Percentages of the Excess MSRs constitutes fair consideration and reasonably equivalent value therefor.

Section 5.11 Obligations with Respect to Origination.

Purchaser shall not be liable for any obligation with respect to the origination of each Mortgage Loan and, if applicable, for any obligation with respect to the sale of such Mortgage Loan.

Section 5.12 No Actions.

There are no pending or, to the best of Seller's knowledge, threatened, actions, suits or proceedings which will likely materially and adversely affect the consummation of the transactions contemplated by any Transaction Document.

Section 5.13 No Purchaser Responsibility.

Purchaser shall have no responsibility, liability or other obligation whatsoever under any Servicing Agreement or with respect to any Mortgage Loan, or to make any advance thereunder, or to pay any servicing fees. Purchaser shall have no right to control the manner in which Seller satisfies its obligations under the Servicing Agreements. Seller is and shall be responsible for the acts or omissions of its sub-servicer and, where applicable, for all costs of originating any Mortgage Loan. Notwithstanding the foregoing, Purchaser is obligated as provided in the Acknowledgement Agreement.

Section 5.14 Representations Concerning the Excess MSRs.

(a) Seller has not assigned, pledged, conveyed, or encumbered the Collateral, including without limitation, the Excess MSRs to any other Person (other than Permitted Liens) and immediately prior to the sale of the applicable Sold Percentages of the Excess MSRs on the Closing Date or the applicable Assignment Date, Seller was the sole owner thereof and had good and marketable title thereto (subject to the rights of the Agency under the Servicing Agreements and the Acknowledgement Agreement), free and clear of all Liens (other than Permitted Liens), and no Person, other than Purchaser, has any Lien (other than Permitted Liens) on the Collateral, including without limitation, the Excess MSRs. No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral, including without limitation, the Excess MSRs, which has been signed by Seller or which Seller has authorized any other Person to sign or file or record, is on file or of record with any public office, except such as may have been terminated or filed by or on behalf of Purchaser.

(b) The sale and grant of a security interest by Seller to Purchaser of and on the Excess MSRs does not and will not violate any Requirement of Law, the effect of which violation is to render void or voidable such assignment.

(c) As contemplated under Section 2.02, upon the filing of financing statements on Form UCC-1 naming Purchaser as "Secured Party" and Seller as "Debtor", and describing the Collateral, in the jurisdictions and recording offices listed on Exhibit H attached hereto, the sale and security interests granted hereunder in the Collateral, including without limitation, the Excess MSRs, will constitute perfected first priority security interests under the UCC in all right, title and interest of Seller in, to and under the Collateral, including without limitation, the Excess MSRs.

(d) Purchaser has and will continue to have the full right, power and authority to pledge the applicable Sold Percentages of the Excess MSRs, and the applicable Sold Percentages of the Excess MSRs may be further assigned without any requirement, in each case, subject only to the Agency's consent.

(e) Each Servicing Agreement constitutes an Eligible Servicing Agreement.

Section 5.15 Accuracy of Servicing Information.

The information in each Data Tape and Electronic Data File is true and correct in all material respects as of the date specified therein.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement to Seller to enter into this Agreement, Purchaser represents and warrants to Seller as of the Agreement Date and the Closing Date (or as of the date specified below, as applicable):

Section 6.01 Due Organization and Good Standing.

Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland. Purchaser is qualified to transact business in each jurisdiction in which such qualification is necessary for the conduct of its business.

Section 6.02 Authority and Capacity.

Purchaser has all requisite corporate power, authority and capacity to enter into this Agreement and each other Transaction Document to which it is a party and to perform the obligations required of it hereunder and thereunder. The execution and delivery of this Agreement and each other Transaction Document to which it is a party and the consummation of the transactions contemplated hereby and thereby have each been duly and validly authorized by all necessary corporate action. This Agreement constitutes, and each other applicable Transaction Document to which Purchaser is a party constitutes or will constitute, a valid and legally binding agreement of Purchaser enforceable in accordance with its terms, and no offset, counterclaim or defense exists to the full performance by Purchaser of this Agreement or such other Transaction Document, except as the same may be limited by bankruptcy, insolvency, reorganization and similar laws affecting the enforcement of creditors' rights generally and by general equity principles.

Section 6.03 Effective Agreements.

The execution, delivery and performance of this Agreement and each other Transaction Document to which it is a party by Purchaser, its compliance with the terms hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not violate, conflict with, result in a breach of, constitute a default under, be prohibited by or require any additional approval under its corporate charter or by-laws, any instrument or agreement to which it is a party or by which it is bound, or any state or federal law, rule or regulation or any judicial or administrative decree, order, ruling or regulation applicable to it, in each case which violation, conflict, breach or requirement would reasonably be expected to have a material adverse effect on Purchaser's ability to perform its obligations under this Agreement and any other Transaction Document to which it is a party.

Section 6.04 Sophisticated Investor.

Purchaser is a sophisticated investor and its decision to acquire the Sold Percentage of the Excess MSRs is based upon Purchaser's own independent experience, knowledge, due diligence and evaluation of this transaction. Purchaser has relied solely on such experience, knowledge, due diligence and evaluation and has not relied on any oral or written information provided by Seller other than the representations and warranties made by Seller herein.

Section 6.05 No Actions.

There are no pending or, to the best of Purchaser's knowledge, threatened actions, suits or proceedings against Purchaser that will likely materially and adversely affect the consummation of the transactions contemplated hereby.

ARTICLE VII

SELLER COVENANTS

Section 7.01 Servicing Obligations.

(a) Seller shall pay, perform and discharge all liabilities and obligations relating to the Servicing, including all liabilities and obligations under the Mortgage Loan Documents, Applicable Law, the Servicing Agreements and the agreement with any sub-servicer, and shall pay, perform and discharge all the rights, obligations and duties with respect to the Related Escrow Accounts as required by the Agency, the Servicing Agreements, the Mortgage Loan Documents and Applicable Law.

(b) Under no circumstances shall Purchaser be responsible for the Servicing acts and omissions of Seller or any other servicer or any originator of the Mortgage Loans, or for any servicing related obligations or liabilities of any servicer in the Servicing Agreements or of any Person under the Mortgage Loan Documents, or for any other obligations or liabilities of Seller. Notwithstanding the foregoing, Purchaser is obligated as provided in the Acknowledgement Agreement

(c) Upon termination of any Servicing Agreement, Seller shall remain liable to Purchaser and the Agency for all liabilities and obligations incurred by the servicer or its designee while Seller or its designee was acting as the servicer thereunder.

(d) Seller shall conduct quality control reviews of its servicing operations in accordance with Applicable Law, Accepted Servicing Practices and the requirements of the Agency.

Section 7.02 Cooperation; Further Assurances.

Seller shall cooperate with and assist Purchaser, as reasonably requested, in carrying out the purposes of this Agreement. Seller will cooperate and assist Purchaser, as reasonably requested in obtaining consents from the Agency as may be required or advisable to assign, transfer, deliver, hypothecate, pledge, subdivide, finance or otherwise deal with the Excess MSRs. If Seller is terminated under any Servicing Agreement, (i) subject to the rights of the Agency, Purchaser shall have the right to appoint or approve a successor and (ii) Seller shall cooperate fully and at its own expense in transferring such Servicing to such successor.

Section 7.03 Financing Statements.

Seller hereby authorizes the filing of any financing statements or continuation statements, and amendments to financing statements, in any jurisdictions and with any filing offices as Purchaser may determine, in its sole discretion, are necessary or advisable to perfect the sale of the applicable Sold Percentages of the Excess MSRs and the security interests granted to Purchaser in the Collateral. Seller agrees to execute financing statements in form reasonably acceptable to Purchaser and Seller at the request of Purchaser in order to reflect Purchaser’s interest in the Collateral.

Section 7.04 Supplemental Information.

From time to time after the Closing Date, Seller promptly shall furnish Purchaser such incidental information, which is reasonably available to Seller, supplemental to the information contained in the documents and schedules delivered pursuant to this Agreement, as may reasonably be requested to monitor performance of the Mortgage Loans and the payment of the Excess MSRs.

Section 7.05 Access to Information.

(a) From time to time, at such times as are reasonably convenient to Seller, Purchaser or its designees may conduct audits or visit and inspect (a) any of the Mortgage Loans or places where the Credit Files are located, to examine the Credit Files, warehouse agreements, internal controls and procedures maintained by Seller and its agents, and take copies and extracts therefrom, and to discuss Seller's affairs with its officers, employees and, upon notice to Seller, independent accountants and (b) Seller's servicing facilities and those of its sub-servicer, for the purpose of satisfying the Purchaser that Seller, has the ability to service the Mortgage Loans related to Mortgage Servicing Rights in accordance with the standards set forth in the applicable Servicing Agreement. Any audit provided for herein will be conducted in accordance with Seller's rules respecting safety and security on its premises, in accordance with applicable privacy and confidentiality laws and without materially disrupting operations. Seller hereby authorizes such officers, employees, designees and independent accountants to discuss with Purchaser the affairs of Seller.

(b) Seller shall arrange for Purchaser to have access to the investor website of Seller's sub-servicer so that Purchaser may monitor the servicing of the Mortgage Loans. In addition, Seller shall furnish to Purchaser copies of all performance reporting received from Ginnie Mae promptly following Seller's receipt thereof. If any such reporting indicates any issues, Seller agrees to keep Purchaser informed of the response or action being taken to resolve the same, as when the same are made or taken.

(c) Seller and Purchaser are aware of their obligations under Gramm-Leach-Bliley Act and the regulations promulgated thereunder and each has in place policies intended to protect the private information of consumers. Any access to consumer information under this Agreement will be undertaken in a manner that complies with such law and regulations.

Section 7.06 Home Affordable Modification Program.

Seller shall continue to service any HAMP Loan in accordance with the terms and requirements of HAMP and will ensure the timely compliance and filing of any appropriate HAMP documentation with the applicable regulator.

Section 7.07 Distribution Date Data Tapes and Reports.

Seller shall deliver the following to Purchaser on each Reporting Date:

(a) An Electronic Data File in form and substance acceptable to Purchaser containing, for each Mortgage Loan, principal, interest and Servicing Spread Collections, and delinquency status (i.e. 30, 60, 90, FCL, REO) as of the last day of the prior Collection Period;

(b) A summary activity report with respect to the Mortgage Loans, with an identifier for each Initial Pool Mortgage Loan, New Mortgage Loan (including an identifier of any Substitute Mortgage Loan that became a New Mortgage Loan as described herein) and Additional Mortgage Loan, with respect to the prior Collection Period containing:

(i) aggregate principal balance as of the first and last date of the Collection Period,

(ii) aggregate scheduled principal collected,

(iii) aggregate interest collected,

(iv) aggregate liquidation principal,

(v) aggregate unscheduled principal,

(vi) short sales,

(vii) aggregate balance of loans refinanced by Seller and by third parties,

(viii) aggregate amount of uncollected principal and interest payments,

(ix) recoveries in respect of Base Servicing Fees and Excess MSRs on delinquent or defaulted loans,

(x) for each New Mortgage Loan, an identifier of the related Refinanced Mortgage Loan, and

(xi) (1) for each Mortgage Loan, the principal balance, the applicable servicing spread, the final maturity date, the mortgage interest rate, the loan-to-value ratio and the FICO score, and (2) for each Mortgage Loan that was refinanced by a lender other than Seller or an affiliate thereof, to the extent such information is known to Seller in the ordinary course of business and the collection and delivery of such information does not impose any additional and undue burden on Seller, the name of such lender and the mortgage interest rate of the newly originated residential mortgage loan.

(c) A delinquency report (using MBA delinquency methodology) with respect to the Mortgage Loans containing:

(i) The aggregate outstanding principal balance of the Mortgage Loans and percentages of the aggregate outstanding principal balance of the Mortgage Loans in each of the following categories as of the last day of the prior Collection Period:

(1) Current Mortgage Loans,

(2) 30-59 days delinquent,

(3) 60-89 days delinquent,

(4) 90 days or more delinquent,

(5) Mortgage Loans in Foreclosure (current and delinquent),

(6) Mortgage Loans with respect to which the related Mortgaged Properties have become real estate owned properties, and

(7) Mortgage Loans in which the Mortgagor is in bankruptcy (current and delinquent);

(ii) For each of the above categories, a roll report showing the migration of Mortgage Loans in such category from the last day of the second prior Collection Period.

(d) A disbursement report containing:

(i) The Servicing Spread Collections for the prior Collection Period,

(ii) The Base Servicing Fee paid to Seller,

(iii) The amount of the Excess MSRs paid to Purchaser and Seller, and

(iv) The amount of funds, if any, transferred to the Reserve Account.

(e) Such other or additional reports and information as Purchaser may reasonably request.

Section 7.08 Financial Statements and Officer's Certificates.

(a) If Seller's financial statements are not filed with the U.S. Securities and Exchange Commission and are not publicly available, Seller shall deliver to Purchaser copies of Seller's most recent unaudited quarterly financial statements within 45 days of the end of each of Seller's fiscal quarters and its most recent audited annual financial statements within 90 days of the end of each of Seller's fiscal years.

(b) On each Distribution Date Seller shall deliver to Purchaser a certificate from a duly authorized officer of Seller certifying that no Trigger Event or Standby Trigger Event has occurred

Section 7.09 Make Whole Calculation.

Each calculation of a Make Whole Amount shall include the following information for the applicable Calculation Period:

(i) the weighted average Excess Servicing Fee Rate of the Mortgage Loans that became Refinanced Mortgage Loans during such Calculation Period,

(ii) the aggregate unpaid principal balance of such Refinanced Mortgage Loans as of their respective Refinancing Dates,

(iii) the weighted average Excess Servicing Fee Rate of the related New Mortgage Loans,

(iv) the aggregate original principal balance of the related New Mortgage Loans,

(v) the aggregate principal balance of any Additional Mortgage Loans,

(vi) the weighted average Excess Servicing Fee Rate of such Additional Mortgage Loans,

(vii) the cash payment to be made by Seller in lieu of adding Additional Mortgage Loans and the fair market value calculation used to determine such amount, and

(viii) a Data Tape of the Refinanced Mortgage Loans, the related New Mortgage Loans and the proposed Additional Mortgage Loans.

Section 7.10 Timely Payment of Agency Obligations.

Seller shall pay all of its obligations to the Agency in a timely manner so as to avoid exercise of any right of set-off by the Agency against Seller.

Section 7.11 Servicing Agreements.

