

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2024

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 001-09819

DYNEX CAPITAL, INC.

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of incorporation or organization)

4991 Lake Brook Drive, Suite 100

Glen Allen, Virginia

(Address of principal executive offices)

52-1549373

(I.R.S. Employer Identification No.)

23060-9245

(Zip Code)

(804) 217-5800

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	DX	New York Stock Exchange
6.900% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value \$0.01 per share	DXPRC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

On July 24, 2024, the registrant had 74,707,776 shares outstanding of common stock, \$0.01 par value, which is the registrant's only class of common stock.

DYNEX CAPITAL, INC.
FORM 10-Q
INDEX

	<u>Page</u>
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Balance Sheets as of June 30, 2024 (unaudited) and December 31, 2023	<u>1</u>
Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2024 (unaudited) and June 30, 2023 (unaudited)	<u>2</u>
Consolidated Statements of Shareholders' Equity for the three and six months ended June 30, 2024 (unaudited) and June 30, 2023 (unaudited)	<u>3</u>
Consolidated Statements of Cash Flows for the six months ended June 30, 2024 (unaudited) and June 30, 2023 (unaudited)	<u>5</u>
Notes to the Unaudited Consolidated Financial Statements	<u>6</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>22</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>36</u>
Item 4. Controls and Procedures	<u>40</u>
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	<u>41</u>
Item 1A. Risk Factors	<u>41</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>41</u>
Item 3. Defaults Upon Senior Securities	<u>42</u>
Item 4. Mine Safety Disclosures	<u>42</u>
Item 5. Other Information	<u>42</u>
Item 6. Exhibits	<u>43</u>
SIGNATURES	<u>44</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DYNEX CAPITAL, INC.
CONSOLIDATED BALANCE SHEETS
(\$s in thousands except per share data)

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
ASSETS	<i>(unaudited)</i>	
Cash and cash equivalents	\$ 286,132	\$ 119,639
Cash collateral posted to counterparties	123,131	118,225
Mortgage-backed securities (including pledged of \$5,788,148 and \$5,880,747, respectively), at fair value	6,193,139	6,038,948
Due from counterparties	27,379	1,313
Derivative assets	8,461	54,361
Accrued interest receivable	28,323	28,727
Other assets, net	17,037	8,537
Total assets	<u>\$ 6,683,602</u>	<u>\$ 6,369,750</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Repurchase agreements	\$ 5,494,428	\$ 5,381,104
Due to counterparties	49,606	95
Derivative liabilities	2,032	—
Cash collateral posted by counterparties	19,382	46,001
Accrued interest payable	54,567	53,194
Accrued dividends payable	12,785	10,320
Other liabilities	5,539	8,301
Total liabilities	<u>5,638,339</u>	<u>5,499,015</u>
Shareholders' equity:		
Preferred stock, par value \$0.01 per share; 50,000,000 shares authorized; 4,460,000 and 4,460,000 shares issued and outstanding, respectively (\$111,500 and \$111,500 aggregate liquidation preference, respectively)	107,843	107,843
Common stock, par value \$0.01 per share, 180,000,000 shares authorized; 74,707,776 and 57,038,247 shares issued and outstanding, respectively	747	570
Additional paid-in capital	1,620,355	1,404,431
Accumulated other comprehensive loss	(177,556)	(158,502)
Accumulated deficit	(506,126)	(483,607)
Total shareholders' equity	<u>1,045,263</u>	<u>870,735</u>
Total liabilities and shareholders' equity	<u>\$ 6,683,602</u>	<u>\$ 6,369,750</u>

See accompanying notes to the unaudited consolidated financial statements.

DYNEX CAPITAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)
(\$s in thousands except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
INTEREST INCOME (EXPENSE)				
Interest income	\$ 76,054	\$ 42,212	\$ 147,580	\$ 73,058
Interest expense	(74,767)	(45,142)	(149,484)	(76,450)
Net interest income (expense)	1,287	(2,930)	(1,904)	(3,392)
OTHER GAINS (LOSSES)				
Realized loss on sales of investments, net	(1,506)	(51,601)	(1,506)	(74,916)
Unrealized (loss) gain on investments, net	(41,977)	488	(112,001)	57,609
Gain on derivative instruments, net	41,135	116,012	165,771	48,745
Total other (losses) gains, net	(2,348)	64,899	52,264	31,438
EXPENSES				
Compensation and benefits	(3,284)	(3,617)	(10,461)	(7,367)
Other general and administrative	(3,358)	(3,580)	(7,062)	(7,202)
Other operating expenses	(601)	(435)	(1,022)	(861)
Total operating expenses	(7,243)	(7,632)	(18,545)	(15,430)
Net (loss) income	(8,304)	54,337	31,815	12,616
Preferred stock dividends	(1,923)	(1,923)	(3,847)	(3,847)
Net (loss) income to common shareholders	\$ (10,227)	\$ 52,414	\$ 27,968	\$ 8,769
Other comprehensive income:				
Unrealized (loss) gain on available-for-sale investments, net	\$ (1,786)	\$ (9,443)	\$ (19,054)	\$ 5,350
Total other comprehensive (loss) income	(1,786)	(9,443)	(19,054)	5,350
Comprehensive (loss) income to common shareholders	\$ (12,013)	\$ 42,971	\$ 8,914	\$ 14,119
Weighted average common shares-basic	66,954,870	54,137,327	63,003,545	53,981,463
Weighted average common shares-diluted	66,954,870	54,585,082	63,913,156	54,327,385
Net (loss) income per common share-basic	\$ (0.15)	\$ 0.97	\$ 0.44	\$ 0.16
Net (loss) income per common share-diluted	\$ (0.15)	\$ 0.96	\$ 0.44	\$ 0.16

See accompanying notes to the unaudited consolidated financial statements.

DYNEX CAPITAL, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(unaudited)
(\$ in thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2023	4,460,000	\$ 107,843	57,038,247	\$ 570	\$ 1,404,431	\$ (158,502)	\$ (483,607)	\$ 870,735
Stock issuance	—	—	7,007,448	70	86,736	—	—	86,806
Restricted stock granted, net of amortization	—	—	46,544	—	510	—	—	510
Other share-based compensation, net of amortization	—	—	111,245	1	3,759	—	—	3,760
Adjustments for tax withholding on share-based compensation	—	—	(42,553)	—	(527)	—	—	(527)
Stock issuance costs	—	—	—	—	(16)	—	—	(16)
Net income	—	—	—	—	—	—	40,118	40,118
Dividends on preferred stock	—	—	—	—	—	—	(1,923)	(1,923)
Dividends on common stock	—	—	—	—	—	—	(23,663)	(23,663)
Other comprehensive loss	—	—	—	—	—	(17,268)	—	(17,268)
Balance as of March 31, 2024	4,460,000	\$ 107,843	64,160,931	\$ 641	\$ 1,494,893	\$ (175,770)	\$ (469,075)	\$ 958,532
Stock issuance	—	—	10,508,777	105	124,739	—	—	124,844
Restricted stock granted, net of amortization	—	—	38,068	1	190	—	—	191
Other share-based compensation, net of amortization	—	—	—	—	724	—	—	724
Stock issuance costs	—	—	—	—	(191)	—	—	(191)
Net loss	—	—	—	—	—	—	(8,304)	(8,304)
Dividends on preferred stock	—	—	—	—	—	—	(1,923)	(1,923)
Dividends on common stock	—	—	—	—	—	—	(26,824)	(26,824)
Other comprehensive loss	—	—	—	—	—	(1,786)	—	(1,786)
Balance as of June 30, 2024	4,460,000	\$ 107,843	74,707,776	\$ 747	\$ 1,620,355	\$ (177,556)	\$ (506,126)	\$ 1,045,263

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2022	4,460,000	\$ 107,843	53,637,095	\$ 536	\$ 1,357,514	\$ (181,346)	\$ (383,219)	\$ 901,328
Stock issuance	—	—	199,274	2	2,769	—	—	2,771
Restricted stock granted, net of amortization	—	—	27,932	—	360	—	—	360
Other share-based compensation, net of amortization	—	—	33,213	1	649	—	—	650
Adjustments for tax withholding on share-based compensation	—	—	(20,600)	—	(276)	—	—	(276)
Stock issuance costs	—	—	—	—	(16)	—	—	(16)
Net loss	—	—	—	—	—	—	(41,722)	(41,722)
Dividends on preferred stock	—	—	—	—	—	—	(1,923)	(1,923)
Dividends on common stock	—	—	—	—	—	—	(21,137)	(21,137)
Other comprehensive income	—	—	—	—	—	14,793	—	14,793
Balance as of March 31, 2023	4,460,000	\$ 107,843	53,876,914	\$ 539	\$ 1,361,000	\$ (166,553)	\$ (448,001)	\$ 854,828
Stock issuance	—	—	296,600	3	3,540	—	—	3,543
Restricted stock granted, net of amortization	—	—	46,085	—	296	—	—	296
Other share-based compensation, net of amortization	—	—	—	—	833	—	—	833
Adjustments for tax withholding on share-based compensation	—	—	(15,280)	—	(169)	—	—	(169)
Stock issuance costs	—	—	—	—	(16)	—	—	(16)
Net income	—	—	—	—	—	—	54,337	54,337
Dividends on preferred stock	—	—	—	—	—	—	(1,923)	(1,923)
Dividends on common stock	—	—	—	—	—	—	(21,324)	(21,324)
Other comprehensive loss	—	—	—	—	—	(9,443)	—	(9,443)
Balance as of June 30, 2023	4,460,000	\$ 107,843	54,204,319	\$ 542	\$ 1,365,484	\$ (175,996)	\$ (416,911)	\$ 880,962

See accompanying notes to the unaudited consolidated financial statements.

