



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

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

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

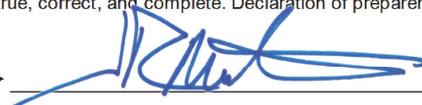
18 Can any resulting loss be recognized? ▶ SEE ATTACHED

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

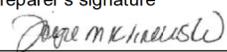
19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ SEE ATTACHED

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

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

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

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

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

**Armour Residential REIT, Inc.**

**One for Eight Reverse Stock Split of Common Stock**

**Attachment to Form 997**

**Consult your tax advisor regarding the U.S. Federal, State, Local and Foreign tax consequences of the reverse stock split in 2015.**

**Part II - Organizational Action**

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

At close of business on July 31, 2015, Armour Residential REIT, Inc. ("ARR") effected a 1-for-8 reverse stock split for its outstanding shares of common stock. Pursuant to the reverse stock split, every eight (8) shares of authorized, issued and outstanding common stock automatically converted into one (1) share of common stock. No fractional shares were issued in connection with the reverse stock split.

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

Upon the effective date of the reverse stock split, every eight (8) shares of common stock of ARR automatically converted into one (1) share of common stock. As a result, shareholders must allocate the aggregate tax basis in their shares held immediately prior to the reverse stock split among the shares held immediately after the reverse stock split. Shareholders that have acquired different blocks of common stock at different times or at different prices are urged to consult their own tax advisors regarding the allocation of their aggregated adjusted basis among, and the holding period of, that common stock.

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

See Line 15. While the basis "per share" is impacted, the basis of the shareholder's total investment remains unchanged. Shareholders with blocks of pre-split common stock not divisible by eight (8) which reflect pre-split common stock acquired at different times or different prices must replicate such blocks of pre-split common stock in the post-split common stock received pursuant to a formula provided in Treasury regulations that seek to preserve, to the greatest extent possible the basis of a particular block of pre-split common stock in one of more post-split common stock shares received in exchange therefore. This may require the aggregate basis in one block of pre-split common stock to be allocated to post-split common stock in a manner where some post-split common stock blocks may have split basis and holding period segments. Because no fractional shares were issued, the aggregate tax basis of ARR common stock held by a shareholder immediately after the reverse stock split could be less than the pre-split aggregate tax basis by an amount equal to the aggregate tax basis allocated to the fractional shares, if any.

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

IRC Sections 354, 358, 368, 1001 and 1012.

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

The one (1) for eight (8) reverse stock split is intended to be treated as a recapitalization for U.S. federal income tax purposes. Therefore, a shareholder will not recognize any gain or loss for U.S. federal income tax purposes upon the combination of pre-reverse stock split shares into post-reverse stock split shares pursuant to the reverse stock split.

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

The reportable tax year in which the reverse stock split occurred is 2015.