Seller shall service the Mortgage Loans in accordance with Accepted Servicing Practices and shall perform its obligations in all material respects in accordance with the Servicing Agreements and Applicable Law. In particular, without limitation, Seller shall comply with any advancing obligation under the Servicing Agreements. Without the express written consent of Purchaser (which consent may be withheld in its absolute discretion), Seller shall not (a) cancel, terminate or amend any Mortgage Servicing Rights, (b) expressly provide any required consent to any termination, amendment or modification of any Servicing Agreements either verbally or in writing, (c) expressly provide any required consent to any termination, amendment or modification of any other servicing agreements or enter into any other agreement or arrangement with the Agency that may be reasonably material to Purchaser either verbally or in writing, (d) expressly or verbally waive any material default under or breach of any Servicing Agreement by the Agency that may be material to Purchaser (in Purchaser's reasonable determination) or (e)

take any other action in connection with any such Servicing Agreement that would impair in any material respect the value of the interests or rights of Purchaser hereunder. Seller shall conduct its business and perform its obligations under the Servicing Agreements in a manner such that the Agency will not have cause to terminate any Servicing Agreement. Notwithstanding the foregoing, in no event will the prohibitions contained in this Section 7.11 apply to any amendments or modifications of the Servicing Agreements that are either (i) required by the Agency or (ii) applicable to mortgage loans owned by Seller which do not affect the Excess MSRs and are not reasonably material to the Purchaser.

Section 7.12 Transfer of Mortgage Servicing Rights.

Seller shall not assign, transfer, sell or otherwise encumber any of its (x) Mortgage Servicing Rights related to the Excess MSRs, or (y) the applicable Retained Percentages of the Excess MSRs without the prior written consent of Purchaser which may be granted or withheld in Purchaser's absolute discretion; provided, however, that Purchaser's consent is not required if the transfer of the Mortgage Servicing Rights is directed by the Agency.

Section 7.13 Consents to Transaction Documents.

Seller shall not terminate, amend, restate, modify or waive any conditions or provisions of any Transaction Document without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, delayed or conditioned.

Section 7.14 Notification of Certain Events.

Seller shall promptly notify Purchaser of any event which, with the passage of time, the giving of notice or both could reasonably be expected to result in a Trigger Event or termination of any Servicing Agreement. Seller shall provide Purchaser with copies of (i) any notices from or to a warehouse lender of a default or potential default under any such warehouse agreement, (ii) any notices from the Agency of any breach, potential breach, default or potential default by Seller under any Servicing Agreement between Seller and the Agency, and (iii) any notices from the Agency of any termination, potential termination or threatened termination of any Servicing Agreement. Seller shall promptly forward copies of any material notices received from the Agency or from any Governmental Authority with respect to the Mortgage Loans. Seller shall provide Purchaser with copies of all amendments to the its warehouse agreements, Transaction Documents or the Servicing Agreements promptly after execution thereof. Furthermore, if at any time prior to the termination of this Agreement, Seller is unable to comply with any of the Agency eligibility requirements, it shall immediately notify Purchaser of the facts and circumstances surrounding such inability and of the course of action Seller proposes to take to address the same.

Section 7.15 Financing; Pledge of Excess MSRs.

Seller shall not pledge, obtain financing for, or otherwise permit any Lien of any creditor of Seller to exist on, any portion of the Servicing Spread Collections without the prior written consent of Purchaser. Seller's financial statements shall contain footnotes indicating that the applicable Sold Percentages of the Excess MSRs have been sold, and Seller does not maintain any ownership interest therein.

Section 7.16 Existence, etc.

Seller shall:

(a) preserve and maintain its legal existence, good standing and material licenses necessary to service the Mortgage Loans;

(b) comply with the requirements of all Applicable Law, rules, regulations and orders of Governmental Authorities (including truth in lending and real estate settlement procedures);

(c) keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, and maintain adequate accounts and reserves for all taxes (including income taxes), all depreciation, depletion, obsolescence and amortization of its properties, all contingencies, and all other reserves;

(d) not move its chief executive office or chief operating office from the addresses referred to in Exhibit H unless it shall have provided Purchaser not less than thirty (30) days prior written notice of such change;

(e) pay and discharge all material taxes, assessments and governmental charges or levies imposed on it or its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained. Seller and its subsidiaries shall file on a timely basis all federal, and material state and local tax and information returns, reports and any other information statements or schedules required to be filed by or in respect of it; and

(f) comply with its obligations under the Transaction Documents to which it is a party and each other agreement entered into with the Agency.

Section 7.17 Selection of, or Consent to, Successor Sub-Servicer.

If Seller chooses to replace the sub-servicer, Purchaser shall have the right to approve the successor and the terms of the related sub-servicing agreement, such approval not to be withheld, delayed or conditioned unreasonably. In addition, if the sub-servicer defaults under its agreement with Seller, Purchaser shall have the right to require Seller to replace the sub-servicer with a successor and a sub-servicing agreement reasonably satisfactory to Purchaser. Notwithstanding the foregoing, the approval by the Purchaser of a new sub-servicer or the terms of the sub-servicing agreement shall not be required if the Agency selects or directs the selection of a new sub-servicer.

Section 7.18 Non-petition Covenant.

Seller shall not, prior to the date that is one year and one day after the payment in full of the Excess MSRs, petition or otherwise invoke the process of any court or governmental authority for the purpose of commencing or sustaining a case against Purchaser under any insolvency law or appointing a receiver, liquidator, assignee, trustee, custodian or other similar official of Purchaser or any substantial part of its property, or ordering the winding up or liquidation of the affairs of Purchaser.

Section 7.19 Insurance.

Seller shall maintain (a) general liability insurance, (b) errors and omission insurance or blanket bond coverage and (c) fidelity bond insurance, in each case, from reputable companies with coverage in amounts customarily maintained by such similarly situated entities in the same jurisdiction and industry as Seller.

Section 7.20 Defense of Title.

Seller shall warrant and defend the right, title and interest of Purchaser in and to the applicable Sold Percentages of the Excess MSRs against all adverse claims and demands subject to Permitted Liens.

ARTICLE VIII

CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

The obligations of Purchaser under this Agreement and under each Assignment Agreement are subject to the satisfaction of the following conditions as of the Closing Date and each Assignment Date:

Section 8.01 Correctness of Representations and Warranties.

The representations and warranties made by Seller in this Agreement and each other Transaction Document to which Seller is a party shall be true and correct as if the same were made on and as of the Closing Date or the Assignment Date, as applicable.

Section 8.02 Compliance with Conditions.

All of the terms, covenants, conditions and obligations of this Agreement and each other Transaction Document required to be complied with and performed by Seller on or prior to the Closing Date or the Assignment Date, as applicable, shall have been duly complied with and performed, including without limitation, the deposit in the Reserve Account of the Required Reserve Amount.

Section 8.03 Corporate Resolution.

On or prior to the Closing Date, Purchaser shall have received a certified copy of Seller's corporate resolution approving the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, together with such other certificates of incumbency and other evidences of corporate authority as Purchaser or its counsel may reasonably request.

Section 8.04 No Material Adverse Change.

From the Agreement Date, there shall not have been any change to Seller's financial or operating condition, or in the Mortgage Servicing Rights, the Mortgage Loans, the Related Escrow Accounts or to Seller's relationship with, or authority from, the Agency, that in each case will likely materially and adversely affect the consummation of the transactions contemplated hereby or the Excess MSRs. No Trigger Event shall be in effect.

Section 8.05 Consents.

Seller shall have obtained all consents, approvals or other requirements of third parties required for the consummation of the transactions contemplated by this Agreement and the Transaction Documents. All actions of all Governmental Authorities required to consummate the transactions contemplated by this Agreement and the Transaction Documents and the documents related thereto shall have been obtained or made.

Section 8.06 Delivery of Transaction Documents.

On or prior to the Closing Date, Seller shall have delivered to the Purchaser executed copies of each of the following:

(i) The Acknowledgement Agreement;

(ii) An Assignment Agreement with respect to the Excess MSRs on the Initial Mortgage Loans;

(iii) The executed Reserve Account Agreement;

(iv) The executed Reserve Account Control Agreement;

(v) An Opinion of Counsel of Seller, in form and substance reasonably acceptable to Purchaser, regarding due authorization, authority, and enforceability of the applicable Transaction Documents to which Seller is a party, and regarding no conflicts with other material Seller agreements;

(vi) An Opinion of Counsel of Seller, reasonably acceptable to Purchaser, regarding the perfection of the assignment of Excess MSRs to Purchaser and the security interests granted hereunder;

(vii) A recent certificate of good standing of Seller and of Purchaser;

(viii) A secretary's certificate of Seller attaching its organizational documents, board resolutions and incumbency certificates; and

(ix) A UCC-1 financing statement relating to the security interest of Purchaser in the Collateral in form and substance reasonably acceptable to Purchaser.

Section 8.07 Certificate of Seller.

On the Closing Date Seller shall have provided Purchaser a certificate, signed by an authorized officer of Seller dated as of such date, applicable to the transactions contemplated by this Agreement, to the effect that: (a) each of Seller's representations and warranties made in this Agreement and each other Transaction Document to which Seller is a party is true and correct in all material respects as of such date; (b) all of the terms, covenants, conditions and obligations of this Agreement and each other Transaction Document to which Seller is a party that are required to be complied with and performed by Seller at or prior to the Closing Date have been duly complied with and performed in all material respects; (c) the conditions set forth in Section 8.04 and Section 8.05 have been satisfied; and (d) as of the Closing Date, a Trigger Event is not in effect.

Section 8.08 No Actions or Proceedings.

No action, suit, proceeding or investigation by or before any Governmental Authority shall have been instituted to restrain or prohibit the consummation of, or to invalidate, any of the transactions contemplated by this Agreement and the documents related hereto in any material respect.

Section 8.09 Fees, Costs and Expenses.

The fees, costs and expenses payable by Seller on or prior to the Closing Date pursuant to Section 11.01 hereof and any other Transaction Document shall have been paid.

Section 8.10 Valuation.

Purchaser shall have received from an Approved Valuation Firm a valuation of Purchaser's investment in the Excess MSRs related to the Initial Mortgage Loans that reasonably approximates the amount of the Purchase Price.

ARTICLE IX

CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER

The obligations of Seller under this Agreement are subject to the satisfaction of the following conditions as of the Closing Date.

Section 9.01 Correctness of Representations and Warranties.

The representations and warranties made by Purchaser in this Agreement shall be true and correct as if the same were made on and as of the Closing Date.

Section 9.02 Compliance with Conditions.

All of the terms, conditions, covenants and obligations of this Agreement required to be complied with and performed by Purchaser on or prior to the Closing Date shall have been duly complied with and performed.

Section 9.03 Corporate Resolution.

Seller shall have received from Purchaser a certified copy of its corporate resolution approving the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, together with such other certificates of incumbency and other evidences of corporate authority as Seller or its counsel may reasonably request.

Section 9.04 No Material Adverse Change.

Since the Agreement Date, there shall not have been any change to Purchaser's financial condition that will likely materially and adversely affect the consummation of the transactions contemplated hereby.

Section 9.05 Certificate of Purchaser.

Purchaser shall have provided Seller a certificate, signed by an authorized officer of Purchaser dated as of such date, applicable to the transactions contemplated by this Agreement, to the effect that: (a) each of Purchaser's representations and warranties made in this Agreement is true and correct in all material respects as of such date; and (b) all of the terms, covenants, conditions and obligations of this Agreement required to be complied with and performed by Purchaser at or prior to the Closing Date have been duly complied with and performed in all material respects.

Section 9.06 Good Standing Certificate of Purchaser.

Purchaser shall have provided Seller a recent certificate of good standing of Purchaser.

ARTICLE X

INDEMNIFICATION; CURE

Section 10.01 Indemnification by Seller.

(a) Seller shall indemnify, defend and hold Purchaser, its affiliates and its and their respective directors, managers, officers, employees, agents, representatives and advisors (the "Purchaser Indemnitees") harmless from and shall reimburse the applicable Purchaser Indemnitee for any Losses suffered or incurred by any Purchaser Indemnitee after the Closing Date which result from:

(i) Any material breach of a representation or warranty by Seller, or non-fulfillment of any covenant or obligation of Seller, contained in this Agreement or any Assignment Agreement;

(ii) Any servicing act or omission of any prior servicer relating to any Mortgage Loan and any act or omission of any party related to the origination of any Mortgage Loan;

(iii) Any act, error or omission of Seller in servicing any of the Mortgage Loans, including improper action or failure to act when required to do so;

(iv) Any exercise of any rights of setoff or other netting arrangements by the Agency against Seller that results in a decrease in Servicing Agreements termination payments due to Seller with respect to the Mortgage Loans from the Agency or in a shortfall of funds to pay the Excess MSRs; and

(v) Litigation, proceedings, governmental investigations, orders, injunctions or decrees resulting from any of the items described in Section 10.01(a)(i)-(iii) above;

provided, however, that the applicable Purchaser Indemnitee has taken all commercially reasonable and appropriate actions to mitigate any such Losses as reasonably requested by Seller, which such failure of mitigation shall not relieve Seller of its indemnification obligations in this Section 10.01 but may affect the amount of such obligation; and further provided, that any Losses incurred by the Purchaser Indemnitee pursuant to any attempt to mitigate any such Losses shall be reimbursed by Seller as part of its indemnification obligations in this Section 10.01.

(b) Purchaser shall notify Seller promptly after receiving written notice of the assertion of any litigation, proceedings, governmental investigations, orders, injunctions, decrees or any third party claims subject to indemnification under this Agreement (each, a "Third Party Claim"). Upon receipt of notice of a Third Party Claim, Seller shall have the right to assume the defense of such Third Party Claim using counsel of its choice reasonably satisfactory to the applicable Purchaser Indemnitee, but may not enter into any settlement without the prior written consent of the applicable Purchaser Indemnitee; provided, however, that Seller may enter into a settlement without the prior consent of the Purchaser Indemnitee if Seller secures a full and unconditional release from any liability for the Third Party Claim in favor of the Purchaser Indemnitee. A Purchaser Indemnitee shall have the right to select separate counsel and to otherwise participate in its defense at its own expense. Any exercise of such rights by a Purchaser Indemnitee shall not relieve Seller of its obligations and liabilities under this Section 10.01 or any other provision of this Agreement. With respect to any Third Party Claim subject to indemnification under this Agreement, the applicable Purchaser Indemnitee shall be required to cooperate in good faith with Seller to ensure the proper and adequate defense of such Third-Party Claim. For the avoidance of doubt, Seller's obligations for Purchaser Indemnitees shall not be limited to funds available in the Reserve Account.