DYNEX CAPITAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(\$s in thousands)

	Six Months Ended	
	June 30,	
	2024	2023
Operating activities:		
Net income	\$ 31,815	\$ 12,616
Adjustments to reconcile net income to cash provided by operating activities:		
Realized loss on sales of investments, net	1,506	74,916
Unrealized loss (gain) on investments, net	112,001	(57,609)
Gain on derivative instruments, net	(165,771)	(48,745)
Amortization of investment premiums, net	26,483	38,924
Other amortization and depreciation	925	1,193
Share-based compensation expense	5,184	2,140
Decrease (increase) in accrued interest receivable	404	(7,728)
Increase in accrued interest payable	1,373	17,344
Change in other assets and liabilities, net	(12,415)	2,176
Net cash provided by operating activities	<u>1,505</u>	<u>35,227</u>
Investing activities:		
Purchases of investments	(501,921)	(2,109,585)
Principal payments received on trading securities	186,048	73,849
Principal payments received on available-for-sale investments	37,948	47,919
Proceeds from sales of trading securities	13,782	348,091
Principal payments received on mortgage loans held for investment	441	502
Net receipts on derivatives, including terminations	187,635	64,290
(Decrease) increase in cash collateral posted by counterparties	(26,618)	5,190
Net cash used in investing activities	<u>(102,685)</u>	<u>(1,569,744)</u>
Financing activities:		
Borrowings under repurchase agreements	27,001,079	10,999,164
Repayments of repurchase agreement borrowings	(26,887,755)	(9,441,668)
Proceeds from issuance of common stock	211,650	6,314
Payments related to tax withholding for share-based compensation	(527)	(445)
Dividends paid	(51,868)	(45,971)
Net cash provided by financing activities	<u>272,579</u>	<u>1,517,394</u>
Net increase (decrease) in cash, including cash posted to counterparties	171,399	(17,123)
Cash including cash posted to counterparties at beginning of period	237,864	449,877
Cash including cash posted to counterparties at end of period	<u>\$ 409,263</u>	<u>\$ 432,754</u>
Supplemental Disclosure of Cash Activity:		
Cash paid for interest	\$ 148,111	\$ 59,105

See accompanying notes to the unaudited consolidated financial statements.

**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Dynex Capital, Inc. (the “Company”) was incorporated in the Commonwealth of Virginia on December 18, 1987 and commenced operations in February 1988. The Company is an internally managed mortgage real estate investment trust, or mortgage REIT, which primarily earns income from investing on a leveraged basis in Agency mortgage-backed securities (“Agency MBS”) and in to-be-announced securities (“TBAs” or “TBA securities”). Agency MBS have a guaranty of principal and interest payments by a U.S. government-sponsored entity (“GSE”) such as Fannie Mae and Freddie Mac, which are in conservatorship and are currently supported by a senior preferred stock purchase agreement from the U.S. Treasury. As of June 30, 2024, the majority of the Company’s Agency MBS are secured by residential real property (“Agency RMBS”). The remainder of the Company’s investments are in Agency commercial MBS (“Agency CMBS”) and in both Agency and non-Agency CMBS interest-only (“CMBS IO”). Non-Agency MBS do not have a GSE guaranty of principal or interest payments.

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company and its subsidiaries (together, “Dynex” or, as appropriate, the “Company”) have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and Article 10, Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all significant adjustments, consisting of normal recurring accruals, considered necessary for a fair statement of results for the interim period have been included. Operating results for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for any other interim periods or for the entire year ending December 31, 2024. The unaudited consolidated financial statements included herein should be read in conjunction with the audited financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Form 10-K”) filed with the SEC.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. The most significant estimates used by management include, but are not limited to, amortization of premiums and discounts and fair value measurements of its investments, including TBA securities accounted for as derivative instruments. These items are discussed further below within this note to the consolidated financial statements. The Company believes the estimates and assumptions underlying the consolidated financial statements included herein are reasonable and supportable based on the information available as of June 30, 2024.

Consolidation and Variable Interest Entities

The consolidated financial statements include the accounts of the Company and the accounts of its majority owned subsidiaries and variable interest entities (“VIE”) for which it is the primary beneficiary. All intercompany accounts and transactions have been eliminated in consolidation.

The Company consolidates a VIE if the Company is determined to be the VIE’s primary beneficiary, which is defined as the party that has both (i) the power to control the activities that most significantly impact the VIE’s financial performance; and (ii) the right to receive benefits or absorb losses that could potentially be significant to the VIE. The Company reconsiders its evaluation of whether to consolidate a VIE on an ongoing basis, based on changes in the facts and circumstances pertaining to the VIE. Though the Company invests in Agency and non-

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

Agency MBS which are generally considered to be interests in VIEs, the Company does not consolidate these entities because it does not meet the criteria to be deemed a primary beneficiary. The maximum exposure to loss for these VIEs is the carrying value of the MBS.

Income Taxes

The Company has elected to be taxed as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986 (the “Tax Code”) and the corresponding provisions of state law. To qualify as a REIT, the Company must meet certain asset, income, ownership, and distribution tests. To meet these requirements, the Company’s main source of income is interest earned from obligations secured by mortgages on real property, and the Company must distribute at least 90% of its annual REIT taxable income to shareholders. The Company’s income will generally not be subject to federal income tax to the extent it is distributed as dividends to shareholders.

The Company assesses its tax positions for all open tax years and determines whether the Company has any material unrecognized liabilities and records these liabilities, if any, to the extent they are deemed more likely than not to have been incurred.

Net Income (Loss) Per Common Share

The Company calculates basic net income (loss) per common share by dividing net income (loss) to common shareholders for the period by weighted-average shares of common stock outstanding for that period. Please see [Note 2](#) for the calculation of the Company’s basic and diluted net income (loss) per common share for the periods indicated.

The Company currently has unvested restricted stock, service-based restricted stock units (“RSUs”) and performance-based stock units (“PSUs”) issued and outstanding. Restricted stock awards are considered participating securities and therefore are included in the computation of basic net income per common share using the two-class method because holders of unvested shares of restricted stock are eligible to receive non-forfeitable dividends. Holders of RSUs and PSUs accrue forfeitable dividend equivalent rights over the period outstanding, receiving dividend payments only upon the settlement date if the requisite service-based and performance-based conditions have been achieved, as applicable. As such, RSUs and PSUs are excluded from the computation of basic net income per common share but are included in the computation of diluted net income per common share unless the effect is to reduce a net loss or increase the net income per common share (also known as “anti-dilutive”). Upon vesting, restrictions on transfer expire on each share of restricted stock, RSU, and PSU, and each such share or unit becomes one unrestricted share of common stock and is included in the computation of basic net income per common share.

Because the Company’s 6.900% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (the “Series C Preferred Stock”) is redeemable at the Company’s option for cash only and convertible into shares of common stock only upon a change of control of the Company (and subject to other circumstances) as described in Article IIIC of the Company’s Restated Articles of Incorporation, the effect of those shares and their related dividends are excluded from the calculation of diluted net income per common share for the periods presented.

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted demand deposits at highly rated financial institutions and highly liquid investments with original maturities of three months or less. The Company’s cash balances fluctuate throughout the year and may exceed Federal Deposit Insurance Corporation (“FDIC”) insured limits from time to time. Although the Company bears risk to amounts in excess of those insured by the FDIC, the Company believes the risk of loss is mitigated by the financial position, creditworthiness, and strength of the depository institutions in which those deposits are held.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

Cash Collateral Posted To/By Counterparties

The Company regularly pledges and receives amounts to cover margin requirements related to the Company's financing and derivative instruments. If the amount pledged to a counterparty exceeds the amount received from a counterparty, the net amount is recorded as an asset within "cash collateral posted to counterparties," and if the amount received from a counterparty exceeds the amount pledged to a counterparty, the net amount is recorded as a liability within "cash collateral posted by counterparties" on the Company's consolidated balance sheets.

The following table provides a reconciliation of "cash" and "cash posted to counterparties" reported on the Company's consolidated balance sheet as of June 30, 2024, that sum to the total of the same such amounts shown on the Company's consolidated statement of cash flows for the six months ended June 30, 2024:

<i>(\$s in thousands)</i>	June 30, 2024
Cash and cash equivalents	\$ 286,132
Cash collateral posted to counterparties	123,131
Total cash including cash posted to counterparties shown on consolidated statement of cash flows	<u>\$ 409,263</u>

Mortgage-Backed Securities

The Company's MBS are recorded at fair value on the Company's consolidated balance sheet. Changes in fair value of MBS purchased prior to January 1, 2021 are designated as available-for-sale ("AFS") with changes in fair value reported in other comprehensive income ("OCI") as an unrealized gain (loss) until the security is sold or matures. Effective January 1, 2021, the Company elected the fair value option ("FVO") for all MBS purchased on or after that date with changes in fair value reported in net income as "unrealized gain (loss) on investments, net" until the security is sold or matures. Management elected the fair value option so that GAAP net income will reflect the changes in fair value for its future purchases of MBS in a manner consistent with the presentation and timing of the changes in fair value of its derivative instruments. Upon the sale of an MBS, any unrealized gain or loss within OCI or net income is reclassified to "realized gain (loss) on sale of investments, net" within net income using the specific identification method.

Interest Income, Premium Amortization, and Discount Accretion. Interest income on MBS is accrued based on the outstanding principal balance (or notional balance in the case of IO securities) and the contractual terms. Premiums or discounts associated with the purchase of Agency MBS as well as any non-Agency MBS are amortized or accreted into interest income over the projected life of such securities using the effective interest method, and adjustments to premium amortization and discount accretion are made for actual cash payments received. The Company's projections of future cash payments are based on input received from external sources and internal models and may include assumptions about the amount and timing of loan prepayment rates, fluctuations in interest rates, credit losses, and other factors. On at least a quarterly basis, the Company reviews and makes any necessary adjustments to its cash flow projections and updates the yield recognized on these assets.

Determination of MBS Fair Value. The Company estimates the fair value of the majority of its MBS based upon prices obtained from a pricing service. These prices are assessed for reasonableness using broker quotes and other third-party pricing services. Please refer to [Note 6](#) for further discussion of MBS fair value measurements.

Allowance for Credit Losses. On at least a quarterly basis, the Company evaluates any MBS designated as AFS with a fair value less than its amortized cost for credit losses. If the difference between the present value of cash flows expected to be collected on the MBS is less than its amortized cost, the difference is recorded as an allowance for credit loss through net income up to and not exceeding the amount that the amortized cost exceeds current fair value. Subsequent changes in credit loss estimates are recognized in earnings in the period in which they occur. Because the majority of the Company's investments are higher credit quality and most are guaranteed by a

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

GSE, the Company is not likely to have an allowance for credit losses related to its MBS recorded on its consolidated balance sheet.

Interest accrued between payment dates on MBS is presented separately from the Company's investment portfolio as "accrued interest receivable" on its consolidated balance sheet. The Company does not estimate an allowance for credit loss for its accrued interest receivable because the interest is generally received within 30 days and amounts not received when due are written off against interest income.

Repurchase Agreements

The Company's repurchase agreements are used to finance its purchases of MBS and are accounted for as secured borrowings. The Company pledges its securities as collateral to secure a loan, which is equal to a specified percentage of the estimated fair value of the pledged collateral. The Company retains beneficial ownership of the pledged collateral, which is disclosed parenthetically on the Company's consolidated balance sheets. At the maturity of a repurchase agreement borrowing, the Company is required to repay the loan and concurrently receives back its pledged collateral from the lender, or, with the consent of the lender, the Company may renew the agreement at the then prevailing financing rate. A repurchase agreement lender may require the Company to pledge additional collateral in the event of a decline in the fair value of the collateral pledged. Repurchase agreement financing is recourse to the Company and the assets pledged. The repurchase facilities available to the Company are uncommitted with no guarantee of renewal.

Derivative Instruments

Derivatives are carried at fair value, and changes in the fair value of derivative instruments, including gains and losses realized upon termination, maturity, or settlement, are recorded in "gain (loss) on derivative instruments, net" on the Company's consolidated statements of comprehensive income (loss). Cash receipts and payments related to derivative instruments are classified in the investing activities section of the consolidated statements of cash flows in accordance with the underlying nature or purpose of the derivative transactions.

The Company's short positions in U.S. Treasury futures contracts are valued based on exchange pricing with daily margin settlements. The margin requirement varies based on the market value of the open positions and the equity retained in the account. Any margin excess or deficit outstanding is recorded as a receivable or payable as of the date of the Company's consolidated balance sheets. The Company realizes gains or losses on these contracts upon expiration at an amount equal to the difference between the current fair value of the underlying asset and the contractual price of the futures contract.

The Company's options on U.S. Treasury futures provide the Company the right, but not an obligation, to buy or sell U.S. Treasury futures at a predetermined notional amount and stated term in the future and are valued based on exchange pricing. The Company records the premium paid for the option contract as a derivative asset on its consolidated balance sheet and adjusts the balance for changes in fair value through "gain (loss) on derivative instruments" until the option is exercised or the contract expires. If the option contract expires unexercised, the realized loss is limited to the premium paid. If exercised, the realized gain or loss on the options is equal to the difference between the fair value of the underlying U.S. Treasury future and the premium paid for the option contract.

The Company's interest rate swaps are pay-fixed, which involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the interest rate swap without exchange of the underlying notional amount. These agreements are centrally cleared through the Chicago Mercantile Exchange ("CME"), which requires the Company to post initial margin as determined by the CME, and additional variation margin is exchanged, typically in cash, for changes in the fair value of the interest rate swaps. Similar to the Company's U.S. Treasury futures, the exchange of variation margin for CME cleared swaps is legally considered to be the settlement of the derivative itself as opposed to a pledge of collateral. Accordingly, any margin excess or deficit outstanding is recorded as a receivable or payable as of the date of the Company's consolidated balance sheets. Changes in the fair value of these instruments is recorded in "gain(loss) on derivative instruments" until

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

termination or expiration.

The Company may also purchase swaptions, which provide the Company the right, but not an obligation, to enter into an interest rate swap at a predetermined notional amount with a stated term and pay and receive rates in the future. The accounting for swaptions is similar to options on U.S. Treasury futures.

A TBA security is a forward contract (“TBA contract”) for the purchase (“long position”) or sale (“short position”) of a non-specified Agency MBS at a predetermined price with certain principal and interest terms and certain types of collateral, but the particular Agency securities to be delivered are not identified until shortly before the settlement date. The Company accounts for long and short positions in TBAs as derivative instruments because the Company cannot assert that it is probable at inception and throughout the term of an individual TBA transaction that its settlement will result in physical delivery of the underlying Agency RMBS or that the individual TBA transaction will settle in the shortest time period possible.

Please refer to [Note 5](#) for additional information regarding the Company’s derivative instruments as well as [Note 6](#) for information on how the fair value of these instruments is calculated.

Share-Based Compensation

The Company’s 2020 Stock and Incentive Plan (the “2020 Plan”) reserves for issuance up to 2,300,000 common shares for eligible employees, non-employee directors, consultants, and advisors to the Company to be granted in the form of stock options, restricted stock, restricted stock units (“RSUs”), stock appreciation rights, performance-based stock units (“PSUs”), and performance-based cash awards (collectively, “awards”). As of June 30, 2024, 58,503 common shares are available for issuance under the 2020 Plan.

The Company has issued restricted stock and RSUs, which are treated as equity awards and recorded at their fair value using the closing stock price on the grant date. Compensation expense is generally recognized over a service period specified within each award with a corresponding credit to shareholders’ equity using the straight-line method until the vesting date specified within each award or until the employee becomes eligible for retirement, if earlier than the vesting date. Compensation expense for subsequent equity awards to an employee who is retirement eligible is recognized immediately upon the grant date.

The Company also has PSUs issued and outstanding which contain Company performance-based and market performance-based conditions. PSUs subject to Company performance-based conditions are initially recognized as equity at their fair value which is measured using the closing stock price on the grant date multiplied by the number of units expected to vest based on an assessment of the probability of achievement of the Company performance-based conditions as of the grant date. The grant date fair value is recognized as expense using the straight-line method until the earlier of the vesting date specified within each award or the date the employee becomes eligible for retirement. Adjustments are made, if necessary, based on any change in probability of achievement which is re-assessed as of each reporting date and on at least a quarterly basis. PSUs subject to market performance-based conditions are recognized as equity at their grant date fair value determined through a Monte-Carlo simulation of the Company’s common stock total shareholder return (“TSR”) relative to the common stock TSR of the group of peer companies specified in the award agreement. Awards subject to market performance-based conditions are not assessed for probability of achievement and are not remeasured subsequent to issuance. The grant date fair value is recognized as expense using the straight-line method until the earlier of the vesting date specified within each award or the date the employee becomes eligible for retirement, even if the market performance-based conditions are not achieved.

The Company does not estimate forfeitures for any of its share-based compensation awards but adjusts for actual forfeitures in the periods in which they occur. Because RSUs and PSUs have forfeitable dividend equivalent rights, which are paid in cash only upon settlement, any accrued dividend equivalent rights (“DERs”) on forfeited units are reversed with a corresponding credit to “Compensation and benefits” expense.

Please see [Note 7](#) for additional information about the Company’s share-based compensation awards.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

Contingencies

The Company did not have any pending lawsuits, claims, or other contingencies as of June 30, 2024 or December 31, 2023.

Recently Issued Accounting Pronouncements

The Company evaluates Accounting Standards Updates (“ASU”) issued by the Financial Accounting Standards Board on at least a quarterly basis to evaluate applicability and significance of any impact on its financial condition and results of operations.

ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" amended existing guidance to improve disclosures about a public entity’s reportable segments and provide more detailed information about a reportable segment’s expenses. ASU 2023-07 clarifies that an entity which has a single reportable segment is to provide all the disclosures required by Topic 280 and ASU 2023-07. The amendment is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The adoption of ASU 2023-07 is not expected to have a significant impact on the Company’s consolidated financial statements.

There were no other accounting pronouncements issued during the six months ended June 30, 2024, that are applicable to the Company and expected to have a material impact on the Company’s financial condition or results of operations.

NOTE 2 – NET INCOME (LOSS) PER COMMON SHARE

Please refer to [Note 1](#) for information regarding the Company’s treatment of its preferred stock and stock awards in the calculation of its basic and diluted net income or loss per common share and to [Note 7](#) for information regarding the Company’s stock award activity for the periods presented. The following table presents the computations of basic and diluted net income or loss per common share for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
<i>(\$s in thousands)</i>				
Weighted average number of common shares outstanding - basic	66,954,870	54,137,327	63,003,545	53,981,463
Incremental common shares-unvested RSUs	—	160,303	460,118	119,570
Incremental common shares-unvested PSUs	—	287,452	449,493	226,352
Weighted average number of common shares outstanding - diluted	66,954,870	54,585,082	63,913,156	54,327,385
Net (loss) income to common shareholders	\$ (10,227)	\$ 52,414	\$ 27,968	\$ 8,769
Net (loss) income per common share-basic	\$ (0.15)	\$ 0.97	\$ 0.44	\$ 0.16
Net (loss) income per common share-diluted	\$ (0.15)	\$ 0.96	\$ 0.44	\$ 0.16

The calculation of diluted net loss per common share for the three months ended June 30, 2024 excludes unvested RSUs and PSUs of 1,110,206, which would have been anti-dilutive for the period.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

NOTE 3 – MORTGAGE-BACKED SECURITIES

The following tables provide details on the Company's MBS by investment type as of the dates indicated:

<i>(\$ in thousands)</i>	June 30, 2024			December 31, 2023		
	Par Value	Amortized Cost	Fair Value	Par Value	Amortized Cost	Fair Value
Agency RMBS	\$ 6,353,838	\$ 6,326,070	\$ 5,962,418	\$ 6,022,502	\$ 5,993,922	\$ 5,763,532
Agency CMBS	102,299	102,516	97,482	121,293	121,799	115,595
CMBS IO ⁽¹⁾	n/a	139,994	133,239	n/a	167,314	159,718
Non-Agency other	—	—	—	150	150	103
Total	\$ 6,456,137	\$ 6,568,580	\$ 6,193,139	\$ 6,143,945	\$ 6,283,185	\$ 6,038,948

(1) The notional balance for Agency CMBS IO and non-Agency CMBS IO was \$7,321,369 and \$3,167,395, respectively, as of June 30, 2024, and \$7,723,379 and \$3,860,007, respectively, as of December 31, 2023.

<i>(\$ in thousands)</i>	June 30, 2024			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
MBS measured at fair value through OCI:				
Agency RMBS	\$ 863,181	\$ —	\$ (168,488)	\$ 694,693
Agency CMBS	102,516	—	(5,034)	97,482
CMBS IO	101,780	1,359	(5,392)	97,747
Total	\$ 1,067,477	\$ 1,359	\$ (178,914)	\$ 889,922

MBS measured at fair value through net income:				
Agency RMBS	\$ 5,462,889	\$ 13,333	\$ (208,497)	\$ 5,267,725
CMBS IO	38,214	—	(2,722)	35,492
Total	\$ 5,501,103	\$ 13,333	\$ (211,219)	\$ 5,303,217

<i>(\$ in thousands)</i>	December 31, 2023			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
MBS measured at fair value through OCI:				
Agency RMBS	\$ 898,420	\$ —	\$ (148,606)	\$ 749,814
Agency CMBS	106,527	28	(5,159)	101,396
CMBS IO	126,672	1,296	(6,014)	121,954
Non-Agency other	150	—	(47)	103
Total	\$ 1,131,769	\$ 1,324	\$ (159,826)	\$ 973,267

MBS measured at fair value through net income:				
Agency RMBS	\$ 5,095,502	\$ 48,459	\$ (130,243)	\$ 5,013,718
Agency CMBS	15,272	—	(1,073)	14,199
CMBS IO	40,642	2	(2,880)	37,764
Total	\$ 5,151,416	\$ 48,461	\$ (134,196)	\$ 5,065,681

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

The majority of the Company's MBS are pledged as collateral for the Company's repurchase agreements, which are disclosed in [Note 4](#). Actual maturities of MBS are affected by the contractual lives of the underlying mortgage collateral, periodic payments of principal, prepayments of principal, and the payment priority structure of the security; therefore, actual maturities are generally shorter than the securities' stated contractual maturities.