(c) Notwithstanding anything in Section 10.01(a) above, in the event that counsel or independent accountants for Purchaser determine that there exists a material risk that any amounts due to Purchaser under ARTICLE X hereof would be treated as Non-qualifying Income upon the payment of such amounts to Purchaser, the amount paid to Purchaser pursuant to this Agreement in any tax year shall not exceed the maximum amount that can be paid to Purchaser in such year without causing Purchaser to fail to meet the REIT Requirements for such year, determined as if the payment of such amount were Non-qualifying Income as determined by such counsel or independent accountants. If the amount payable for any tax year under the preceding sentence is less than the amount which Seller would otherwise be obligated to pay to Purchaser pursuant to ARTICLE X of this Agreement (the "Expense Amount"), then Seller shall place the Expense Amount into an escrow account (the "Expense Escrow Account") using an

escrow agent and agreement reasonably acceptable to Purchaser and shall not release any portion thereof to Purchaser, and Purchaser shall not be entitled to any such amount, unless and until Purchaser delivers to Seller, at the sole option of Purchaser, (i) an opinion (an "Expense Amount Tax Opinion") of Purchaser's tax counsel to the effect that such amount, if and to the extent paid, would not constitute Non-qualifying Income, (ii) a letter (an "Expense Amount Accountant's Letter") from Purchaser's independent accountants indicating the maximum amount that can be paid at that time to Purchaser without causing Purchaser to fail to meet the REIT Requirements for any relevant taxable year, or (iii) a private letter ruling issued by the IRS to Purchaser indicating that the receipt of any Expense Amount hereunder will not cause Purchaser to fail to satisfy the REIT Requirements (a "REIT Qualification Ruling" and, collectively with an Expense Amount Tax Opinion and an Expense Amount Accountant's Letter, a "Release Document").

Section 10.02 Indemnification by Purchaser.

Purchaser shall indemnify, defend and hold Seller, its affiliates and its and their respective directors, managers, officers, employees, agents, representatives and advisors (the "Seller Indemnitees") harmless from and shall reimburse the applicable Seller Indemnitee for any Losses suffered or incurred by any Seller Indemnitee which result from:

(i) Any material breach of a representation or warranty by Purchaser, or non-fulfillment of any covenant or obligation of Purchaser contained in this Agreement; and

(ii) Litigation, proceedings, governmental investigations, orders, injunctions or decrees, the basis for which occurred after the Agreement Date, resulting from any of the items described in Section 10.01(a)(i) above;

provided, however, that the applicable Seller Indemnitee has taken all commercially reasonable and appropriate actions to mitigate any such Losses as reasonably requested by Purchaser, which such failure of mitigation shall not relieve Purchaser of its indemnification obligations in this Section 10.02 but may affect the amount of such obligation; and further provided, that any Losses incurred by the Seller Indemnitee pursuant to any attempt to mitigate any such Losses shall be reimbursed by Purchaser as part of its indemnification obligations in this Section 10.02. Seller shall notify Purchaser promptly after receiving written notice of the assertion of any Third Party Claim. Upon receipt of such notice of a Third Party Claim, Purchaser shall have the right to assume the defense of such Third Party Claim using counsel of its choice reasonably satisfactory to the applicable Seller Indemnitee, but may not enter into any settlement without the prior written consent of Purchaser; provided, however, Purchaser may enter into a settlement without the Seller Indemnitee's prior consent if Purchaser obtains a full and unconditional release from liability for the Third Party Claim in favor of the Seller Indemnitee. A Seller Indemnitee shall have the right to select separate counsel and to otherwise participate in its defense at its own expense. Any exercise of such rights by a Seller Indemnitee shall not relieve Purchaser of its obligations and liabilities under this Section 10.02 or any other provision of this Agreement. With respect to any Third Party Claim subject to indemnification under this Agreement, the applicable Seller Indemnitee shall be required to cooperate in good faith with Purchaser to ensure the proper and adequate defense of such Third-Party Claim.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Costs and Expenses.

Except as otherwise provided herein, Purchaser and Seller shall each pay the expenses incurred by it in connection with the transactions contemplated hereby.

Section 11.02 Payment Adjustments.

If, subsequent to the payment of the Purchase Price or the payment of any amounts due hereunder to either Party, the outstanding principal balance of any Mortgage Loan is found to be in error, or if for any reason the Purchase Price or such other amounts is found to be in error, the Party benefiting from the error shall pay an amount sufficient to correct and reconcile the Purchase Price or such other amounts and shall provide a reconciliation statement and other such documentation to reasonably satisfy the other Party concerning the accuracy of such reconciliation. Such amounts shall be paid by the proper Party within ten (10) Business Days from receipt of satisfactory written verification of amounts due.

Section 11.03 Term and Termination.

(a) This Agreement shall remain in full force until the tenth (10^{th}) anniversary of the Agreement Date, unless earlier terminated as provided below, and shall be renewed automatically for successive one-year periods thereafter until this Agreement is terminated in accordance with the terms hereof.

(b) Either Party may elect not to renew this Agreement at the expiration of the initial term or any renewal term by notice to the other Party at least 180 days, but not more than 270 days, prior to the end of the applicable term.

(c) A Party may terminate this Agreement for cause by giving the other Party thirty (30) days prior written notice thereof. Any termination pursuant to this Section 11.03(c) shall not relieve any party from any liability or obligation arising prior to the effective date of such termination.

Section 11.04 Relationship of Parties.

The Parties intend that the transactions contemplated in this Agreement and the Transaction Documents constitute arms-length transactions between unaffiliated parties. Nothing contained in this Agreement or the Transaction Documents will establish any fiduciary, partnership, joint venture or similar relationship between the Parties except to the extent otherwise expressly stated therein.

Section 11.05 Notices.

All notices, requests, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid or by prepaid overnight delivery service:

(a) If to Purchaser, to:

Cherry Hill Mortgage Investment Corp.
301 Harper Drive, Suite 110
Moorestown, New Jersey 08057
Att: Chief Financial Officer

(b) If to Seller, to:

Freedom Mortgage Corporation
907 Pleasant Valley Ave., Suite 3
Mount Laurel, New Jersey 08054
Att: Chief Corporate Counsel

or to such other address as Purchaser or Seller shall have specified in writing to the other.

Section 11.06 Waivers.

Either Purchaser or Seller may, by written notice to the other extend the time for the performance of any of the obligations or other transactions of the other or waive compliance with or performance of any of the terms, conditions, covenants or obligations required to be complied with or performed by the other hereunder. The waiver by Purchaser or Seller of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other subsequent breach.

Section 11.07 Entire Agreement; Amendment.

This Agreement and the Transaction Documents constitute the entire agreement between the Parties with respect to the transactions contemplated hereby and supersede all prior agreements with respect thereto. This Agreement may be amended only in a written instrument signed by both Seller and Purchaser.

Section 11.08 Binding Effect.

This Agreement shall inure to the benefit of and be binding upon the Parties and their successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person other than the Parties and their successors and permitted assigns, any rights, obligations, remedies or liabilities.

Section 11.09 Headings.

Headings on the Articles and Sections in this Agreement are for reference purposes only and shall not be deemed to have any substantive effect.

Section 11.10 Governing Law.

This Agreement shall be governed by the internal laws of the State of New York without giving effect to the conflict of law principles thereof, other than Section 5-1401 of the New York General Obligations Law.

Section 11.11 Submission to Jurisdiction; Waiver.

Each of Seller and Purchaser hereby unconditionally

(a) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND THE OTHER FACILITY DOCUMENTS, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(b) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND, TO THE EXTENT PERMITTED BY LAW, WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(c) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO ITS ADDRESS SET FORTH UNDER ITS SIGNATURE BELOW OR AT SUCH OTHER ADDRESS OF WHICH BUYER SHALL HAVE BEEN NOTIFIED;

(d) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION; AND

(e) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 11.12 Waivers, etc.

No failure on the part of Purchaser to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement or any Transaction Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement or any Transaction Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

Section 11.13 Incorporation of Exhibits.

The Exhibits attached hereto shall be incorporated herein and shall be understood to be a part hereof as though included in the body of this Agreement.

Section 11.14 Counterparts.

This Agreement may be executed in counterparts, each of which, when so executed and delivered, shall be deemed to be an original but all of which, taken together, shall constitute one and the same agreement.

Section 11.15 Severability of Provisions.

If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement or of the rights of the Parties hereto.

Section 11.16 Assignment.

(a) Seller may not assign, transfer, sell or subcontract all or any part of this Agreement, any interest herein, or any of Seller's interest in the Servicing Spread Collections, without the prior written consent of Purchaser, provided that any successor to Seller must assume Seller's obligations under this Agreement. Subject to the rights of the Agency, Purchaser shall have the unrestricted right to further assign, transfer, deliver, hypothecate, pledge, subdivide or otherwise deal with its rights under this Agreement on whatever terms Purchaser shall determine without the consent of Seller; including the right to assign all or any portion of the applicable Sold Percentages of the Excess MSRs and to assign the related rights under this Agreement. If Purchaser assigns any rights under this Agreement to a third party (a "Third Party Assignment"), such third party (a "Third Party Assignee") shall enter into a new agreement with Seller or Seller's assignee that provides such Third Party Assignee with the same rights with respect to the applicable Sold Percentages of the Excess MSRs that Purchaser would have had under this Agreement if the Third Party Assignment had not occurred. Purchaser shall give prompt notice of any such assignment to Ginnie Mae.

(b) Seller shall maintain a register on which it enters the name and address of each holder of an interest in the Excess MSRs and each holder's interest in the Excess MSRs (the "Holder Register") for each transaction described in Section 11.16(a). The entries in the Holder Register shall be conclusive absent manifest error, and Seller shall treat each Person whose name is recorded in the Holder Register as an owner of an interest in the Excess MSRs for all purposes of this Agreement notwithstanding any notice to the contrary.

Section 11.17 Certain Acknowledgements.

Notwithstanding anything to the contrary contained herein:

(1) The property subject to the security interest reflected in this instrument includes all of the right, title and interest of Seller in certain mortgages and/or participation interests related to such mortgages ("Pooled Mortgages") and pooled under the mortgage-backed securities program of the Government National Mortgage Association ("Ginnie Mae"), pursuant to section 306(g) of the National Housing Act, 12 U.S.C. § 1721(g);

(2) To the extent that the security interest reflected in this instrument relates in any way to the Pooled Mortgages, such security interest is subject and subordinate to all rights, powers and prerogatives of Ginnie Mae, whether now existing or hereafter arising, under and in connection with: (i) 12 U.S.C. § 1721(g) and any implementing regulations; (ii) the terms and conditions of that certain Acknowledgment Agreement, with respect to the Security Interest, by and between Ginnie Mae, Freedom Mortgage Corporation ("Seller"), and Cherry Hill Mortgage Investment Corp.; (iii) applicable Guaranty Agreements and contractual agreements between Ginnie Mae and Seller; and (iv) the Ginnie Mae Mortgage-Backed Securities Guide, Handbook 5500.3 Rev. 1, and other applicable guides; and

(3) Such rights, powers and prerogatives of Ginnie Mae include, but are not limited to, Ginnie Mae's right, by issuing a letter of extinguishment to Seller, to effect and complete the extinguishment of all redemption, equitable, legal or other right, title or interest of Seller in the Pooled Mortgages, in which event the security interest as it relates in any way to the Pooled Mortgages shall, as more particularly described in the Acknowledgement Agreement instantly and automatically be extinguished as well.

[The remainder of this page left blank intentionally]

IN WITNESS WHEREOF, each of the undersigned Parties has caused this Agreement to be duly executed in its corporate name by one of its duly authorized officers, all as of the date first above written.

CHERRY HILL MORTGAGE INVESTMENT CORP.
Purchaser

By: _____
Name:
Title:

FREEDOM MORTGAGE CORPORATION
Seller

By: _____
Name:
Title:

EXHIBIT A

FORM OF ASSIGNMENT AGREEMENT

Subject to, and upon the terms and conditions of the Excess MSR Acquisition and Recapture Agreement, dated as of [ ], 2013 (the "Agreement"), by and between Freedom Mortgage Corporation, a New Jersey corporation (together with its successors and permitted assigns, the "Seller") and Cherry Hill Mortgage Investment Corp. a Maryland corporation (together with its successors and permitted assigns, the "Purchaser"), as may be amended, restated, or otherwise modified and in effect from time to time, Seller hereby assigns, transfers and delivers to Purchaser all of Seller's right, title and interest in and to the applicable Sold Percentage of the Excess MSR for each of the Mortgage Loans set forth in Annex A attached hereto and all proceeds thereof, and agrees that as of the [Closing] [Assignment] Date, the applicable Mortgage Loan shall be deemed to be a "Mortgage Loan" for all purposes of the Agreement. Capitalized terms used in this Assignment Agreement have the meanings given to such terms in, or incorporated by reference into, the Agreement.

All of the terms, covenants, conditions and obligations of the Agreement required to be complied with and performed by Seller on or prior to the date hereof have been duly complied with and performed in all material respects.

FREEDOM MORTGAGE CORPORATION
Seller

By: _____
Name:
Title:

[ATTACH ANNEX A, WHICH MAY BE ON COMPUTER TAPE, COMPACT DISK, OR MICROFICHE, CONTAINING THE INFORMATION SET FORTH BELOW]

EXHIBIT B

SCHEDULE OF MORTGAGE LOANS

[SEPARATELY DELIVERED]

EXHIBIT C

LOCATION OF CREDIT FILES

EXHIBIT D

FORM OF SUMMARY REMITTANCE REPORT

[DELIVERED SEPARATELY]

EXHIBIT E

FORM OF DELINQUENCY REPORT

[DELIVERED SEPARATELY]

EXHIBIT F

FORM OF DISBURSEMENT REPORT

[DELIVERED SEPARATELY]

EXHIBIT H

SELLER JURISDICTIONS AND RECORDING OFFICES

Chief Executive Office:
907 Pleasant Valley Ave.
Mount Laurel, New Jersey 08054

Recording Office:
Secretary of State, State of New Jersey

EXHIBIT I

LIST OF REQUIRED FIELDS FOR EACH DATA TAPE

1 Cut-off Date
2 Loan #
3 Agency
4 Remit
5 Product Description
6 Note Rate
7 Loan Amount
8 Current Balance
9 P & I
10 T & I
11 Total Payment
12 Term
13 Stated Remaining Term
14 Age
15 Closing Date
16 First Payment Date
17 Next Due Date
18 Interest Paid Through Date
19 Maturity Date
20 Escrow Balance
21 Other Advances
22 Suspense Funds
23 LTV
24 CLTV
25 DTI
26 Appraised Value
27 Sale Price
28 No Units
29 Loan Type
30 Property Type
31 Loan Purpose
32 Cash-out Flag
33 Occupancy
34 Lien Position
35 Address
45 Origination Rate
46 Origination P&I
47 Index Code
48 Plan Code
49 Current Index
50 Margin
51 Rate Chg Freq
52 Next Rate Change Date
53 First Rate Change Date
54 Initial Period
55 P&I Chg Freq
56 Next P&I Chg Date
57 First P&I Chg Date
58 Initial PI Chg Period
59 Initial Cap
60 Periodic Cap Inc
61 Periodic Cap Dec
62 Life Of Loan Cap Inc
63 Maximum Rate
64 Minimum Rate
65 Bankruptcy Status
66 Foreclosure Status
67 Interest Only
68 Interest Only Term
69 Interest Method
70 Prepay Penalty Term
71 Prepay Penalty Indicator
72 Prepay Penalty Description
73 Balloon Flag
74 Balloon Term
75 Origination Fico
76 Current Fico
77 Doc Type
78 Pay String History
79 Status

36 City
37 State
38 Zip
39 County
40 Gross Serv Fee
41 Net Serv Fee
42 LPMI Fee
43 Guar Fee
44 Pool Number
80 BK_Chapter
81 Foreclosure Start Date
82 Loss_Mitigation_Flag
83 Modification_Flag
84 LitigationFlag
85 MI Flag
86 MI Provider
87 Channel

AMENDED AND RESTATED MANAGEMENT AGREEMENT

This AMENDED AND RESTATED MANAGEMENT AGREEMENT is entered into as of September 24, 2013 (this "Agreement") by and among Cherry Hill Mortgage Investment Corporation, a Maryland corporation (the "Company"), each of the Company's current Subsidiaries (as defined below), and Cherry Hill Mortgage Management, LLC, a Delaware limited liability company (the "Manager").