The following table presents information regarding unrealized gains and losses on investments reported within net income (loss) on the Company's consolidated statements of comprehensive income (loss) for the periods indicated:

<i>(\$s in thousands)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Agency RMBS	\$ (43,705)	\$ 1,254	\$ (113,381)	\$ 57,033
Agency CMBS	1,263	(275)	1,073	(37)
CMBS IO	351	(466)	157	626
Other investments	114	(25)	150	(13)
Total unrealized gain (loss) on investments, net	\$ (41,977)	\$ 488	\$ (112,001)	\$ 57,609

The following table presents information regarding realized gains and losses on sales of MBS reported in the Company's consolidated statements of comprehensive income (loss) for the periods indicated:

<i>(\$s in thousands)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Realized losses on sales of MBS - FVO	\$ (1,506)	\$ (51,601)	\$ (1,506)	\$ (74,916)
Total realized loss on sales of investments, net	\$ (1,506)	\$ (51,601)	\$ (1,506)	\$ (74,916)

The following table presents certain information for MBS designated as AFS that were in an unrealized loss position as of the dates indicated:

<i>(\$s in thousands)</i>	June 30, 2024			December 31, 2023		
	Fair Value	Gross Unrealized Losses	# of Securities	Fair Value	Gross Unrealized Losses	# of Securities
	Continuous unrealized loss position for less than 12 months:					
Agency MBS	\$ 6,309	\$ (263)	7	\$ 3,926	\$ (149)	4
Non-Agency MBS	164	(3)	1	1,736	(37)	8
Continuous unrealized loss position for 12 months or longer:						
Agency MBS	\$ 862,038	\$ (178,136)	70	\$ 932,682	\$ (158,651)	78
Non-Agency MBS	11,397	(512)	24	21,704	(989)	41

The unrealized losses on the Company's MBS designated as AFS were the result of rising interest rates and declines in market prices and were not credit related; therefore, the Company did not have any allowance for credit losses as of June 30, 2024 or December 31, 2023. Although the unrealized losses are not credit related, the Company assesses its ability and intent to hold any MBS with an unrealized loss until the recovery in its value. This assessment is based on the amount of the unrealized loss and significance of the related investment as well as the Company's leverage and liquidity position. In addition, for its non-Agency MBS, the Company reviews the credit

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

ratings, the credit characteristics of the mortgage loans collateralizing these securities, and the estimated future cash flows including projected collateral losses.

NOTE 4 – REPURCHASE AGREEMENTS

The Company’s repurchase agreements outstanding as of June 30, 2024 and December 31, 2023 are summarized in the following tables:

Collateral Type	June 30, 2024			December 31, 2023		
	Balance	Weighted Average Rate	Fair Value of Collateral Pledged	Balance	Weighted Average Rate	Fair Value of Collateral Pledged
<i>(\$s in thousands)</i>						
Agency RMBS	\$ 5,284,233	5.46 %	\$ 5,562,905	\$ 5,130,438	5.59 %	\$ 5,613,212
Agency CMBS	92,472	5.45 %	96,046	104,495	5.60 %	113,753
Agency CMBS IO	103,281	5.75 %	113,334	120,979	5.83 %	127,823
Non-Agency CMBS IO	14,442	6.17 %	15,863	25,192	6.25 %	25,959
Total	<u>\$ 5,494,428</u>	<u>5.46 %</u>	<u>\$ 5,788,148</u>	<u>\$ 5,381,104</u>	<u>5.59 %</u>	<u>\$ 5,880,747</u>

The Company had borrowings outstanding under 28 different repurchase agreements as of June 30, 2024, and its equity at risk did not exceed 10% with any counterparty as of that date. The Company received noncash collateral with a fair value of \$2.4 million pledged by its counterparties to compensate the Company for the increase in fair value of collateral previously pledged in excess of required margin related to its repurchase agreement borrowings outstanding as of June 30, 2024. In accordance with Accounting Standards Codification (“ASC”) Topic 860, the fair value of this noncash collateral is not recorded on the Company’s consolidated balance sheet unless the Company re-pledges the collateral or sells the collateral in the event of default by the counterparty. The Company had not re-pledged any of the noncash collateral pledged by its counterparties as of June 30, 2024.

The following table provides information on the remaining term to maturity and original term to maturity for the Company’s repurchase agreements as of the dates indicated:

Remaining Term to Maturity	June 30, 2024			December 31, 2023		
	Balance	Weighted Average Rate	WAVG Original Term to Maturity	Balance	Weighted Average Rate	WAVG Original Term to Maturity
<i>(\$s in thousands)</i>						
Less than 30 days	\$ 2,350,410	5.46 %	99	\$ 2,855,917	5.61 %	92
30 to 90 days	3,015,537	5.47 %	89	2,525,187	5.58 %	86
91 to 180 days	128,481	5.43 %	113	—	— %	—
Total	<u>\$ 5,494,428</u>	<u>5.46 %</u>	<u>94</u>	<u>\$ 5,381,104</u>	<u>5.59 %</u>	<u>89</u>

The Company’s accrued interest payable related to its repurchase agreement borrowings increased to \$54.6 million as of June 30, 2024 from \$53.2 million as of December 31, 2023.

The Company’s counterparties, as set forth in the master repurchase agreement with the counterparty, require the Company to comply with various customary operating and financial covenants, including, but not limited to, minimum net worth, maximum declines in net worth in a given period, and maximum leverage requirements as well as maintaining the Company’s REIT status. In addition, some of the agreements contain cross default features, whereby default under an agreement with one lender simultaneously causes default under agreements with other lenders. To the extent that the Company fails to comply with the covenants contained in these financing agreements or is otherwise found to be in default under the terms of such agreements, the counterparty has the right to accelerate

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

amounts due under the master repurchase agreement. The Company believes it was in full compliance with all covenants in master repurchase agreements under which there were amounts outstanding as of June 30, 2024.

The Company's repurchase agreements are subject to underlying agreements with master netting or similar arrangements, which provide for the right of setoff in the event of default or in the event of bankruptcy of either party to the transactions. The Company reports its repurchase agreements to these arrangements on a gross basis. The following table presents information regarding the Company's repurchase agreements as if the Company had presented them on a net basis as of June 30, 2024 and December 31, 2023:

<i>(\$s in thousands)</i>			Gross Amount Not Offset in the Balance Sheet ⁽¹⁾			
	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Balance Sheet	Net Amount of Liabilities Presented in the Balance Sheet	Financial Instruments Posted as Collateral	Cash Posted as Collateral	Net Amount
June 30, 2024:						
Repurchase agreements	\$ 5,494,428	\$ —	\$ 5,494,428	\$ (5,494,428)	\$ —	\$ —
December 31, 2023:						
Repurchase agreements	\$ 5,381,104	\$ —	\$ 5,381,104	\$ (5,381,104)	\$ —	\$ —

(1) Amounts disclosed for collateral received by or posted to the same counterparty include cash and the fair value of MBS up to and not exceeding the net amount of the repurchase agreement liability presented in the balance sheet. The fair value of the total collateral received by or posted to the same counterparty may exceed the amounts presented. Please refer to the consolidated balance sheets for the total fair value of financial instruments pledged as collateral for derivatives and repurchase agreements, which is shown parenthetically, and the total cash pledged or received as collateral, which is disclosed as "cash collateral posted to/by counterparties."

Please see [Note 5](#) for information related to the Company's derivatives, which are also subject to underlying agreements with master netting or similar arrangements.

NOTE 5 – DERIVATIVES

Types and Uses of Derivatives Instruments

Interest Rate Derivatives. During the periods presented herein, the Company used short positions in U.S. Treasury futures, interest rate swaps, and put options on U.S. Treasury futures to mitigate the impact of changing interest rates on its repurchase agreement financing costs and the fair value of its investments.

TBA Transactions. The Company purchases TBA securities as a means of investing in non-specified fixed-rate Agency RMBS and may also periodically sell TBA securities as a means of economically hedging its exposure to Agency RMBS. The Company holds long or short positions in TBA securities by executing a series of transactions, commonly referred to as "dollar roll" transactions, which effectively delay the settlement of a forward purchase (or sale) of a non-specified Agency RMBS by entering into an offsetting TBA position, net settling the paired-off positions in cash, and simultaneously entering into an identical TBA long (or short) position with a later settlement date. TBA securities purchased (or sold) for a forward settlement date are generally priced at a discount relative to TBA securities settling in the current month. This discount, often referred to as "drop income" represents the economic equivalent of net interest income (interest income less implied financing cost) on the underlying Agency security from trade date to settlement date. The Company accounts for all TBAs (whether net long or net short positions, or collectively "TBA dollar roll positions") as derivative instruments because it cannot assert that it is probable at inception and throughout the term of an individual TBA transaction that its settlement will result in physical delivery of the underlying Agency RMBS, or that the individual TBA transaction will settle in the shortest period possible.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

The table below provides detail of the Company's gain and losses by type of derivative instrument for the periods indicated:

Type of Derivative Instrument	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
<i>(\$ in thousands)</i>				
U.S. Treasury futures	\$ 64,210	\$ 171,219	\$ 204,021	\$ 64,846
Interest rate swaps	(90)	—	(90)	—
Put options on U.S. Treasury futures	—	(1,211)	—	(5,468)
TBA securities-long positions	(22,985)	(53,996)	(38,160)	(10,633)
Gain on derivative instruments, net	<u>\$ 41,135</u>	<u>\$ 116,012</u>	<u>\$ 165,771</u>	<u>\$ 48,745</u>

The table below provides the carrying amount by type of derivative instrument comprising the Company's derivative assets and liabilities on its consolidated balance sheets as of the dates indicated:

Type of Derivative Instrument	Balance Sheet Location	Purpose	June 30, 2024	December 31, 2023
<i>(\$ in thousands)</i>				
TBA securities	Derivative assets	Investing	\$ 8,461	\$ 54,361
Total derivatives assets			<u>\$ 8,461</u>	<u>\$ 54,361</u>
TBA securities	Derivative liabilities	Investing	\$ 2,032	\$ —
Total derivatives liabilities			<u>\$ 2,032</u>	<u>\$ —</u>

The Company entered into a 7-year interest rate swap during the three months ended June 30, 2024 with a notional amount of \$10.0 million, a pay fixed rate of 4.15%, and a SOFR-based variable receive rate.