WHEREAS, the Company is a Maryland corporation organized to qualify as a real estate investment trust under the Code and to acquire, invest in and manage a portfolio of Excess MSRs, Agency RMBS, prime jumbo mortgage loans and other residential mortgage assets; and

WHEREAS, the Company holds its assets and conducts its operations through the Subsidiaries; and

WHEREAS, the Company has previously engaged the Manager to manage the Company's assets, operations and affairs pursuant to a Management Agreement dated as of April 22, 2013 (the "Original Management Agreement"); and

WHEREAS, the Company and the Manager now wish to amend and restate the Original Management Agreement by entering into this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements herein set forth and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions.

(a) "Affiliate" means, with respect to any Person, any Person controlling, controlled by, or under common Control with, such Person. For the avoidance of doubt, for the purpose of this Agreement, Freedom Mortgage is an Affiliate of the Manager and each of the Manager and Freedom Mortgage is an Affiliate of Stanley C. Middleman.

(b) "Agency RMBS" means residential mortgage-backed securities the payment of principal and interest on which has been guaranteed by a U.S. Government agency or a U.S. Government-sponsored enterprise.

(c) "Agreement" has the meaning assigned in the first paragraph.

(d) "Board of Directors" means the Board of Directors of the Company.

(e) "Business Day" means any day except a Saturday, Sunday or day on which banking institutions in New Jersey or New York are not required to be open.

(f) "Business Opportunity" has the meaning assigned in Section 3(c).

(g) "Change of Control" means the occurrence of any of the following:

(i) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the assets of the Manager, taken as a whole, to any Person other than Freedom Mortgage or any of its Affiliates; or

(ii) the direct or indirect acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than Freedom Mortgage and any of its Affiliates in a single transaction or in a series of related transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of 50% or more of the total voting power of the voting capital interests of or pecuniary interests in the Manager.

(h) "Charter" means the charter of the Company, as amended, restated or supplemented from time to time.

(i) "Claim" has the meaning assigned in Section 11(d).

(j) "Code" means the Internal Revenue Code of 1986, as amended.

(k) "Code of Conduct" has the meaning assigned in Section 7(g).

(l) "Common Stock" means the shares of common stock, par value $0.01 per share, of the Company.

(m) "Company" has the meaning assigned in the first paragraph; *provided* that all references herein to the Company shall, except as otherwise expressly provided herein, be deemed to include the Subsidiaries.

(n) "Company Account" means any bank account in the name of the Company or any Subsidiary established and maintained by the Manager at the direction of the Board of Directors.

(o) "Company Indemnified Party" has the meaning assigned in Section 11(c).

(p) "Confidential Information" means all non-public information, written or oral, obtained by the Manager in connection with the services rendered hereunder.

(q) "Compliance Policies" means the compliance policies and procedures of the Manager, as in effect from time to time.

(r) "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of another Person, whether by contract, voting equity, legal right or otherwise.

(s) "Dedicated Officers" has the meaning assigned in Section 3(b).

(t) "Excess MSRs" means excess mortgage servicing rights.

(u) "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(v) "Freedom Mortgage" means Freedom Mortgage Corporation, a New Jersey corporation.

(w) "GAAP" means generally accepted accounting principles in effect in the U.S. from time to time applied on a consistent basis.

(x) "Governing Instruments" means, with respect to any Person, the charter and bylaws in the case of a corporation, the declaration of trust and bylaws in the case of Maryland real estate investment trust or other business trust, the certificate of limited partnership (if applicable) and partnership agreement in the case of a general or limited partnership or the articles of organization or certificate of formation, as the case may be, and operating agreement in the case of a limited liability company, in each case, as amended, restated or supplemented from time to time.

(y) "Identified Person" means any of Freedom Mortgage or its employees, officers, directors or Affiliates.

(z) "Identified Persons" means collectively, each Identified Person.

(aa) "Indemnification Obligations" has the meaning assigned in Section 11(b).

(bb) "Indemnified Party" has the meaning assigned in Section 11(d).

(cc) "Independent Directors" means the members of the Board of Directors who are not officers or employees of the Company, the Manager or Freedom Mortgage and who are otherwise determined by the Board of Directors to be "independent" in accordance with the rules of the New York Stock Exchange or such other National Securities Exchange, as applicable, in either case, as may be in effect from time to time.

(dd) "Initial Public Offering" means the registered initial public offering of the Common Stock and the listing of the Common Stock on the New York Stock Exchange.

(ee) "Internalization Event" means a transaction or series of transactions the result of which is that (i) this Agreement is terminated, (ii) the management of the Company is no longer subject to or reliant upon an external manager or advisor and (iii) the Company employs a senior management team.

(ff) "Investment and Risk Management Committee" has the meaning set forth in Section 7(d).

(gg) "Investments" means the investments of the Company, including, but not limited to, investments in Excess MSRs, Agency RMBS and prime jumbo mortgage loans.

(hh) "Investment Company Act" means the Investment Company Act of 1940, as amended.

(ii) "Investment Guidelines" means the general criteria, parameters and policies relating to Investments as established by the Board of Directors, as the same may be modified from time-to-time by the Board of Directors. The Company's initial Investment Guidelines are attached hereto as Exhibit A.

(jj) "Judicially Determined" has the meaning assigned in Section 11(a).

(kk) "Management Fee Annual Rate" means 1.50%.

(ll) "Manager" has the meaning assigned in the first paragraph.

(mm) "Manager Indemnified Party" has the meaning assigned in Section 11(a).

(nn) "National Securities Exchange" means a national securities exchange or national quotation system upon which the Company's Common Stock is listed or quoted.

(oo) "Operating Partnership" means Cherry Hill Operating Partnership, LP, a Delaware limited partnership.

(pp) "Person" means any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

(qq) "Post-Termination Transition Assistance" has the meaning assigned in Section 14(b).

(rr) "Principal Transaction" has the meaning assigned in Section 3(d).

(ss) "Quarterly Management Fee Amount" means, with respect to any fiscal quarter, the product of: (i) the Stockholders' Equity as of the end of such fiscal quarter, and (ii) one-fourth of the Management Fee Annual Rate. The Quarterly Management Fee Amount shall be pro rated for partial quarterly periods based on the number of days in such partial period compared to a 90 day quarter.

(tt) "Records" has the meaning assigned in Section 6(a).

(uu) "REIT" means a "real estate investment trust" as defined under the Code.

(vv) "Representatives" means collectively the members, officers, employees, agents, representatives and Affiliates of the Manager.

(ww) "Sarbanes Oxley Act of 2002" means the federal statute known as the Sarbanes-Oxley Act of 2002, and the rules and regulations promulgated thereunder.

(xx) "SEC" means the United States Securities and Exchange Commission.

(yy) "Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

(zz) "Services Agreement" has the meaning assigned in Section 2(c).

(aaa) "Stockholders' Equity" means, as of the end of any fiscal quarter (a) the sum of (1) the net proceeds from any issuances of the Company's Common Stock or other equity securities and the Operating Partnership's Units or other equity securities (without double counting) since inception, plus (2) the Company's and the Operating Partnership's (without double counting) retained earnings calculated in accordance with GAAP at the end of the most recently completed fiscal quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less (b) any amount that the Company or the Operating Partnership has paid to repurchase Common Stock, Units or other equity securities since inception. Stockholders' Equity excludes (1) any unrealized gains, losses or other non-cash items that have impacted stockholders' equity as reported in the Company's financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income, and (2) one-time events pursuant to changes in GAAP, and certain non-cash items not otherwise described above in each case, after discussions between the Manager and the Independent Directors and approval by a majority of the Independent Directors.

(bbb) "Split Price Executions" has the meaning assigned in Section 3(d).

(ccc) "Subsidiaries" means (i) Cherry Hill Operating Partnership, LP, a Delaware limited partnership, (ii) Cherry Hill QRS I, LLC, a Delaware limited liability company, (iii) Cherry Hill QRS II, LLC, a Delaware limited liability company, (iv) Cherry Hill TRS, LLC, a Delaware limited liability company, (v) any partnership, the general partner of which is the Company or any Subsidiary of the Company, (vi) any limited liability company, the managing member of which is the Company or any subsidiary of the Company, and (vii) any other entity, including any direct or indirect subsidiary of the Company, on the date hereof or in the future, of which the Company or any Subsidiary has the power to elect, directly or indirectly, a majority of the board of directors or Directors or equivalent managing body.

(ddd) "Successor Manager" has the meaning assigned in Section 14(b).

(eee) "Tax Preparer" means the firm designated by the Company to prepare tax returns on behalf of the Company and its Subsidiaries.

(fff) "Termination Fee" means, with respect to any termination or non-renewal of this Agreement with respect to which payment of the Termination Fee is required under Section 13 of this Agreement, a termination fee equal to three times the average annual Management Fee Amount earned by the Manager during the two four-quarter periods ending as of the end of the most recently completed fiscal quarter prior to the effective date of the termination or, in the case of non-renewal, the expiration of the term, as applicable.

(ggg) "Treasury Regulations" means the Procedures and Administration Regulations promulgated by the U.S. Department of Treasury under the Code, as amended.

(hhh) “Units” shall mean units of limited partnership interest in the Operating Partnership.

2. Appointment and Duties of the Manager.

(a) Appointment. The Company hereby appoints the Manager to manage, operate and administer the assets, operations and affairs of the Company and the Subsidiaries, subject to the further terms and conditions set forth in this Agreement and to the supervision of, and such further limitations or parameters as may be imposed from time to time by, the Board of Directors, and the Manager hereby agrees to use its commercially reasonable efforts to perform each of the duties set forth herein in accordance with the provisions of this Agreement.

(b) Duties. The Manager shall manage, operate and administer day-to-day operations, business and affairs of the Company and the Subsidiaries, subject at all times to the supervision and direction of the Board of Directors, and shall have only such functions and authority as the Board of Directors may delegate to it, including, without limitation, the authority identified and delegated to the Manager herein. Without limiting the foregoing, the Manager shall oversee and use commercially reasonable efforts to conduct the Company’s investment activities in accordance with the Investment Guidelines, any risk parameters adopted by the Board of Directors and other policies adopted and implemented by the Board of Directors. Subject to the foregoing, the Manager will perform (or cause to be performed) such services and activities relating to the management, operation and administration of the assets, liabilities and business of the Company and the Subsidiaries as is appropriate, including without limitation:

(i) serving as the Company’s consultant with respect to the periodic review of the Investment Guidelines and other policies and criteria for the other borrowings and the operations of the Company for the approval by the Board of Directors;

(ii) investigating, analyzing and selecting possible Investment opportunities and originating, acquiring, structuring, financing, retaining, selling, negotiating for prepayment, restructuring or disposing of Investments consistent with the Investment Guidelines;

(iii) with respect to any prospective Investment by the Company and any sale, exchange or other disposition of any Investment by the Company conducting negotiations on the Company’s behalf with sellers and purchasers and their respective agents, representatives and investment bankers, and owners of privately and publicly held real estate companies;

(iv) with respect to any prospective investment in Excess MSRs, negotiating agreements, including, and not limited to, acknowledgement agreements, flow acquisition agreements and bulk acquisition agreements;

(v) engaging and supervising, on the Company’s behalf and at the Company’s sole cost and expense, third-party service providers who provide legal, accounting, due diligence, transfer agent, registrar, leasing services, master servicing, special servicing, banking, investment banking, mortgage brokerage, real estate brokerage, securities brokerage and other financial services and such other services as may be required relating to the Investments or potential Investments and to the Company’s other business and operations;

(vi) coordinating and supervising, on behalf of the Company and at the Company's sole cost and expense, other third-party service providers to the Company;

(vii) serving as the Company's consultant with respect to arranging for any issuance of mortgage-backed securities from pools of mortgage loans or mortgage-backed securities owned by the Company;

(viii) coordinating and managing operations of any joint venture or co-investment interests held by the Company and conducting all matters with any joint venture or co-investment partners;

(ix) providing executive and administrative personnel, office space and office services required in rendering services to the Company;

(x) administering the Company's day-to-day operations and performing and supervising the performance of such other administrative functions necessary to the Company's management as may be agreed upon by the Manager and the Board of Directors, including, without limitation, the collection of revenues and the payment of the Company's debts and obligations and maintenance of appropriate computer services to perform such administrative functions;

(xi) engaging and supervising, on the Company's behalf and at the Company's sole cost and expense, third-party consultants and other service providers to assist the Company in complying with the requirements of the Sarbanes Oxley Act of 2002, the Exchange Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act and other applicable law;

(xii) communicating on the Company's behalf with the holders of any of the Company's equity or debt securities as required to satisfy the reporting and other requirements of any governmental bodies or agencies or trading markets and to maintain effective relations with such holders;

(xiii) counseling the Company in connection with policy decisions to be made by the Board of Directors;

(xiv) counseling the Company, and when appropriate, evaluating and making recommendations to the Board of Directors regarding hedging, financing and securitization strategies and engaging in hedging, financing, borrowing and securitization activities on the Company's behalf, consistent with the Investment Guidelines;

(xv) counseling the Company regarding the qualification and maintenance of its status as a REIT and monitoring compliance with the various REIT qualification tests and other rules set out in the Code and the Treasury Regulations;