Because the daily margin exchanged for the Company's U.S. Treasury futures and interest rate swaps are considered legal settlement of the derivative as opposed to a pledge of collateral, these instruments have a carrying value of \$0 on the Company's consolidated balance sheets. The Company's U.S. Treasury futures were in a liability position of \$(34.2) million as of June 30, 2024 and \$(219.9) million as of December 31, 2023, and its interest rate swaps were in a liability position of \$(0.1) million as of June 30, 2024 and \$0 as of December 31, 2023. The amount of cash posted by the Company to cover required initial margin for these instruments was \$122.2 million as of June 30, 2024 and \$118.2 million as of December 31, 2023, which was recorded within "cash collateral posted to counterparties." The Company had a margin excess of \$20.4 million as of June 30, 2024 and \$1.3 million as of December 31, 2023, which was recorded within "due from counterparties."

The following table summarizes information about the Company's long positions in TBA securities as of the dates indicated:

<i>(\$ in thousands)</i>	June 30, 2024	December 31, 2023
Implied market value ⁽¹⁾	\$ 2,662,350	\$ 1,381,702
Implied cost basis ⁽²⁾	2,655,920	1,327,341
Net carrying value ⁽³⁾	<u>\$ 6,430</u>	<u>\$ 54,361</u>

(1) Implied market value represents the estimated fair value of the underlying Agency MBS as of the dates indicated.

(2) Implied cost basis represents the forward price to be paid for the underlying Agency MBS as of the dates indicated.

(3) Net carrying value is the amount included on the consolidated balance sheets within "derivative assets" and "derivative liabilities" and represents the difference between the implied market value and the implied cost basis of the TBA securities as of the dates indicated.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

Volume of Activity

The table below summarizes changes in the Company's derivative instruments for the six months ended June 30, 2024:

Type of Derivative Instrument	Beginning Notional Amount-Long (Short)	Additions	Settlements, Terminations, or Pair-Offs	Ending Notional Amount-Long (Short)
<i>(\$ in thousands)</i>				
U.S. Treasury futures	\$ (4,880,000)	\$ (11,035,000)	\$ 10,520,000	\$ (5,395,000)
Interest rate swaps	—	(10,000)	—	(10,000)
TBA securities	1,403,000	12,447,000	(11,111,000)	2,739,000

Offsetting

The Company's derivatives are subject to underlying agreements with master netting or similar arrangements, which provide for the right of setoff in the event of default or in the event of bankruptcy of either party to the transactions. The Company reports its derivative assets and liabilities subject to these arrangements on a gross basis. Please see [Note 4](#) for information related to the Company's repurchase agreements, which are also subject to underlying agreements with master netting or similar arrangements. The following tables present information regarding those derivative assets and liabilities subject to such arrangements as if the Company had presented them on a net basis as of June 30, 2024 and December 31, 2023:

<i>(\$ in thousands)</i>	Offsetting of Assets					
	Gross Amount of Recognized Assets	Gross Amount Offset in the Balance Sheet	Net Amount of Assets Presented in the Balance Sheet	Gross Amount Not Offset in the Balance Sheet ⁽¹⁾		
				Financial Instruments Received as Collateral	Cash Received as Collateral	Net Amount
June 30, 2024						
TBA securities	\$ 8,461	\$ —	\$ 8,461	\$ (2,032)	\$ (6,311)	\$ 118
Derivative assets	\$ 8,461	\$ —	\$ 8,461	\$ (2,032)	\$ (6,311)	\$ 118
December 31, 2023						
TBA securities	\$ 54,361	\$ —	\$ 54,361	\$ —	\$ (44,153)	\$ 10,208
Derivative assets	\$ 54,361	\$ —	\$ 54,361	\$ —	\$ (44,153)	\$ 10,208

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

Offsetting of Liabilities

(\$s in thousands)	Gross Amount Not Offset in the Balance Sheet ⁽¹⁾					
	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Balance Sheet	Net Amount of Liabilities Presented in the Balance Sheet	Financial Instruments Posted as Collateral	Cash Posted as Collateral	Net Amount
June 30, 2024						
TBA securities	\$ 2,032	\$ —	\$ 2,032	\$ (2,032)	\$ —	\$ —
Derivative liabilities	\$ 2,032	\$ —	\$ 2,032	\$ (2,032)	\$ —	\$ —
December 31, 2023						
TBA securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Derivative liabilities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

(1) Amounts disclosed for collateral received by or posted to the same counterparty include cash and the fair value of MBS up to and not exceeding the net amount of the derivative asset or liability presented in the balance sheet. The fair value of the total collateral received by or posted to the same counterparty may exceed the amounts presented. Please refer to the consolidated balance sheets for the total fair value of financial instruments pledged as collateral for derivatives and repurchase agreements, which is shown parenthetically, and the total cash pledged or received as collateral which is disclosed as "cash collateral posted to/by counterparties."

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on the assumptions market participants would use when pricing an asset or liability and also considers all aspects of nonperformance risk, including the entity's own credit standing, when measuring fair value of a liability. ASC Topic 820 established a valuation hierarchy of three levels as follows:

- Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date.
- Level 2 – Inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs either directly observable or indirectly observable through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- Level 3 – Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best estimate of how market participants would price the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The following table presents the Company's financial instruments that are measured at fair value on the Company's consolidated balance sheet by their valuation hierarchy levels as of the dates indicated:

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

(\$s in thousands)	June 30, 2024			December 31, 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
MBS	\$ —	\$ 6,193,139	\$ —	\$ —	\$ 6,038,845	\$ 103
TBA securities ⁽¹⁾	—	8,461	—	—	54,361	—
Mortgage loans	—	—	1,412	—	—	1,793
Total assets	\$ —	\$ 6,201,600	\$ 1,412	\$ —	\$ 6,093,206	\$ 1,896
Liabilities:						
TBA securities ⁽¹⁾	\$ —	\$ 2,032	\$ —	\$ —	\$ —	\$ —
Total liabilities	\$ —	\$ 2,032	\$ —	\$ —	\$ —	\$ —

(1) TBA securities are reflected on consolidated balance sheets at their implied fair value, net of implied cost basis. Please refer to [Note 5](#) for additional information.

The fair value measurements for the Company's TBA securities and the majority of its MBS are considered Level 2 because there are substantially similar securities actively trading or for which there has been recent trading activity in their respective markets and are based on prices received from a pricing service. In valuing a security, the pricing service primarily uses a market approach, which uses observable prices and other relevant information that is generated by market transactions of identical or similar securities, but may use an income approach, which uses valuation techniques such as discounted cash flow modeling. The Company reviews the prices it receives from the pricing service as well as the assumptions and inputs, if any, utilized by the pricing service for reasonableness. Examples of the observable inputs and assumptions include market interest rates, credit spreads, and projected prepayment speeds, among other things. In addition, the prices received from the pricing service are assessed for reasonableness using broker quotes as well as other third-party pricing services.

The Company's mortgage loans held for investment are single-family mortgage loans, which were originated or purchased by the Company prior to 2000, and for which the Company has elected the fair value option. The fair value measurements for these mortgage loans and certain non-Agency MBS are considered Level 3 assets because there has been no recent trading activity of similar instruments upon which their fair value can be measured. The fair value for these Level 3 assets is measured by discounting the estimated future cash flows derived from cash flow models using certain inputs such as the security's credit rating, coupon rate, estimated prepayment speeds, expected weighted average life, collateral composition, and expected credit losses as well as certain other relevant information. The Company used a constant prepayment rate assumption of 10%, default rate of 2%, loss severity of 20%, and a discount rate of 10.2% in measuring the fair value of its Level 3 assets as of June 30, 2024.

The Company's short positions in U.S. Treasury futures contracts are valued based on exchange pricing and are classified accordingly as Level 1 measurements. Interest rate swaps are valued using the daily settlement price, or fair value, determined by the clearing exchange based on a pricing model that references observable market inputs, including current benchmark rates and the forward yield curve, and thus their fair values are considered Level 2 measurements. The carrying value of the U.S. Treasury futures contracts and interest rate swaps on the Company's consolidated balance sheets is \$0 because the instruments require daily margin exchanges, which are considered by the settlement agent to represent legal settlement of the contracts on a daily basis.

NOTE 7 – SHAREHOLDERS' EQUITY AND SHARE-BASED COMPENSATION

Preferred Stock. The Company's Board of Directors has designated 6,600,000 shares of the Company's preferred stock for issuance as Series C Preferred Stock, of which the Company has 4,460,000 of such shares outstanding as of June 30, 2024. The Series C Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption, and will remain outstanding indefinitely unless redeemed, repurchased, or converted into common stock pursuant to the terms of the Series C Preferred Stock. Except under certain limited circumstances

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

described in Article IIIC of the Company's Restated Articles of Incorporation, the Company may not redeem the Series C Preferred Stock prior to April 15, 2025. On or after that date, the Series C Preferred Stock may be redeemed at any time and from time to time at the Company's option at a cash redemption price of \$25.00 per share plus any accumulated and unpaid dividends. Because the Series C Preferred Stock is redeemable only at the option of the issuer, it is classified as equity on the Company's consolidated balance sheet.

The Series C Preferred Stock pays a cumulative cash dividend equivalent to 6.900% of the \$25.00 liquidation preference per share each year until April 15, 2025. The terms of the Series C Preferred Stock state that upon April 15, 2025 and thereafter, the Company will pay cumulative cash dividends at a percentage of the \$25.00 liquidation value per share equal to an annual floating rate of 3-month LIBOR plus a spread of 5.461%. When 3-month LIBOR ceases to be published, the fallback provision provided in the terms of the Series C Preferred Stock will allow for the Company to appoint a third-party independent financial institution of national standing to select an industry accepted alternative base rate. The Company paid its regular quarterly dividend of \$0.43125 per share of Series C Preferred Stock on July 15, 2024 to shareholders of record as of July 1, 2024.