(xvi) counseling the Company regarding the maintenance of the Company's exclusion from status as an investment company under the Investment Company Act and monitoring compliance with the requirements for maintaining such exclusion and using commercially reasonable efforts to cause the Company to maintain such exclusion from status as an investment company under the Investment Company Act;

(xvii) assisting the Company in developing criteria for asset purchase commitments that are specifically tailored to the Company's investment objectives and making available to the Company its knowledge and experience with respect to Excess MSRs, Agency RMBS, prime jumbo mortgage loans and other target asset classes;

(xviii) furnishing reports to the Company or the Board of Directors regarding the Company's activities and services performed for the Company or any of its Subsidiaries by the Manager as reasonably requested by the Board of Directors from time to time to carry out its duty of oversight;

(xix) monitoring the operating performance of the Investments and providing such periodic reports with respect thereto as the Board of Directors shall reasonably determine from time to time to be necessary or appropriate for the Board of Directors to carry out its duty of oversight, including comparative information with respect to such operating performance and budgeted or projected operating results;

(xx) investing or reinvesting any money or securities of the Company (including investing in short-term investments pending investment in other Investments, payment of fees, costs and expenses, or distributions to the Company's shareholders), and advising the Company as to the Company's capital structure and capital raising;

(xxi) causing the Company to retain, at the sole cost and expense of the Company, qualified independent accountants and legal counsel, as applicable, to assist in developing appropriate accounting procedures, compliance procedures and testing systems with respect to financial reporting obligations and compliance with the provisions of the Code and the Treasury Regulations applicable to REITs, and to conduct quarterly compliance reviews with respect thereto;

(xxii) causing the Company and each Subsidiary to qualify to do business in all applicable jurisdictions and to obtain and maintain all appropriate licenses;

(xxiii) assisting the Company in complying with all regulatory requirements applicable to the Company in respect of the Company's business activities, including preparing or causing to be prepared all financial statements required under applicable regulations and contractual undertakings and all reports and documents, if any, required under the Exchange Act, the Securities Act or by a National Securities Exchange;

(xxiv) taking all necessary actions to enable the Company to make required tax filings and reports and compliance with the provisions of the Code, and Treasury Regulations applicable to the Company, including, without limitation, the provisions applicable to the Company's qualification as a REIT for U.S. federal income tax purposes;

(xxv) handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) in which the Company may be involved or to which the Company may be subject arising out of the Company's day-to-day operations (other than with the Manager or its Affiliates), subject to such limitations, parameters or directions as may be imposed from time to time by the Board of Directors;

(xxvi) using commercially reasonable efforts to cause expenses incurred by or on behalf of the Company to be commercially reasonable or commercially customary and within any budgeted parameters or expense guidelines set by the Board of Directors from time to time;

(xxvii) advising on, and obtaining on behalf of the Company, credit facilities or other financings for the Investments consistent with the Investment Guidelines;

(xxviii) advising the Company with respect to and structuring long-term financing vehicles for the Company's portfolio of assets, and offering and selling securities publicly or privately in connection with any such structured financing;

(xxix) performing such other services as may be required from time to time for management and other activities relating to the Company's assets as the Board of Directors shall reasonably request;

(xxx) using commercially reasonable efforts to cause the Company to comply with all applicable laws;

(xxxi) negotiating and entering into and executing, on the Company's behalf, repurchase agreements, interest rate agreements, swap agreements, brokerage agreements, resecuritizations, securitization warehouse facilities and other agreements and instruments required for the Company to conduct the Company's business;

(xxxii) serving as the Company's consultant with respect to decisions regarding any of the Company's financings, hedging activities or borrowings undertaken by the Company, including (1) assisting the Company in developing criteria for debt and equity financing that is specifically tailored to the Company's investment objectives, and (2) advising the Company with respect to obtaining appropriate financing for the Company's and any Subsidiaries' investments;

(xxxiii) providing the Company with portfolio management;

(xxxiv) arranging marketing materials, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote the Company's business; and

(xxxv) maintaining the Company's website.

(c) Services Agreement. The Manager will maintain the services agreement, dated of even date herewith by and between the Manager and Freedom Mortgage (the "Services Agreement") pursuant to which Freedom Mortgage will continue to provide the Manager the personnel, services and resources as needed by the Manager to enable the Manager to carry out its obligations and responsibilities under this Agreement. The Company shall be a named third-party beneficiary of the Services Agreement.

(d) Service Providers. The Manager may engage Persons who are non-Affiliates, for and on behalf, and at the sole cost and expense, of the Company to provide to the Company acquisition, disposition, valuation and financing of Investments and/or similar services customarily provided in connection with the management, operation and administration of a

business similar to the business of the Company, pursuant to agreement(s) that provide for market rates and contain standard market terms; *provided*, that the terms of any such agreement that requires the payment by the Company of fees or expenses that would cause the Company to materially exceed the Company's most recent annual budget approved by the Board of Directors shall require the prior approval of a majority of the Independent Directors and, *provided further*, that without the prior approval of the Board of Directors, the Manager shall not be permitted to outsource to a non-Affiliate its responsibility for the ultimate investment acquisition and disposition decisions of the Company and compliance with the Investment Guidelines, any risk parameters and the other policies applicable to the provision of services to the Company by the Manager adopted by the Board of Directors from time to time. For the avoidance of doubt, nothing contained in this Section 2(d) shall prohibit or restrict the Manager's ability to enter into, amend or terminate trading arrangements (including, without limitation, financing arrangements), and agreements and documents ancillary thereto, on behalf of the Company on such terms and conditions as the Manager shall determine in its sole discretion.

(e) Reporting Requirements.

(i) As frequently as the Manager may deem necessary or advisable, or at the reasonable request of the Board of Directors, the Manager shall prepare, or cause to be prepared, with respect to any Investment (A) reports and other information on the Company's operations, asset performance and proposed or consummated investments and (B) other information reasonably requested by the Company or the Board of Directors.

(ii) The Manager shall prepare, or cause to be prepared, at the sole cost and expense of the Company, all reports, financial or otherwise, with respect to the Company reasonably required by the Board of Directors in order for the Company to comply with its Governing Instruments or any other materials required to be filed with any governmental entity or agency, and shall prepare, or cause to be prepared, at the sole cost and expense of the Company, all materials and data necessary to complete such reports and other materials including, without limitation, an annual audit of the Company's books of account by a nationally recognized independent accounting firm.

(iii) The Manager shall prepare regular reports for the Board of Directors to enable the Board of Directors to review the Company's acquisitions, portfolio composition and characteristics, credit quality, performance and compliance with the Investment Guidelines and policies approved by the Board of Directors.

(f) Reliance by Manager. In performing its duties under this Section 2, the Manager shall be entitled to rely on experts and professionals (including, without limitation, accountants, legal counsel and other professional service providers) selected, engaged or retained by the Manager with commercially reasonable care, at the Company's sole cost and expense.

(g) Use of the Manager's Funds. The Manager shall not be required to expend money in connection with any expenses that are required to be paid for or reimbursed by the Company pursuant to Section 9 of this Agreement in excess of that contained in any applicable Company Account or otherwise made available by the Company to be expended by the Manager hereunder.

(h) Payment and Reimbursement of Expenses. The Company shall pay all expenses, and reimburse the Manager for the Manager's expenses incurred on its behalf, in connection with any such services to the extent such expenses are payable or reimbursable by the Company to the Manager pursuant to Section 9.

3. Dedication; Other Activities.

(a) Devotion of Time. The Manager, through Freedom Mortgage and its Affiliates, will provide a management team (which, at the time of the Initial Public Offering shall include, without limitation, a president, a chief investment officer and a chief financial officer, a controller and a secretary) along with appropriate support personnel, to deliver the management services to the Company hereunder. The members of such management team may serve more than one role for the Company (i.e. the chief financial officer may also serve as the secretary) and may have other duties and responsibilities for the Manager and its Affiliates, including, but not limited to, with respect to other clients, but such management team members shall devote such of their working time and efforts to the management of the Company as shall be necessary and appropriate for the proper performance of all of the Manager's duties hereunder, commensurate with the level of activity of the Company from time to time. The Company shall have the benefit of the Manager's reasonable judgment and effort in rendering services and, in furtherance of the foregoing, the Manager shall not undertake activities which, in its reasonable judgment, will materially adversely affect the performance of its obligations under this Agreement.

(b) The Manager shall have the right, but not the obligation, to provide a dedicated or partially dedicated chief financial officer (or comparable professional), controller (or comparable professional), internal legal counsel and/or investor relations professional to the Company (such personnel are referred to herein as "Dedicated Officers"). Each Dedicated Officer shall be an employee of the Manager or one of its Affiliates.

(c) Other Activities. To the fullest extent permitted by law and subject to any other agreements entered into by Freedom Mortgage, and subject to subsection (g) of this Section 3, none of the Identified Persons shall have any duty to refrain from directly or indirectly (i) engaging in or possessing any interest in other investments or business opportunities, including but not limited to business opportunities in dissimilar or the same or similar investments, business activities or lines of business of the Company and its Affiliates or in which the Company or any of its Affiliates may, from time to time, be engaged or propose to engage, including by means of providing advice or other assistance to any such investment, business activity or Person (a "Business Opportunity"), (ii) competing with the Company or its Affiliates, (iii) pursuing any such Business Opportunity, even if competitive with the investments or business activities of the Company or (iv) buying, selling or trading any securities or commodities for their own accounts (including, without limitation taking positions contrary to those of the Company), and, to the fullest extent permitted by law, no Identified Person shall be liable to the Company or its securityholders for a conflict of interest or a breach of any fiduciary or other duty in respect of the Company or its securityholders by reason of the fact that such Identified Person engages in any such activities. To the fullest extent permitted by law, other than as may be provided in any other agreement between the Company and any Identified Person, the Company hereby renounces any interest or expectancy in, or in being offered an

opportunity to participate in, any Business Opportunity presented to an Identified Person. Subject to any other agreements entered into by the Company, the Manager and any Identified Person, in the event that any Identified Person acquires knowledge of a Business Opportunity, such Identified Person shall have no duty to communicate or offer such Business Opportunity to the Company and, to the fullest extent permitted by law, shall not be liable to the Company or its stockholders for breach of any duty as an investment adviser, stockholder, director or officer of the Company by reason of the fact that such Identified Person pursues or acquires such Business Opportunity. A Business Opportunity shall not be deemed to be a potential Business Opportunity for the Company if it is a Business Opportunity that the Company is not financially able or contractually permitted or legally able to undertake, or that is, from its nature, not in the line of the Company's business or is of no practical advantage to it or that is one in which the Company has no reasonable expectancy. Notwithstanding the foregoing, the Company shall have the benefit of the Manager's obligations to it as a client of the Manager pursuant to the Investment Advisers Act of 1940, as amended.

(d) Principal Transactions. Principal transactions are transactions between the Company or one of its Subsidiaries, on the one hand, and the Manager, Freedom Mortgage or any of their Affiliates (or any of the related parties of the foregoing, which includes employees of Freedom Mortgage and the Manager and their families), on the other hand (each a "Principal Transaction"). The Manager is only authorized to execute Principal Transactions with the prior approval of a majority of the Company's Independent Directors and in accordance with applicable law. Such prior approval shall include approval of the pricing methodology to be used, including with respect to assets for which there are no readily available market prices.

(e) Split Price Executions. The Manager is authorized to combine purchase or sale orders on the Company's behalf together with orders for Freedom Mortgage or any of its Affiliates and allocate the securities or other assets so purchased or sold, on an average price basis or other fair and consistent basis, among such accounts (collectively, "Split Price Executions"). The Company acknowledges that the Manager, as a consequence of its affiliation with Freedom Mortgage, has a potentially conflicting division of loyalties and responsibilities regarding each party to a Split Price Execution.

(f) Officers, Employees, Etc. Freedom Mortgage's or the Manager's members, stockholders, partners, officers, employees and agents may serve as directors, officers, employees, agents, nominees or signatories for the Company or any Subsidiary, to the extent permitted by their Governing Instruments, as may be amended from time to time, or by any resolutions duly adopted by the Board of Directors pursuant to the Company's Governing Instruments. When executing documents or otherwise acting in such capacities for the Company or such other Subsidiary, such Persons shall use their respective titles with respect to the Company or such Subsidiary.

(g) The Manager agrees to offer the Company the right to participate in all investment opportunities that the Manager becomes aware of and determines, in its reasonable and good faith judgment based on the Company's investment objectives, policies and strategies, and other relevant factors, are appropriate for the Company, subject to the Company's Investment Guidelines.

(h) The Manager is authorized, for and on behalf, and at the sole cost and expense of the Company, to employ such securities dealers for the purchase and sale of investment assets of the Company as may, in the good faith judgment of the Manager, be reasonably necessary for the best execution of such transactions taking into account all relevant factors, including but not limited to such factors as the policies of the Company, price, dealer spread, the size, type and difficulty of the transaction involved, the firm's general execution and operational facilities and the firm's risk in positioning the securities involved. Consistent with this policy, the Manager is authorized to direct the execution of the Company's portfolio transactions to dealers and brokers furnishing statistical information, research and other services deemed by the Manager to be useful or valuable to the performance of its investment advisory functions. Such services may be used by the Manager in connection with its advisory services for clients other than the Company, and such arrangements may be outside the parameters of the "safe harbor" provided by Section 28(e) of the Exchange Act.

(i) The Manager has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular purchase, sale or other transaction, or to select any broker-dealer on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of charges of eligible broker-dealers and to minimize the expense incurred for effecting purchases, sales and other transactions to the extent consistent with the interests and policies of the Company. Although the Manager will generally seek competitive commission rates, it is not required to pay the lowest commission or commission equivalent, *provided* that such decision is made in good faith to promote the best interests of the Company.

(j) The Company agrees to take all actions reasonably required to permit and enable the Manager to carry out its duties under this Agreement, including, without limitation, all steps reasonably necessary to allow the Manager to file in a timely manner any registration statement required to be filed by the Company or to deliver any financial statements or other reports required to be delivered by the Company. The Company further agrees to use commercially reasonable efforts to make available to the Manager all resources, information and materials reasonably requested by the Manager to enable the Manager to satisfy its obligations hereunder, including its obligations to deliver financial statements and any other information or reports with respect to the Company. If the Manager is not able to provide a service, or in the reasonable judgment of the Manager it is not prudent to provide a service, without the approval of the Board of Directors or the Independent Directors, as applicable, then the Manager shall be excused from providing such service (and shall not be in breach of this Agreement) until the applicable approval has been obtained; *provided* that the Manager shall use commercially reasonable efforts to promptly advise the Board of Directors in writing a reasonable period of time before any requisite approval of the Board of Directors is required that the Manager is awaiting such approval.