Common Stock. During the six months ended June 30, 2024, the Company issued 10,500,000 shares of its common stock through a public offering, resulting in proceeds of \$124.5 million, net of issuance costs, and issued 7,016,225 shares of its common stock through its at-the-market ("ATM") program at an aggregate value of \$86.9 million, net of broker commissions and fees. The Company declared common dividends of \$0.39 on its common stock for the three months ended June 30, 2024. The Company's timing, frequency, and amount of dividends declared on its common stock are determined by its Board of Directors. When declaring dividends, the Board of Directors considers the Company's taxable income, the REIT distribution requirements of the Tax Code, and maintaining compliance with dividend requirements of the Series C Preferred Stock, along with other factors that the Board of Directors may deem relevant from time to time.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

Share-Based Compensation. The following table presents a rollforward of share-based awards for the periods indicated:

Type of Award	Six Months Ended June 30,			
	2024		2023	
	Shares	Weighted Average Grant Date Fair Value Per Share	Shares	Weighted Average Grant Date Fair Value Per Share
Restricted stock:				
Awards outstanding, beginning of period	104,282	\$ 12.61	133,951	\$ 15.22
Granted	65,668	12.56	74,017	11.27
Vested	(76,355)	12.37	(36,573)	16.75
Awards outstanding, end of period	<u>93,595</u>	<u>\$ 12.78</u>	<u>171,395</u>	<u>\$ 13.19</u>
Target RSUs: ⁽¹⁾				
Awards outstanding, beginning of period	394,497	\$ 13.06	86,666	\$ 16.57
Granted	214,755	12.50	106,850	11.97
Vested	(68,896)	14.42	(33,213)	16.96
Awards outstanding, end of period	<u>540,356</u>	<u>\$ 12.66</u>	<u>160,303</u>	<u>\$ 13.42</u>
Target PSUs: ⁽²⁾				
Awards outstanding, beginning of period	276,866	\$ 13.17	201,284	\$ 16.60
Granted	322,132	12.50	160,277	11.97
Vested	—	—	—	—
Awards outstanding, end of period	<u>598,998</u>	<u>\$ 12.81</u>	<u>361,561</u>	<u>\$ 16.60</u>

(1) The number of RSUs shown represent the target number of awards. Actual number of shares that will potentially settle may range from 0% if the recipient's service-based vesting condition is not met to 100% if the service-based vesting condition is met.

(2) The number of PSUs shown represent the target number of awards. Actual number of shares that will potentially settle may range from 0% to 200% based on the achievement of the performance goals defined in each grant award.

As of June 30, 2024, the Company expects 95% of the remaining target PSUs will be settled on their vesting dates.

The Company has DERs accrued for RSUs and PSUs of \$0.6 million and \$0.8 million, respectively, as of June 30, 2024 compared to \$0.4 million and \$0.8 million, respectively, as of December 31, 2023, which is included on the Company's consolidated balance sheet within "accrued dividends payable."

Total share-based compensation expense recognized by the Company for the three and six months ended June 30, 2024 was \$0.9 million and \$5.2 million compared to \$1.1 million and \$2.1 million for the three and six months ended June 30, 2023. The increase in share-based compensation for the three and six months ended June 30, 2024 is due to accelerated recognition of expense for certain stock incentive awards granted in March 2024 to

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DYNEX CAPITAL, INC.

retirement eligible employees. The following table discloses the Company’s remaining compensation expense related to stock awards it has granted as of June 30, 2024, which will be amortized over the period disclosed:

<i>(\$s in thousands)</i>	June 30, 2024	
	Remaining Compensation Cost	WAVG Period of Recognition
Restricted stock	\$ 975	1.5 years
RSUs	3,932	2.2 years
PSUs	2,514	2.2 years
Total	\$ 7,421	2.1 years

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our unaudited consolidated financial statements and the accompanying notes included in Part I, Item 1, “Financial Statements” in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the accompanying notes included in Part II, Item 8, “Financial Statements and Supplementary Data” in our 2023 Form 10-K. References herein to “Dynex,” the “Company,” “we,” “us,” and “our” include Dynex Capital, Inc. and its consolidated subsidiaries, unless the context otherwise requires. In addition to current and historical information, the following discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our future business, financial condition, or results of operations. For a description of certain factors that may have a significant impact on our future business, financial condition, or results of operations, see “Forward-Looking Statements” at the end of this discussion and analysis.

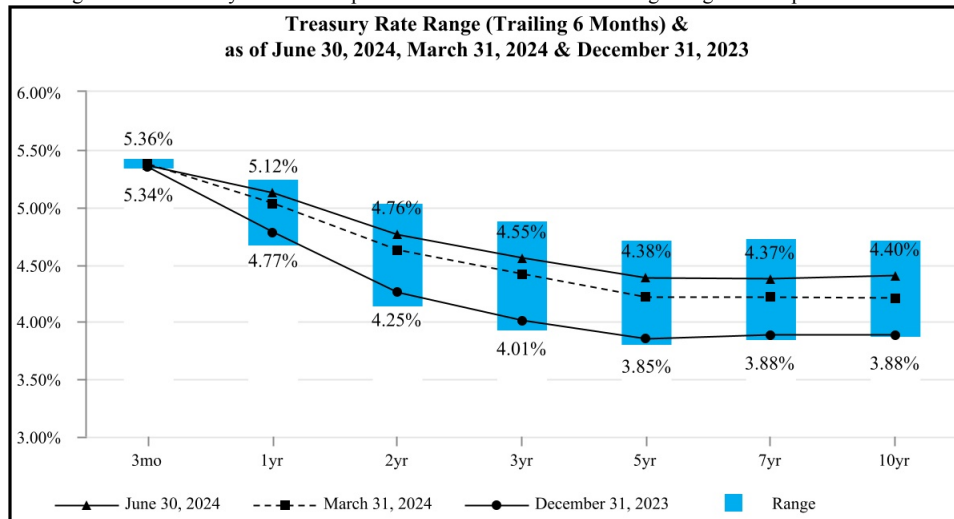
For more information about our business including our operating policies, investment philosophy and strategy, financing and hedging strategies, and other important information, please refer to Part I, Item 1, “Business” of our 2023 Form 10-K.

EXECUTIVE OVERVIEW

With continued strong economic and employment news, the U.S. Federal Funds rate cuts anticipated at the beginning of 2024 have shifted to later in 2024, with some forecasters not predicting any Federal Funds rate cuts until 2025. This change in sentiment resulted in the back end of the yield curve increasing during the first and second quarters of 2024, with the 10-year U.S. Treasury closing at 4.40% as of June 30, 2024. Given economic and election uncertainty, the mortgage spreads to U.S. Treasuries were wider as of June 30, 2024 compared to December 31, 2023 and March 31, 2024. The bright spot in MBS markets this quarter was a decline in volatility compared to the last two years.

Market Data

The charts below show the range of U.S. Treasury rates for the past six months and information regarding market spreads as of and for the periods indicated:



Investment Type:	Market Spreads as of:			Change in Spreads YTD
	June 30, 2024	March 31, 2024	December 31, 2023	
Agency RMBS: ⁽¹⁾				
2.0% coupon	86	84	76	10
2.5% coupon	87	84	78	9
4.0% coupon	78	74	74	4
4.5% coupon	73	71	73	—
5.0% coupon	67	68	69	(2)
5.5% coupon	68	65	66	2
6.0% coupon	65	62	60	5
Agency DUS (Agency CMBS) ⁽²⁾	66	65	76	(10)
Freddie K AAA IO (Agency CMBS IO) ⁽²⁾	150	165	180	(30)
AAA CMBS IO (Non-Agency CMBS IO) ⁽²⁾	135	168	225	(90)

(1) Option adjusted spreads (“OAS”) are based on Company estimates using third-party models and market data. OAS shown for prior periods may differ from previous disclosures because the Company regularly updates the third-party model used.

(2) Data represents the spread to swap rate on newly issued securities and is sourced from J.P. Morgan.

Summary of Results

This quarter we raised capital of \$124.7 million through one public offering and ATM issuances, which we partially deployed into purchases of \$551.1 million in specified pools of higher coupon Agency RMBS. We are reserving a portion of the proceeds from this quarter's capital raise in order to navigate through potential volatility and to deploy into additional investments as spreads widen during the remainder of 2024. We continue to believe equilibrium spreads will decrease from current levels, which will benefit our book value.

Total economic loss was \$(0.31) per common share for the second quarter of 2024, comprised of a \$(0.70) decline in book value per common share offset by dividends declared of \$0.39 per common share. The decline in book value was primarily due to widening of spreads between Agency RMBS and U.S. Treasuries. The 10-year U.S. Treasury rate also increased during the second quarter, but the decline in fair value of our investments was offset by the gains from our hedging portfolio. In addition to spread widening, our capital raised during the second quarter also contributed to the decline in book value.

The following table summarizes the changes in the Company's financial position during the second quarter of 2024:

<i>(\$s in thousands except per share data)</i>	Net Change in Fair Value	Components of Comprehensive Income	Common Book Value Rollforward	Per Common Share
Balance as of March 31, 2024 ⁽¹⁾			\$ 847,032	\$ 13.20
Net interest income		\$ 1,287		
G & A and other operating expenses		(7,243)		
Preferred stock dividends		(1,923)		
Changes in fair value:				
MBS and loans	\$ (45,269)			
TBAs	(22,985)			
U.S. Treasury futures	64,210			
Interest rate swaps	(90)			
Total net change in fair value		(4,134)		
Comprehensive loss to common shareholders			(12,013)	
Capital transactions:				
Net proceeds from stock issuance ⁽²⁾			125,568	
Common dividends declared			(26,824)	
Balance as of June 30, 2024 ⁽¹⁾			<u>\$ 933,763</u>	<u>\$ 12.50</u>

(1) Amounts represent total shareholders' equity less the aggregate liquidation preference of the Company's preferred stock of \$111.5 million, in thousands and on a per common share basis.

(2) Net proceeds from stock issuance include \$124.7 million from the common stock ATM program and one public offering, and \$0.9 million from amortization of share-based compensation, net of grants.