4. Agency; Authority.

(a) Directors, officers, employees and agents of the Manager and its Affiliates may serve as directors, officers, agents, nominees or signatories for the Company or any of its Subsidiaries, to the extent permitted by their Governing Instruments and by this Agreement or any resolutions duly adopted by the Board of Directors.

(b) In performing the services set forth in this Agreement, and subject to any limitations set forth herein and the supervision and direction of the Board of Directors generally, the Manager may act as the agent of the Company in originating, acquiring, structuring, financing and disposing of Investments, disbursing and collecting the Company's funds, paying the debts and fulfilling the obligations of the Company, supervising the performance of professionals engaged by or on behalf of the Company and handling, prosecuting and settling any claims of or against the Company, the Board of Directors, holders of the Company's securities or the Company's representatives or assets.

(c) In performing the services set forth in this Agreement, as an agent of the Company, the Manager shall have the right to exercise all powers and authority which are reasonably necessary and customary to perform its obligations under this Agreement, including the following powers, subject in each case to any limitations set forth herein including, without limitation, the Investment Guidelines, and the supervision of the Board of Directors generally: to purchase, exchange or otherwise acquire and to sell, exchange or otherwise dispose of, any Investment in a public or private sale; to cause the Company and the Subsidiaries to open trading, clearing and brokerage accounts and other accounts and enter into agreements as shall be necessary or advisable in connection with the Company's business, operations and investment and trading activities; to execute Principal Transactions; to execute Split Price Executions; to borrow and, for the purpose of securing the repayment thereof, to pledge, mortgage or otherwise encumber Investments; to purchase, take and hold Investments subject to mortgages, liens or other encumbrances; to extend the time of payment of any liens or encumbrances which may at any time be encumbrances upon any Investment, irrespective of by whom the same were made; to foreclose, to reduce the rate of interest on, and to consent to the modification and extension of the maturity of any Investments, or to accept a deed in lieu of foreclosure; to join in a voluntary partition of any Investment; to cause to be demolished any structures on any real estate Investment; to cause renovations and capital improvements to be made to any real estate Investment; to abandon any Investment deemed to be worthless; to enter into joint ventures or otherwise participate in investment vehicles investing in Investments; to cause any real estate Investment to be leased, operated, developed, constructed or exploited; to cause the Company to indemnify third parties in connection with contractual arrangements between the Company and such third parties; to obtain and maintain insurance in such amounts and against such risks as are prudent in accordance with customary and sound business practices in the appropriate geographic area; to cause any property to be maintained in good state of repair and upkeep; and to pay the taxes, upkeep, repairs, carrying charges, maintenance and premiums for insurance; to use the personnel and resources of its Affiliates in performing the services specified in this Agreement; to hire third-party service providers subject to and in accordance with Section 2(d); to designate and engage all third-party professionals and consultants to perform services (directly or indirectly) on behalf of the Company or its Subsidiaries, including, without limitation, accountants, legal counsel and engineers; and to take any and all other actions as are necessary or appropriate in connection with the Company's Investments.

(d) The Manager shall be authorized to represent to third parties that it has the power to perform the actions which it is authorized to perform under this Agreement.

5. Bank Accounts.

The Manager may establish and maintain one or more Company Accounts, collect and deposit funds into any such Company Account and disburse funds from any such Company Account, under such terms and conditions as the Board of Directors may approve. The Manager shall from time-to-time render appropriate accountings of such collections and payments to the Board of Directors and, upon request, to the auditors of Company or any Subsidiary.

6. Books and Records; Confidentiality.

(a) Books and Records. The Manager shall maintain appropriate books of account, records data and files (including without limitation, computerized material) (collectively, "Records") relating to the Company and the Investments generated or obtained by the Manager in performing its obligations under this Agreement, and such Records shall be accessible for inspection by representatives of the Company or any Subsidiary at any time during normal business hours upon one Business Day's advance written notice. The Manager shall have full responsibility for the maintenance, care and safekeeping of all Records. The Manager agrees that the Records are the property of the Company and the Manager agrees to deliver the Records to the Company upon the written request of the Company.

(b) Confidentiality. The Manager shall keep confidential any and all non-public information, written or oral, obtained by it in connection with the services rendered hereunder and shall not disclose Confidential Information, in whole or in part, to any Person other than to its Representatives who need to know such Confidential Information for the purpose of rendering services hereunder, except that the Manager may disclose Confidential Information: (i) to Freedom Mortgage and its Affiliates; (ii) in accordance with the Services Agreement or any advisory agreement contemplated by Section 2 hereunder; (iii) with the prior written consent of the Board of Directors; (iv) to legal counsel, accountants and other professional advisors; (v) to appraisers, creditors, financing sources, trading counterparties, other counterparties, third-party service providers to the Company, and others (in each case, both those actually doing business with the Company and those with whom the Company seeks to do business) in the ordinary course of the Company's business; (vi) to governmental officials having jurisdiction over the Company; (vii) in connection with any governmental or regulatory filings of the Company or disclosure or presentations to Company investors; or (viii) as required by law or legal process to which the Manager or any Person to whom disclosure is permitted hereunder is a party. If, failing the entry of a protective order or the receipt of a waiver hereunder, the Manager is, in the opinion of counsel, required to disclose Confidential Information, the Manager may disclose without liability hereunder only that portion of such information that its counsel advises is legally required; *provided*, that the Manager agrees to exercise its commercially reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information. Notwithstanding anything herein to the contrary, each of the following shall be deemed to be excluded from provisions hereof any Confidential Information that (A) is available to the public from a source other than the Manager not resulting from the Manager's violation of this Section 6(b), (B) is released in writing by the Company to the public or to persons who are not under similar obligation of confidentiality to the Company or (C) is obtained by the Manager from a third-party without breach by such third-party of an obligation of confidence with respect to the Confidential Information disclosed. The Manager agrees to inform each of its

Representatives of the non-public nature of the Confidential Information and to direct such Persons to treat such Confidential Information in accordance with the terms hereof. The provisions of this Section 6(b) shall survive the expiration or earlier termination of this Agreement for a period of one year.

7. Obligations of Manager; Restrictions.

(a) Internal Control. The Manager shall (i) establish and maintain a system of internal accounting and financial controls designed to provide reasonable assurance of the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws, (ii) maintain records for each Company Investment on a GAAP basis, (iii) develop accounting entries and reports required by the Company to meet its reporting requirements under applicable laws, (iv) consult with the Company with respect to proposed or new accounting/reporting rules identified by the Manager or the Company and (v) upon the Company becoming subject to annual and quarterly financial reporting obligations under the Exchange Act or in order to comply with the information requirements under Rule 144A under the Securities Act, as applicable, prepare quarterly and annual financial statements as soon as practicable after the end of each such period as may be reasonably requested and general ledger journal entries and other information necessary for the Company's compliance with applicable laws and in accordance with GAAP and cooperate with the Company's independent accounting firm in connection with the auditing or review of such financial statements, the cost of any such audit or review to be paid by the Company.

(b) Restrictions.

(i) The Manager acknowledges that the Company intends to conduct its operations so as not to become regulated as an investment company under the Investment Company Act, and agrees to use commercially reasonable efforts to cooperate with the Company's efforts to conduct its operations so as not to become regulated as an investment company under the Investment Company Act. The Manager shall refrain from any action that, in its reasonable judgment made in good faith, (a) is not in compliance with the Investment Guidelines, (b) would cause the Company to fail to maintain its exclusion from status as an investment company under the Investment Company Act, (c) would cause the Company to fail to qualify as a REIT or (d) would violate any law, rule or regulation of any governmental body or agency having jurisdiction over the Company or that would otherwise not be permitted by the Company's Governing Instruments. If the Manager is ordered to take any such action by the Board of Directors, the Manager shall promptly notify the Board of Directors of the Manager's judgment that such action would adversely affect such status or violate any such law, rule or regulation or the Governing Instruments.

(ii) The Manager shall require each seller or transferor of investment assets to the Company to make such representations and warranties regarding such assets as may, in the reasonable judgment of the Manager, be necessary and appropriate or as may be advised by the Board of Directors and consistent with standard industry practice. In addition, the Manager shall take such other action as it deems necessary or appropriate or as may be advised by the Board of Directors and consistent with standard industry practice with regard to the protection of the Investments.

(iii) The Company shall not invest in joint ventures with the Manager or any Affiliate thereof, unless (a) such investment is made in accordance with the Investment Guidelines and (b) such investment is approved in advance by a majority of the Independent Directors. For the avoidance of doubt, allocating or splitting of Investments among the Company and other funds, accounts or entities managed by Affiliates of the Manager will not be deemed to be joint ventures.

(c) Board of Directors Review and Approval. The Board of Directors will periodically review the Investment Guidelines and the Company's portfolio of Investments but will not be required to review each proposed Investment; *provided* that the Company may not, and the Manager may not cause the Company to, acquire any Investment, sell any Investment, or engage in any co-investment that, pursuant to the terms of this Agreement, the Compliance Policies or the Company's conflicts of interest policy, requires the approval of a majority of the Board of Directors or Independent Directors unless such transaction has been so approved. If a majority of the Board of Directors determine that a particular transaction does not comply with the Investment Guidelines, then a majority of the Board of Directors will consider what corrective action, if any, is appropriate. The Manager shall have the authority to take, or cause the Company to take, any such corrective action specified by a majority of the Board of Directors. The Manager shall be permitted to rely upon the direction of the Secretary of the Company to evidence approval of the Board of Directors with respect to a proposed Investment.

(d) Investment and Risk Management Committee. The Manager shall maintain an investment and risk management committee (the "Investment and Risk Management Committee"). The Investment and Risk Management Committee shall advise and consult with the Manager with respect to the Company's investment policies, investment portfolio holdings, financing and leveraging strategies and the Investment Guidelines. Members of the Investment and Risk Management Committee may meet from time to time with the Board of Directors to review and discuss the Company's investment policies, investment portfolio holdings, hedging positions and strategies, financing and leveraging strategies and any risk parameters.

(e) Insurance. The Manager shall obtain, as soon as reasonably practicable, and shall thereafter maintain "errors and omissions" insurance coverage and such other insurance coverage which is customarily carried by managers performing functions similar to those of the Manager under this Agreement with respect to assets similar to the assets of the Company, in an amount which is comparable to that customarily maintained by other managers or servicers of similar assets.

(f) Tax Filings. The Manager shall (i) assemble, maintain and provide to the Tax Preparer information and data required for the preparation of federal, state, local and foreign tax returns, any audits, examinations or administrative or legal proceedings related thereto or obligations of the Company and its Subsidiaries, (ii) supervise the preparation and filing of such tax returns, the conduct of such audits, examinations or proceedings and the prosecution or defense of such rights, (iii) provide factual data reasonably requested by the Tax Preparer or the Company with respect to tax matters, (iv) assemble, record, organize and report to the Company data and information with respect to the Investments relative to taxes and tax returns in such form as may be reasonably requested by the Company, (v) supervise the Tax Preparer in connection with the preparation, filing or delivery to appropriate persons, of applicable tax

information reporting forms with respect to the Investments and the Common Stock (including, without limitation, information reporting forms, whether on Form 1099 or otherwise with respect to sales, interest received, interest paid, dividends paid and other relevant transactions); it being understood that, in the context of the foregoing, the Company shall rely on its own tax advisers in the preparation of its tax returns and the conduct of any audits, examinations or administrative or legal proceedings related thereto and that, without limiting the Manager's obligation to provide the information, data, reports and other supervision and assistance provided herein, the Manager will not be responsible for the preparation of such returns or the conduct of such audits, examinations or other proceedings.

(g) The Manager agrees to be bound by the Company's business code of conduct and ethics, insider trading policy and other compliance and governance policies and procedures applicable to the Manager and its officers, directors, members and employees that are adopted from time-to-time by the Board of Directors (if any), including those required under the Exchange Act, the Securities Act or by a National Securities Exchange (collectively, the "Code of Conduct"). The Manager shall use commercially reasonable efforts to cause any Persons who provide services to the Company (including employees of Freedom Mortgage) or are involved in the business and affairs of the Company, to comply with the provisions of such Code of Conduct to the extent that the Manager reasonably deems it to be applicable to such person's activities.

8. Compensation.

(a) Management Fee. With respect to each fiscal quarter commencing with the fiscal quarter in which the closing of the Initial Public Offering shall occur, the Manager shall receive a management fee equal to the Quarterly Management Fee Amount. Within 45 days following the last day of each fiscal quarter, the Manager shall make available the quarterly calculation of the management fee to the Company with respect to such fiscal quarter, and the Company shall pay the Manager the management fee for such fiscal quarter in cash within ten Business Days thereafter; *provided, however,* that such management fee may be offset by the Company against amounts due to the Company by the Manager.

(b) Notwithstanding the provisions of Section 8(a), in the event that the Company acquires or invests in an equity interest in a securitization trust or a participating interest at issuance in the debt securities of an issuer of debt for which the Manager or any of its Affiliates has received a management fee, an origination fee or a structuring fee, then in each such case the Quarterly Management Fee Amount payable by the Company to the Manager will in the aggregate be reduced by (or the Manager will otherwise rebate to the Company) an amount equal to the portion of any management fees, origination fees or structuring fees payable to the Manager or its Affiliates that is allocable to the Company's equity investment or participating interest, as the case may be, in such securitization trust or debt securities for the same periods.

(c) For the avoidance of doubt, the fee paid by the Manager under the Services Agreement or any other sub-advisory agreement (if any) shall not constitute an expense reimbursable by the Company under this Agreement or otherwise.