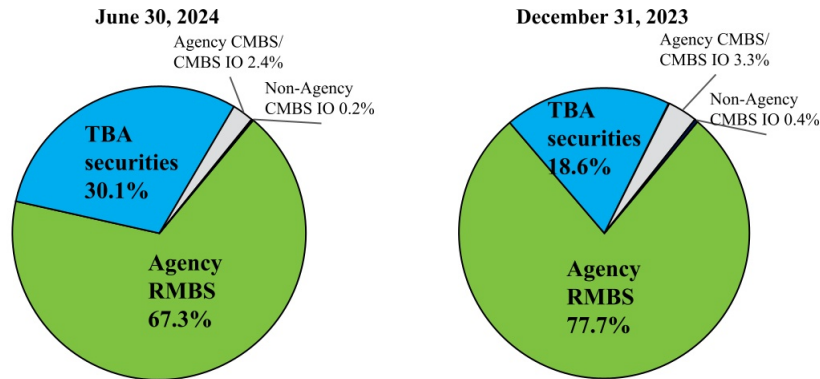
Current Outlook

Geopolitical risk and the U.S. election remain high on our list for evaluating investment opportunities. Over the medium and long-term, we continue to expect tighter equilibrium spreads for Agency MBS and, in the absence of severe disruptions, would regard any short-term widening as opportunities for new investment, which is why we added capital this quarter. The opportunistic capital raise in the second quarter positions Dynex to invest during any period of higher volatility and potential spread widening. We expect to continue adding higher yielding assets, which will improve the carry of the portfolio. Any reduction in Federal Funds rate will reduce our financing costs. Moreover, we expect that as the Federal Reserve normalizes policy rates to a modestly lower level, Agency MBS spread to U.S. Treasuries will tighten to a long-term equilibrium level that is tighter than those of the last year, benefiting our book value.

FINANCIAL CONDITION

Investment Portfolio

Our investment portfolio (including TBAs) as of June 30, 2024 has increased approximately 19% compared to December 31, 2023. The following charts compare the composition of our MBS portfolio including TBA securities as of the dates indicated:



We have purchased approximately \$551.1 million in specified pools of higher coupon Agency RMBS during the six months ended June 30, 2024. The following tables compare our fixed-rate Agency RMBS investments, including TBA dollar roll positions, as of the dates indicated:

June 30, 2024									
Coupon	Par/Notional	Amortized Cost/ Implied Cost Basis ⁽¹⁾⁽³⁾	Fair Value ⁽²⁾⁽³⁾	Weighted Average					
				Loan Age (in months) ⁽⁴⁾	3 Month CPR ⁽⁴⁾⁽⁵⁾	Estimated Duration ⁽⁶⁾	Market Yield ⁽⁷⁾		
<i>(\$s in thousands)</i>									
30-year fixed-rate:									
2.0%	\$ 682,622	\$ 694,032	\$ 543,906	45	5.1 %	6.61	5.22 %		
2.5%	583,629	606,011	485,088	46	7.4 %	6.46	5.19 %		
4.0%	340,558	341,108	315,611	39	6.3 %	5.81	5.19 %		
4.5%	1,387,896	1,354,024	1,317,480	21	5.8 %	5.49	5.28 %		
5.0%	1,996,271	1,962,675	1,941,874	15	6.5 %	4.78	5.43 %		
5.5%	1,073,941	1,075,494	1,066,340	11	6.2 %	4.16	5.62 %		
6.0%	288,922	292,725	292,118	7	5.2 %	3.36	5.78 %		
TBA 4.0%	262,000	242,335	240,303	n/a	n/a	6.28	5.13 %		
TBA 4.5%	183,000	172,407	172,821	n/a	n/a	5.44	5.30 %		
TBA 5.0%	275,000	266,268	266,310	n/a	n/a	4.60	5.47 %		
TBA 5.5%	1,982,000	1,937,852	1,945,775	n/a	n/a	3.75	5.71 %		
TBA 6.0%	37,000	37,058	37,142	n/a	n/a	2.78	5.88 %		
Total	\$ 9,092,839	\$ 8,981,989	\$ 8,624,768	22	6.2 %	4.88	5.45 %		

December 31, 2023

Coupon	Par/Notional	Amortized Cost/ Implied Cost Basis ⁽¹⁾⁽³⁾	Fair Value ⁽²⁾⁽³⁾	Weighted Average			
				Loan Age (in months) ⁽⁴⁾	3 Month CPR ⁽⁴⁾⁽⁵⁾	Estimated Duration ⁽⁶⁾	Market Yield ⁽⁷⁾
30-year fixed-rate:		(\$s in thousands)					
2.0%	\$ 708,528	\$ 720,611	\$ 586,361	39	4.4 %	6.81	4.60 %
2.5%	608,580	632,343	525,018	40	4.5 %	6.62	4.59 %
4.0%	354,382	354,965	339,212	34	5.5 %	5.65	4.67 %
4.5%	1,383,019	1,350,697	1,348,108	15	5.0 %	5.08	4.88 %
5.0%	2,070,473	2,035,088	2,057,309	9	4.7 %	4.24	5.10 %
5.5%	897,520	900,218	907,524	8	5.0 %	3.58	5.29 %
TBA 4.0%	262,000	240,641	248,040	n/a	n/a	5.89	4.72 %
TBA 4.5%	223,000	210,940	216,415	n/a	n/a	4.75	4.92 %
TBA 5.0%	518,000	490,466	512,982	n/a	n/a	3.98	5.15 %
TBA 5.5%	200,000	191,926	201,047	n/a	n/a	2.81	5.36 %
TBA 6.0%	200,000	193,369	203,219	n/a	n/a	2.15	5.37 %
Total	\$ 7,425,502	\$ 7,321,264	\$ 7,145,235	17	4.8 %	4.72	4.98 %

(1) Implied cost basis of TBAs represents the forward price to be paid for the underlying Agency MBS.

(2) Fair value of TBAs is the implied market value of the underlying Agency security as of the end of the period.

(3) TBAs are included on the consolidated balance sheet within "derivative assets/liabilities" at their net carrying value which is the difference between their implied market value and implied cost basis. Please refer to Note 5 of the Notes to the Consolidated Financial Statements for additional information.

(4) TBAs are excluded from this calculation as they do not have a defined weighted-average loan balance or age until mortgages have been assigned to the pool.

(5) Constant prepayment rate ("CPR") represents the 3-month CPR of Agency RMBS held as of date indicated.

(6) Duration measures the sensitivity of a security's price to the change in interest rates and represents the percent change in price of a security for a 100-basis point increase in interest rates. We calculate duration using third-party financial models and empirical data. Different models and methodologies can produce different estimates of duration for the same securities.

(7) Represents the weighted average market yield projected using cash flows generated off the forward curve based on market prices as of the date indicated and assuming zero volatility.

Less than 3% of our MBS portfolio as of June 30, 2024 is comprised of Agency CMBS, Agency CMBS IO, and non-Agency CMBS IO. Our Agency CMBS and Agency CMBS IO are backed by loans collateralized by multifamily properties, which have performed well for the last decade versus other sectors of the commercial real estate market. Our Agency CMBS IO are Class X1 from Freddie Mac Series K deals from which interest continues to be advanced even in the event of an underlying default up until liquidation. According to Freddie Mac, 99.8% of the loans in K-deals are current as of May 2024. Our non-Agency CMBS IO were all originated prior to 2018 with a weighted average remaining life of less than 2 years. The underlying loans for the non-Agency CMBS IO securities are collateralized by a number of different property types including: 27% retail, 26% office, 16% multifamily, 12% hotel and 19% all other real estate categories. In the current macroeconomic environment, we are not actively purchasing CMBS or CMBS IO as current risk versus reward remains unattractive relative to Agency RMBS.

The following table provides certain information regarding our CMBS and CMBS IO as of the dates indicated:

(\$s in thousands)	June 30, 2024			
	Amortized Cost	Fair Value	WAVG Life Remaining ⁽¹⁾	WAVG Market Yield ⁽²⁾
Agency CMBS	\$ 102,516	\$ 97,482	3.0	5.02 %
Agency CMBS IO	124,184	116,853	5.9	7.05 %
Non-Agency CMBS IO	15,810	16,386	1.4	27.22 %
Total	<u>\$ 242,510</u>	<u>\$ 230,721</u>		

(\$s in thousands)	December 31, 2023			
	Amortized Cost	Fair Value	WAVG Life Remaining ⁽¹⁾	WAVG Market Yield ⁽²⁾
Agency CMBS	\$ 121,799	\$ 115,595	4.1	4.74 %
Agency CMBS IO	140,824	133,302	5.9	5.19 %
Non-Agency CMBS IO	26,490	26,416	1.1	13.32 %
Total	<u>\$ 289,113</u>	<u>\$ 275,313</u>		

(1) Represents the weighted average life remaining in years based on contractual cash flows as of the dates indicated.

(2) Represents the weighted average market yield projected using cash flows generated off the forward curve based on market prices as of the dates indicated and assuming zero volatility.

Repurchase Agreements

We have not experienced any difficulty in securing financing with any of our counterparties, and our repurchase agreement counterparties have not indicated any concerns regarding leverage or credit. Please refer to [Note 4](#) of the Notes to the Consolidated Financial Statements contained within this Quarterly Report on Form 10-Q as well as “Results of Operations” and “Liquidity and Capital Resources” contained within this Item 2 for additional information relating to our repurchase agreement borrowings.

Derivative Assets and Liabilities

The table below discloses details on the Company's interest rate hedges held as of June 30, 2024 compared to hedging portfolio held as of December 31, 2023:

Notional Amount Long (Short)	June 30, 2024	December 31, 2023
(\$s in thousands)		
30-year U.S. Treasury futures	\$ (825,000)	\$ (700,000)
10-year U.S. Treasury futures	(4,570,000)	(4,180,000)
Interest rate swaps	(10,000)	—

Please refer to [Note 5](#) of the Notes to the Consolidated Financial Statements for details on our interest rate hedging instruments as well as “Quantitative and Qualitative Disclosures about Market Risk” in Item 3 of this Quarterly Report on Form 10-Q.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2024 Compared to the Three Months Ended March 31, 2024

The following table summarizes the results of operations for the periods discussed in this section:

<i>\$s in thousands</i>	Three Months Ended	
	June 30, 2024	March 31, 2024
Net interest income (expense)	\$ 1,287	\$ (3,192)
Realized loss on sales of investments, net	(1,506)	—
Unrealized loss on investments, net	(41,977)	(70,024)
Gain on derivative instruments, net	41,135	124,635
Operating expenses, net	(7,243)	(11,301)
Preferred stock dividends	(1,923)	(1,923)
Net (loss) income to common shareholders	(10,227)	38,195
Other comprehensive loss	(1,786)	(17,268)
Comprehensive (loss) income to common shareholders	\$ (12,013)	\$ 20,927

Net Interest Income (Expense)

Interest income and effective yield for the three months ended June 30, 2024 increased compared to the three months ended March 31, 2024 primarily due to the addition of higher coupon Agency RMBS. We expect this trend to continue as our higher yielding Agency RMBS comprise a larger portion of our interest income and as our lower yielding Agency RMBS continue to pay down. Our interest expense on our repurchase agreement financing was relatively flat compared to the prior quarter as the Federal Funds rate remained steady at 5.50%. Our cost of financing as a percentage of our repurchase agreement borrowings continues to exceed our effective yield on our assets. However, we do not currently expect the Federal Reserve to increase the Federal Funds rate during the remainder of 2024, and if the Federal Reserve lowers the Federal Funds rate before the end of the year, we will see a favorable impact in our cost of financing, which will further benefit our net interest income and net interest spread.