9. Expenses.

(a) The Company shall bear all of its operating expenses and, commencing with the calendar month in which the Initial Public Offering shall have been completed, the Company shall reimburse the Manager for expenses of the Manager incurred on behalf of the Company, except those specifically required to be borne by the Manager under this Agreement or any underwriting agreement or structuring fee agreement entered into by the Company and the Manager in connection with the Initial Public Offering; *provided*, *however*, that any such costs and expenses borne by the Manager in respect of compensation payable to Affiliates of the Manager to be reimbursed by the Company are no greater than those that would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arms-length basis. The Manager may only be reimbursed by the Company for expenses incurred by Freedom Mortgage pursuant to the Services Agreement to the extent that such expenses would be reimbursable expenses in accordance with this Section 9 if incurred by the Manager. The expenses required to be borne by the Company include, but are not limited to:

(i) issuance and transaction costs incident to the acquisition, ownership, disposition and financing of Investments including but not limited to brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees, interest expense, withholding and transfer fees, taxes, research related expenses, third-party valuation and pricing services, professional and consulting fees (including, without limitation, expenses of consultants and experts) relating to Investments and other expenses related to the purchase or sale of the Investments);

(ii) legal, regulatory, compliance, tax, accounting, consulting, auditing, administrative fees and expenses and fees and expenses for other similar services rendered to the Company by third-party service providers retained by the Manager;

(iii) the compensation and expenses of the Company's directors and the cost of liability insurance to indemnify the Company's directors and officers;

(iv) the costs associated with the establishment and maintenance of any credit facilities and other indebtedness of the Company (including commitment fees, accounting fees, legal fees, closing costs, etc.);

(v) subject to Section 9(e) below, expenses associated with securities offerings of the Company, including an Initial Public Offering;

(vi) expenses relating to the payment of distributions;

(vii) expenses connected with communications to holders of the Company's securities in maintaining relations with holders of such securities and in complying with the continuous reporting and other requirements of the Exchange Act, the SEC and other governmental bodies;

(viii) transfer agent, registrar and exchange listing fees;

(ix) the costs of printing and mailing proxies, reports and other materials to the Company's stockholders;

(x) costs associated with any research, data, data services, computer software or hardware, electronic equipment, or purchased information technology services from third-party vendors;

(xi) reasonable costs and out of pocket expenses incurred on the Company's behalf by directors, managers, trustees, officers, employees or other agents of the Manager for travel in connection with the services provided hereunder;

(xii) the Company's allocable share of any costs and expenses incurred by the Manager or its Affiliates with respect to market information systems and publications, research publications and materials;

(xiii) settlement, clearing, trade confirmation and reconciliation, and custodial fees and expenses;

(xiv) all taxes and license fees;

(xv) all insurance costs incurred with respect to insurance policies obtained in connection with the operation of the Company's business, including but not limited to insurance covering activities of the Manager and its employees relating to the performance of the Manager's duties and obligations under this Agreement;

(xvi) costs and expenses incurred in contracting with third parties for the servicing and special servicing of assets of the Company;

(xvii) all other actual out of pocket costs and expenses relating to the Company's business and investment operations, including, without limitation, the costs and expenses of acquiring, owning, protecting, maintaining, developing and disposing of Investments, including appraisal, reporting, audit and legal fees;

(xviii) any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against the Company or any Subsidiary, or against any director or officer of the Company or of any Subsidiary in his capacity as such for which the Company or any Subsidiary is required to indemnify such director or officer by any court or governmental agency, or settlement of pending or threatened proceedings;

(xix) the costs of maintaining compliance with all federal, state and local rules and regulations, including securities regulations, or any other regulatory agency, all taxes and license fees and all insurance costs incurred on the Company's behalf relating to the Company's activities;

(xx) expenses relating to any office or office facilities, including disaster backup recovery sites and facilities, maintained expressly for the Company and separate from offices of the Manager and reasonably required for the Company's operation;

(xxi) the costs of the wages, salaries and benefits incurred by the Manager with respect to any Dedicated Officers that the Manager elects to provide to the Company pursuant to Section 3(b) above; *provided* that (A) if the Manager elects to provide a partially Dedicated Officer rather than a fully Dedicated Officer, the Company shall be required to bear only a *pro rata* portion of the costs of the wages, salaries and benefits incurred by the Manager with respect to such personnel based on the percentage of their working time and efforts spent on matters related to the Company and (B) the amount of such wages, salaries and benefits paid or reimbursed with respect to the Dedicated Officers or the partially Dedicated Officers shall be subject to the approval of the Compensation Committee of the Board of Directors;

(xxii) costs associated with the Company's marketing materials, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote the Company's business;

(xxiii) costs of maintaining the Company's website; and

(xxiv) all other costs and expenses approved by the Board of Directors.

(b) Other than as expressly provided above, the Company will not be required to pay any portion of the rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of the Manager and its Affiliates. In particular, the Manager is not entitled to be reimbursed for wages, salaries and benefits of its officers and employees, other than as described in Section 9(a)(xxi) above.

(c) To the extent the Manager (or Freedom Mortgage pursuant to the Services Agreement) incurs any expense in connection with the performance of its duties hereunder (or under the Services Agreement) which (x) benefits the Company and any other funds, entities or accounts that are managed by an Affiliate of the Manager or Freedom Mortgage and (y) is reimbursable by the Company under this Agreement, such expense shall be allocated among the Company and such other funds, entities or accounts in a manner determined in good faith by the Manager to reflect the relative benefits to the Company and such funds, entities or accounts resulting from such expense, including, for example, in the case of an expense related to a particular asset, in proportion to the amount of each entity's investment in such asset and, in the case of most other expenses, in proportion to the relative net asset values of the entities that are benefited.

(d) Subject to any required Board of Directors approval, the Manager may retain, for and on behalf, and at the sole cost and expense, of the Company, such services of non-Affiliate third-party accountants, legal counsel, appraisers, insurers, brokers, transfer agents, registrars, developers, investment banks, financial advisors, banks and other lenders and others as the Manager deems necessary or advisable in connection with the management and operations of the Company in accordance with the authorities granted to the Manager pursuant to this Agreement. The provisions of this Section 9 shall survive the expiration or earlier termination of this Agreement to the extent such expenses have previously been incurred or are incurred in connection with such expiration or termination.

(e) Notwithstanding any provision of this Agreement to the contrary, the Manager is not entitled to be reimbursed for amounts payable or paid by the Manager (i) to the underwriters of the Initial Public Offering pursuant to any underwriting agreement or structuring fee agreement related thereto; and (ii) in respect of expenses related to the Initial Public Offering in excess of the lesser of (A) 1.5% of the gross proceeds of the Initial Public Offering and the concurrent private placement of Common Stock contemplated in connection therewith and (B) $2,250,000.

10. Expense Reports and Reimbursements.

(a) The Manager shall prepare a written statement of account in reasonable detail documenting the costs and expenses to be reimbursed by the Company, and deliver the same to the Company within ten days following the end of the applicable calendar month. Such expenses incurred by the Manager on behalf of the Company shall be reimbursed by the Company within 15 days following delivery of the expense statement by the Manager.

(b) Any costs and expense reimbursements by the Company in accordance with Section 10(a) shall be subject to adjustment at the end of each calendar year in connection with the annual audit of the Company. In connection therewith, the Manager shall prepare and deliver to the Company within 30 days after the conclusion of each such annual audit, a list of adjustments made as a result of, or in preparation for, the audit. The Board of Directors shall determine, within 30 days after receipt of such list, whether funds should be refunded by the Manager to the Company or paid by the Company to the Manager, or if any accruals for the next fiscal year should be adjusted, *provided*, however, that if the Manager owes a refund to the Company, such amount may be offset by the Company against the next installment of the Quarterly Management Fee Amount due hereunder.

(c) The provisions of this Section 10 shall survive the expiration or earlier termination of this Agreement to the extent such expenses have previously been incurred or are incurred in connection with such expiration or termination.

11. Limits of Manager Responsibility; Indemnification.

(a) Pursuant to this Agreement, the Manager will not assume any responsibility other than to render the services called for hereunder in good faith and will not be responsible for any action of the Board of Directors in following or declining to follow the Manager's advice or recommendations. The Manager, Freedom Mortgage, each of their respective Affiliates and the officers, directors, managers, members, shareholders, partners, Investment and Risk Management Committee members, employees, agents, successors and assigns of any of them (each, a "Manager Indemnified Party") shall not be liable to the Company for any acts or omissions by any such Manager Indemnified Party arising out of or in connection with the Company or pursuant to the performance of the Manager's duties and obligations under this Agreement, except by reason of acts or omissions found by a court of competent jurisdiction ("Judicially Determined") to be due to the bad faith, gross negligence, willful misconduct, fraud or reckless disregard of duties by the Manager Indemnified Party. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 11(a) shall not be construed so as to provide for the exculpation of any Manager Indemnified Party for any liability (including

liability under Federal securities laws which, under certain circumstances, impose liability even on Persons that act in good faith), to the extent (but only to the extent) that such liability may not be waived, modified or limited under applicable law, but shall be construed so as to effectuate the provisions of this Section 11(a) to the fullest extent permitted by law. For the avoidance of doubt, none of the Manager Indemnified Parties will be liable to the Company for: (i) trade errors that may result from ordinary negligence that are otherwise taken in good faith and in accordance with or pursuant to this Agreement, including, but not limited to, errors in the investment-decision process (*e.g.*, a transaction was effected in violation of the Company's Investment Guidelines) or in the trade process (*e.g.*, a buy order was entered instead of a sell order or the wrong security was purchased or sold or the security was purchased or sold at the wrong price); or (ii) acts or omissions of any Manager Indemnified Party made or taken in good faith, in accordance with or pursuant to this Agreement and in reliance on written advice provided to such Manager Indemnified Party by professional consultants selected, engaged or retained by the Manager with commercially reasonable care, including, without limitation, counsel, accountants, investment bankers, financial advisers and appraisers, *provided* that such written advice relates to matters which are not customarily the expertise of an investment manager providing services substantially similar to those to be provided by the Manager to the Company pursuant to this Agreement, or such written advice relates to matters about which an investment manager would customarily seek such advice in the ordinary course of business. Notwithstanding the foregoing, no provision of this Agreement will constitute a waiver or limitation of the Company's rights under federal or state securities laws.

(b) To the fullest extent permitted by law, the Company shall indemnify, defend and hold harmless each Manager Indemnified Party from and against any and all costs, losses, claims, damages, liabilities, expenses (including reasonable legal and other professional fees and disbursements), judgments, fines and settlements (collectively, "Indemnification Obligations") suffered or sustained by such Manager Indemnified Party by reason of (i) any acts or omissions or alleged acts or omissions arising out of or in connection with the Company or performed by a Manager Indemnified Party in good faith and in accordance with or pursuant to the Manager's duties under this Agreement (including, for the avoidance of doubt, the Post-Termination Transition Assistance) and (ii) any and all claims, demands, actions, suits or proceedings (civil, criminal, administrative or investigative), actual or threatened, in which such Manager Indemnified Party may be involved, as a party or otherwise, arising out of or in connection with such Manager Indemnified Party's acts or omissions performed in good faith and in accordance with or pursuant to this Agreement (including, for the avoidance of doubt, the Post-Termination Transition Assistance), except to the extent such Indemnification Obligations constitute such Manager Indemnified Party's bad faith, gross negligence, willful misconduct, fraud or reckless disregard of the Manager's duties under this Agreement. The termination of a proceeding by settlement or upon a plea of *nolo contendere*, or its equivalent, shall not, of itself, create a presumption that such Manager Indemnified Party's conduct constituted bad faith, gross negligence, willful misconduct, fraud or reckless disregard of the Manager's duties hereunder.

(c) To the fullest extent permitted by law, the Manager hereby agrees to indemnify, defend and hold harmless the Company and its Subsidiaries and each of their respective directors, officers, employees, managers and agents (each a "Company Indemnified Party"; a Manager Indemnified Party and a Company Indemnified Party are each sometimes hereinafter referred to as an "Indemnified Party") with respect to all Indemnification Obligations suffered or

sustained by such Company Indemnified Party by reason of (i) acts or omissions or alleged acts or omissions of the Manager constituting bad faith, willful misconduct or gross negligence of the Manager, Freedom Mortgage or their respective officers, employees, managers or agents or the reckless disregard of the Manager's duties under this Agreement or (ii) claims by Freedom Mortgage's or the Manager's employees relating to the terms and conditions of their employment with Freedom Mortgage or the Manager.

(d) In case any claim, suit, action or proceeding is brought against any Indemnified Party in respect of which indemnification may be sought by such Indemnified Party pursuant hereto (such claim, suit, action or proceeding, a "Claim"), the Indemnified Party shall give prompt written notice thereof to the indemnifying party, which notice shall specifically state that indemnification for such Claim is being sought under this Section; *provided, however,* that the failure of the Indemnified Party to so notify the indemnifying party will not relieve the indemnifying party from any liability which the indemnifying party may have hereunder, except to the extent such failure actually and materially prejudices the indemnifying party. Upon receipt of such notice of Claim, the indemnifying party shall, at its sole cost and expense, in good faith defend any such Claim with counsel reasonably satisfactory to such Indemnified Party, which counsel may, without limiting the rights of such Indemnified Party pursuant to the next succeeding sentence of this Section, also represent the indemnifying party in such investigation, action or proceeding. In the alternative, such Indemnified Party may elect to conduct the defense of the Claim, if (i) such Indemnified Party reasonably determines that the conduct of its defense by the indemnifying party could be materially prejudicial to the Indemnified Party's interests, (ii) the indemnifying party refuses to assume the defense (or fails to give written notice to the Indemnified Party within ten days of receipt of a notice of Claim that the indemnifying party assumes such defense), or (iii) the indemnifying party shall have failed, in such Indemnified Party's reasonable judgment, to defend the Claim in good faith; *provided* that the Indemnified Party notifies the indemnifying party of its election to conduct the defense of the Claim. The indemnifying party may settle any Claim against such Indemnified Party without such Indemnified Party's consent, provided (i) such settlement is without any expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever to the Indemnified Party, (ii) the settlement does not include or require any admission of liability or culpability by such Indemnified Party and (iii) the indemnifying party obtains an effective written release of liability for such Indemnified Party from the party to the Claim with whom such settlement is being made, which release must be reasonably acceptable to such Indemnified Party, and a dismissal with prejudice with respect to all claims made by the party against such Indemnified Party in connection with such Claim. The Indemnified Party shall reasonably cooperate with the indemnifying party, at the indemnifying party's sole cost and expense, in connection with the defense or settlement of any Claim in accordance with the terms hereof. If such Indemnified Party is entitled pursuant to this Section to elect to defend such Claim by counsel of its own choosing and so elects, then the indemnifying party shall be responsible for any good faith settlement of such Claim entered into by such Indemnified Party. Except as provided in the immediately preceding sentence, no Indemnified Party may pay or settle any Claim and seek reimbursement therefor under this Section without the indemnifying party's prior written consent.

(e) Reasonable expenses (including attorney's fees) incurred by an Indemnified Party in defense or settlement of a Claim shall be advanced by the indemnifying party as such

expenses are incurred prior to the final disposition of such Claim; *provided* that, such Indemnified Party undertakes to repay such amounts if it shall be Judicially Determined that the Indemnified Party was not entitled to be indemnified hereunder.

(f) The Indemnified Party shall use commercially reasonable efforts to seek recovery under any insurance policies by which such Indemnified Party is covered and if such Indemnified Party recovers any amounts under any insurance policies, it shall be offset against the amount owed by the indemnifying party; *provided* such efforts to seek such recovery shall not be deemed a condition precedent to indemnification hereunder. If the Indemnified Party fails to seek such recovery, the indemnifying party shall be subrogated to the rights of the Indemnified Party under any applicable insurance policy of the Indemnified Party, and shall be entitled to recover under such policy up to the amount owed or paid by the indemnifying party to the Indemnified Party.

(g) The provisions of this Section 11 shall survive the expiration or earlier termination of this Agreement.

12. No Joint Venture.

The Company and the Manager are not partners or joint venturers with each other and nothing in this Agreement shall be construed to make the Company and the Manager partners or joint venturers or impose any liability as such on either of them.

13. Term; Termination.

(a) Term. This Agreement shall remain in full force until the third anniversary of the closing of the Initial Public Offering, unless terminated by the Company or Manager as set forth below, and shall be renewed automatically for successive one year periods thereafter, until this Agreement is terminated in accordance with the terms hereof.

(b) Non-Renewal. Either party may elect not to renew this Agreement at the expiration of the initial term or any renewal term for any or no reason by notice to the other party at least 180 days, but not more than 270 days, prior to the end of the term. Upon a non-renewal of this Agreement by the Company pursuant to this section, the Company will pay the Manager the Termination Fee.

(c) Termination by the Company for Cause. At the option of the Company and at any time during the term of this Agreement, this Agreement shall be and become terminated upon 30 days' written notice of termination from the Company to the Manager, without payment of the Termination Fee, if any of the following events shall occur:

(i) the Manager, its Affiliates or Freedom Mortgage shall commit a material breach of any provision of this Agreement (including the failure of the Manager to use commercially reasonable efforts to comply with the Company's Investment Guidelines), which such material breach continues uncured for a period of 30 days after written notice of such breach;

(ii) the Manager engages in any act of fraud, misappropriation of funds, or embezzlement against the Company or any Subsidiary or acts, or fails to act, in a manner constituting willful misconduct, gross negligence or reckless disregard in the performance of its duties under this Agreement; *provided*, however, that if any such act or omission is committed by one or more employees of the Manager taken without the complicity of the Manager, Freedom Mortgage, any of their Affiliates or their respective directors or principals, the Company shall not have the right to terminate this Agreement if (A) such employees have been terminated within 30 days after the Manager's actual knowledge of such act or omission, and (B) such employees or Freedom Mortgage has, within 30 days after the Manager's actual knowledge of such act or omission, made the Company whole for any loss arising from such act or omission and has otherwise cured the damage caused by such act or omission;

(iii) the Manager, Freedom Mortgage or any Affiliate of Freedom Mortgage involved in providing services to the Company is convicted of, or pleads *nolo contendere* to, a felony violation of any U.S. securities laws;

(iv) (A) the Manager or Freedom Mortgage shall commence any case, proceeding or other action (1) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (2) seeking appointment of a receiver, director, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Manager or Freedom Mortgage shall make a general assignment for the benefit of its creditors; or (B) there shall be commenced against the Manager or Freedom Mortgage any case, proceeding or other action of a nature referred to in clause (A) above which (1) results in the entry of an order for relief or any such adjudication or appointment or (2) remains undismissed, undischarged or unbonded for a period of 90 days; or (C) the Manager or Freedom Mortgage shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A) or (B) above; or (D) the Manager or Freedom Mortgage shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(v) upon a Change of Control of the Manager; or

(vi) the Manager shall fail to provide or procure adequate or appropriate personnel necessary for the Manager to source investment opportunities for the Company and to manage and develop the Company's portfolio; *provided*, that such default has continued uncured for a period of 60 days after written notice thereof, which notice shall contain a request that the same be remedied; and *provided further*, that if the Manager, Freedom Mortgage and their Affiliates collectively employ at least 50 employees, then the Manager will be deemed to have adequate and appropriate personnel.

(d) Termination by the Company Based on Performance. The Board of Directors will review the Manager's performance annually at the Board's regularly scheduled meeting during the Company's third fiscal quarter, and, within 30 days after such Board meeting, this Agreement may be terminated, pursuant to the delivery of notice as specified in this

Section 13(d) below, upon either the affirmative vote of at least two-thirds of the members of the Board of Directors or the affirmative vote of the holders of at least a majority of the outstanding Common Stock, based upon unsatisfactory performance by the Manager that is materially detrimental to the Company or a determination by the Independent Directors that the management fees payable to the Manager hereunder are not fair, subject to the Manager's right to prevent such a termination by accepting a mutually acceptable reduction of such management fees. The Company must provide at least 60 days', but not more than 120 days', prior notice to the Manager of any termination under this Section 13(d). Upon a termination of this Agreement pursuant to this Section 13(d), the Company will pay the Manager the Termination Fee.

(e) Termination by Manager.

(i) The Manager may terminate this Agreement effective upon 60 days prior written notice of termination to the Company in the event that the Company shall default in the performance or observance of any material term, condition or covenant in this Agreement and such default shall continue for a period of 30 days after written notice thereof specifying such default and requesting that the same be remedied in such 30 day period. The Company is required to pay to the Manager the Termination Fee if the termination of this Agreement is made pursuant to this Section 13(e)(i).

(ii) The Manager may terminate this Agreement in the event that the Company becomes regulated as an investment company under the Investment Company Act, with such termination deemed to occur immediately prior to such event. The Company is not required to pay to the Manager the Termination Fee if the termination of this Agreement is made pursuant to this Section 13(e)(ii).

(f) Termination Related to Internalization Event. The Company and the Manager shall terminate this Agreement without payment of any Termination Fee pursuant to the consummation of an Internalization Event.

14. Action Upon Termination or Expiration of Term.

(a) From and after the effective date of termination or assignment of this Agreement pursuant to Sections 13 and 15 herein, the Manager shall not, subject to Section 14(b) below, be entitled to compensation for further services under this Agreement but shall be paid all compensation and reimbursable expenses accruing to the date of termination, and the Termination Fee, if applicable. For the avoidance of doubt, if the date of termination occurs other than at the end of a fiscal quarter, compensation to the Manager accruing to the date of termination shall also include: management fees equal to the Quarterly Management Fee Amount for such final fiscal quarter, taking into account only the portion of such final fiscal quarter that this Agreement was in effect, and with appropriate adjustments to all relevant definitions. Upon such termination or expiration, the Manager shall promptly:

(i) after deducting any accrued compensation and reimbursement for expenses to which the Manager is then entitled, pay over to the Company all money collected and held for the account of the Company or any Subsidiary pursuant to this Agreement;

(ii) deliver to the Board of Directors a full accounting, including a statement showing all payments collected and all money held by the Manager, covering the period following the date of the last accounting furnished to the Board of Directors with respect to the Company and through the termination date; and

(iii) deliver to the Board of Directors all property and documents of the Company and any Subsidiary then in the Manager's possession or custody or under its control; *provided*, *however*, that the Manager shall have the right to retain copies of any documents and records solely to the extent necessary to comply with the Manager's bona fide record retention policy or any regulations applicable to the Manager.

(b) In connection with any termination of this Agreement pursuant to Section 13, the Manager shall use reasonable efforts to cooperate with the Company or any persons or entity designated by the Board of Directors to succeed the Manager as the manager of the Company (a "Successor Manager") to accomplish an orderly transfer of the operation and management of the Company and its investment activities to such Successor Manager. For a period of thirty (30) days after the effective date of any termination of this Agreement pursuant to Section 13, the Manager shall be available, through its officers, during normal business hours and not to exceed a total of 15 hours during any week within such 30 day period, to answer questions from and consult with the Company or designated representatives of any Successor Manager with respect to the Company's business, operations and investment activities during the period prior to the termination ("Post-Termination Transition Assistance"). The Manager shall receive payment of a cash fee for any time spent providing Post-Termination Transition Assistance in an amount equal to $500 per hour. Notwithstanding anything in this Section 14(b) to the contrary, the definition of Post-Termination Transition Assistance shall not include any of the Manager's responsibilities pursuant to Section 14(a), and the Manager shall not be compensated for any time spent by the Manager's officers to comply with Section 14(a).

15. Assignment.

The Manager may not assign its duties under this Agreement unless such assignment is consented to in writing by a majority of the Company's Independent Directors. However, the Manager may assign to one or more of its Affiliates performance of any of its responsibilities hereunder without the approval of the Company's Independent Directors so long as the Manager remains liable for any such Affiliate's performance hereunder and such assignment does not require the Company's approval under the Investment Advisers Act of 1940. Any permitted assignment shall bind the assignee under this Agreement in the same manner as the Manager is bound. In addition, the assignee shall execute and deliver to the Company a counterpart of this Agreement naming such assignee as the manager.

16. Release of Money or other Property Upon Written Request.

The Manager agrees that any money or other property of the Company or any Subsidiary held by the Manager under this Agreement shall be held by the Manager as custodian for the Company or any Subsidiary, and the Manager's records shall be clearly and appropriately marked to reflect the ownership of such money or other property by the Company. Upon the receipt by the Manager of a written request signed by a duly authorized officer of the Company

requesting the Manager to release to the Company any money or other property then held by the Manager for the account of the Company under this Agreement, the Manager shall release such money or other property to the Company within a reasonable period of time, but in no event later than 30 days following such request. Upon delivery of such money or other property to the Company, the Manager, Freedom Mortgage, and their Affiliates, directors, officers, managers, members and employees will not be liable to the Company or its stockholders for any acts or omissions by the Company in connection with the money or other property released to the Company in accordance with the terms hereof. The Company shall indemnify the Manager, Freedom Mortgage, and their Affiliates, officers, directors, Investment and Risk Management Committee members, partners, members, employees, agents and successors and assigns against any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever which arise in connection with the Manager's release of such money or other property to the Company in accordance with the terms of this Section 16. Indemnification pursuant to this Section 16 shall be in addition to any right of the Manager to indemnification under Section 11 and shall survive the termination of this Agreement.

17. Notices.

(a) Unless expressly provided otherwise in this Agreement, all notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made and received when delivered against receipt or upon actual receipt of personal delivery, delivery by a reputable overnight courier, delivery by facsimile transmission but only if such transmission is confirmed, or delivery by registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) if to the Company and any of the Subsidiaries, to:

Cherry Hill Mortgage Investment Corporation
301 Harper Drive, Suite 110
Moorestown, New Jersey 08057
Attn: Chief Financial Officer
Facsimile: (877) 870-7005

with a copy to:

Daniel M. LeBey
Hunton & Williams LLP
Riverfront Plaza, East Tower
951 East Byrd Street
Richmond, Virginia 23219-4074
Facsimile: (804) 343-4543);

and

(ii) if to the Manager, to:

Cherry Hill Mortgage Management, LLC
301 Harper Drive, Suite 110
Moorestown, New Jersey 08057
Attn: Stanley C. Middleman
Facsimile: (877) 870-7005.

(b) Any party may change the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this Section 17 for the giving of notice.

18. Binding Nature of Agreement; Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns as provided in this Agreement.

19. Entire Agreement; Amendments.

This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter of this Agreement. The express terms of this Agreement control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms of this Agreement. This Agreement may not be modified, supplemented or amended other than by an agreement in writing signed by the parties hereto.

20. Governing Law; Jurisdiction.

This Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed, interpreted and enforced in accordance with the laws of the State of New York without giving effect to such state's laws and principles regarding the conflict of interest laws (other than Section 5-1401 of the general obligations Law of the State of New York). Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the borough of Manhattan or the United States District Court located in the Southern District of New York, and the appellate courts to which orders and judgments thereof may be appealed, for the purpose of any action or judgment relating to or arising out of this Agreement or any of the transactions contemplated hereby and to the laying of venue in such court.

21. Waiver of Jury Trial.

EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PARTY

MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY ACTION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

22. Indulgences, Not Waivers.

Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

23. Titles Not to Affect Interpretation.

The titles of sections, paragraphs and subparagraphs contained in this Agreement are for convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation of this Agreement.

24. Execution in Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts of this Agreement, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

25. Severability.

The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.

26. Principles of Construction.

Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires. All references to recitals, sections, paragraphs and schedules are to the recitals, sections, paragraphs and schedules in or to this Agreement unless otherwise specified.

[SIGNATURE PAGE FOLLOWS]

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

THE COMPANY:

CHERRY HILL MORTGAGE INVESTMENT CORPORATION

By: /s/ Martine J. Levine
Name: Martine J. Levine
Title: Chief Financial Officer

THE SUBSIDIARIES:

CHERRY HILL OPERATING PARTNERSHIP, LP

By: Cherry Hill Mortgage Investment Corporation, its general partner

By: /s/ Martine J. Levine
Name: Martine J. Levine
Title: Chief Financial Officer

CHERRY HILL QRS I, LLC
CHERRY HILL TRS, LLC

By: Cherry Hill Operating Partnership, LP, its member
By: Cherry Hill Mortgage Investment Corporation, its general partner

By: /s/ Martine J. Levine
Name: Martine J. Levine
Title: Chief Financial Officer

CHERRY HILL QRS II, LLC

By: Cherry Hill QRS I, LLC, its member
By: Cherry Hill Operating Partnership, LP, its member
By: Cherry Hill Mortgage Investment Corporation, its general partner

By: /s/ Martine J. Levine
Name: Martine J. Levine
Title: Chief Financial Officer

THE MANAGER:

CHERRY HILL MORTGAGE MANAGEMENT LLC

By: /s/ Stanley C. Middleman
Name: Stanley C. Middleman
Title: Chief Executive Officer

Exhibit A

INVESTMENT GUIDELINES OF
CHERRY HILL MORTGAGE INVESTMENT CORPORATION

Capitalized terms used but not defined herein shall have the meanings ascribed thereto in that Amended and Restated Management Agreement, dated as of September [ ], 2013, as may be amended from time to time (the "Management Agreement"), by and among Cherry Hill Mortgage Investment Corporation (the "Company"), the Company's Subsidiaries and Cherry Hill Mortgage Management, LLC (the "Manager").

(a) No investment shall be made that would cause the Company to fail to qualify as a REIT under the Internal Revenue Code of 1986, as amended;

(b) No investment shall be made that would cause the Company or any of the Subsidiaries to be regulated as an investment company under the Investment Company Act;

(c) The Company shall not enter into Principal Transactions or Split Price Executions with Freedom Mortgage or any of its Affiliates unless (i) such transaction is otherwise in accordance with these guidelines and the Management Agreement and (ii) the terms of such transaction are at least as favorable to the Company as to Freedom Mortgage or such Affiliate (as applicable);

(d) Any proposed material investment that is outside those targeted or other asset classes or targeted platforms or opportunities mentioned or otherwise described in or contemplated by any prospectus used in an Initial Public Offering or other disclosure package used in connection with any securities offering by the Company must be approved by at least a majority of the Independent Directors.

These investment guidelines may be changed by the Company's Board of Directors without the approval of its stockholders.

Exhibit 23.3

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated April 29, 2013, in the Registration Statement (Form S-11 No. 333-188214) and related Prospectus of Cherry Hill Mortgage Investment Corporation for the registration of shares of its Common Stock.

/s/ Ernst & Young LLP

New York, NY
September 25, 2013