The following table presents information about our interest-earning assets and interest-bearing liabilities and their performance for the periods indicated:

	Three Months Ended					
	June 30, 2024			March 31, 2024		
	Interest Income/Expense	Average Balance ⁽¹⁾	Effective Yield/ Cost of Funds ⁽³⁾⁽⁴⁾	Interest Income/Expense	Average Balance ⁽¹⁾	Effective Yield/ Cost of Funds ⁽³⁾⁽⁴⁾
<i>(\$s in thousands)</i>						
Agency RMBS	\$ 67,927	\$ 6,153,663	4.42 %	\$ 64,281	\$ 5,938,131	4.33 %
Agency CMBS	792	105,321	2.97 %	925	119,286	3.04 %
CMBS IO ⁽⁵⁾	2,868	146,161	7.25 %	2,654	160,261	6.28 %
Non-Agency MBS and other investments	19	1,437	5.00 %	22	1,773	4.86 %
MBS and loans	\$ 71,606	\$ 6,406,582	4.46 %	\$ 67,882	\$ 6,219,451	4.36 %
Cash equivalents	4,448			3,643		
Total interest income	\$ 76,054			\$ 71,525		
Repurchase agreement financing	(74,767)	5,410,282	(5.47)%	(74,717)	5,365,575	(5.51)%
Net interest income (expense)/net interest spread	\$ 1,287		(1.01)%	\$ (3,192)		(1.15)%

(1) Average balance for assets is calculated as a simple average of the daily amortized cost and excludes securities pending settlement if applicable.

(2) Average balance for liabilities is calculated as a simple average of the daily borrowings outstanding during the period.

(3) Effective yield is calculated by dividing interest income by the average balance of asset type outstanding during the reporting period. Unscheduled adjustments to premium/discount amortization/accretion, such as for prepayment compensation, are not annualized in this calculation.

(4) Cost of funds is calculated by dividing annualized interest expense by the total average balance of borrowings outstanding during the period with an assumption of 360 days in a year.

(5) Includes Agency and non-Agency issued securities.

Gains (Losses) on Investments and Derivative Instruments

During the three months ended June 30, 2024, the 10-year U.S. Treasury rate increased 20 basis points. The impact of this rate increase on our investments was mitigated by the resulting gains on our interest rate hedges of \$64.1 million. The net loss of \$(2.6) million on our investments, net of our interest rate hedges, was primarily driven by spread widening on Agency RMBS versus U.S. Treasuries.

During the three months ended March 31, 2024, the 10-year U.S. Treasury rate increased approximately 32 basis points, which resulted in net unrealized gains of \$139.8 million for our hedging portfolio. Though the 32 basis point increase negatively impacted the fair value of our investment portfolio, these losses were partially buffered by modest spread tightening on some of our assets during the first quarter of 2024.

The following provide details on realized and unrealized gains and losses within our investment and interest rate hedging portfolios for the periods indicated:

	Three Months Ended June 30, 2024			
<i>(\$s in thousands)</i>	Realized Gain (Loss) Recognized in Net Income	Unrealized Gain (Loss) Recognized in Net Income	Unrealized Gain (Loss) Recognized in OCI	Total Change in Fair Value
Investment portfolio:				
Agency RMBS	\$ —	\$ (43,705)	\$ (2,505)	\$ (46,210)
Agency CMBS	—	1,263	414	1,677
CMBS IO	—	351	305	656
Other non-Agency and loans	—	114	—	114
Subtotal	—	(41,977)	(1,786)	(43,763)
TBA securities ⁽¹⁾	(22,343)	(642)	—	(22,985)
Net gain (loss) on investments	\$ (22,343)	\$ (42,619)	\$ (1,786)	\$ (66,748)
Interest rate hedging portfolio:				
U.S. Treasury futures	\$ 43,961	\$ 20,249	\$ —	\$ 64,210
Interest rate swaps	17	(107)	—	(90)
Net gain (loss) on interest rate hedges	\$ 43,978	\$ 20,142	\$ —	\$ 64,120
Total net gain (loss)	\$ 21,635	\$ (22,477)	\$ (1,786)	\$ (2,628)

	Three Months Ended March 31, 2024			
<i>(\$s in thousands)</i>	Realized Gain (Loss) Recognized in Net Income	Unrealized Gain (Loss) Recognized in Net Income	Unrealized Gain Recognized in OCI	Total Change in Fair Value
Investment portfolio:				
Agency RMBS	\$ —	\$ (69,676)	\$ (17,377)	\$ (87,053)
Agency CMBS	—	(190)	(316)	(506)
CMBS IO	—	(194)	378	184
Other non-Agency and loans	—	36	47	83
Subtotal	—	(70,024)	(17,268)	(87,292)
TBA securities ⁽¹⁾	32,114	(47,289)	—	(15,175)
Net gain (loss) on investments	\$ 32,114	\$ (117,313)	\$ (17,268)	\$ (102,467)
Interest rate hedging portfolio:				
U.S. Treasury futures	\$ (25,658)	\$ 165,468	\$ —	\$ 139,810
Net gain (loss) on interest rate hedges	\$ (25,658)	\$ 165,468	\$ —	\$ 139,810
Total net gain (loss)	\$ 6,456	\$ 48,155	\$ (17,268)	\$ 37,343

1) Realized and unrealized gains (losses) on TBA securities are recorded within "gain on derivative instruments, net" on the Company's consolidated statements of comprehensive income.

Operating Expenses

Operating expenses for the three months ended June 30, 2024 declined \$(4.1) million compared to the three months ended March 31, 2024 primarily due to lower share-based compensation expenses. Compensation expenses during the first quarter of 2024 included \$3.2 million related to accelerated recognition of share-based compensation expense for certain stock incentive awards granted in March 2024 to a retirement eligible employee.

Six Months Ended June 30, 2024 Compared to the Six Months Ended June 30, 2023

Net Interest Expense

Net interest expense and net interest spread improved for the six months ended June 30, 2024 compared to the six months ended June 30, 2023. Though our interest expense increased due to a higher average balance of repurchase agreement borrowings at a higher financing rate, additions of higher yielding Agency RMBS to our investment portfolio over the past year increased our interest income for the six months ended June 30, 2024 by approximately 102% compared to the six months ended June 30, 2023.

The following table presents information about our interest-earning assets and interest-bearing liabilities and their performance for the periods indicated:

	Six Months Ended June 30,					
	2024			2023		
	Interest Income/Expense	Average Balance ⁽¹⁾ (2)	Effective Yield/ Cost of Funds ⁽³⁾⁽⁴⁾	Interest Income/Expense	Average Balance ⁽¹⁾ (2)	Effective Yield/ Cost of Funds ⁽³⁾⁽⁴⁾
<i>(\$ in thousands)</i>						
Agency RMBS	\$ 132,207	\$ 6,045,897	4.37 %	\$ 58,225	\$ 3,570,122	3.26 %
Agency CMBS	1,717	112,304	3.02 %	1,844	126,221	2.92 %
CMBS IO ⁽⁵⁾	5,523	153,211	6.90 %	4,783	220,664	4.25 %
Non-Agency MBS and other investments	42	1,605	4.86 %	72	2,589	5.45 %
MBS and loans	\$ 139,489	\$ 6,313,017	4.41 %	\$ 64,924	\$ 3,919,596	3.31 %
Cash equivalents	8,091			8,134		
Total interest income	\$ 147,580			\$ 73,058		
Repurchase agreement financing	(149,484)	5,387,929	(5.49)%	(76,450)	3,082,471	(4.93)%
Net interest expense/net interest spread	\$ (1,904)		(1.08)%	\$ (3,392)		(1.62)%

(1) Average balance for assets is calculated as a simple average of the daily amortized cost and excludes securities pending settlement if applicable.

(2) Average balance for liabilities is calculated as a simple average of the daily borrowings outstanding during the period.

(3) Effective yield is calculated by dividing interest income by the average balance of asset type outstanding during the reporting period. Unscheduled adjustments to premium/discount amortization/accretion, such as for prepayment compensation, are not annualized in this calculation.

(4) Cost of funds is calculated by dividing annualized interest expense by the total average balance of borrowings outstanding during the period with an assumption of 360 days in a year.

(5) Includes Agency and non-Agency issued securities.

Gains (Losses) on Investments and Derivative Instruments

During the six months ended June 30 2024, gains on our hedging portfolio exceeded losses on our investments by \$34.7 million. The impact of the 52 basis point increase in the 10-year U.S. Treasury rate on our investments was offset by the resulting gains on our hedging portfolio of \$203.9 million.

During the six months ended June 30, 2023, the fair value of our investment portfolio declined \$(22.6) million primarily as a result of spread widening, particularly in higher coupon Agency RMBS. Though interest rates were volatile, the 10-year U.S. Treasury rate ended the six months ended June 30, 2023 relatively unchanged versus December 31, 2022. As a result, and partially due to the timing of when we rolled our interest rate hedges during that period, we recorded a gain of \$36.8 million, net of losses on our investments.

The following provide details on realized and unrealized gains and losses within our investment and interest rate hedging portfolios for the periods indicated:

	Six Months Ended June 30, 2024			
	Realized Gain (Loss) Recognized in Net Income	Unrealized Gain (Loss) Recognized in Net Income	Unrealized Gain (Loss) Recognized in OCI	Total Change in Fair Value
<i>(\$s in thousands)</i>				
Investment portfolio:				
Agency RMBS	\$ —	\$ (113,381)	\$ (19,881)	\$ (133,262)
Agency CMBS	—	1,073	97	1,170
CMBS IO	—	157	683	840
Other non-Agency and loans	—	150	47	197
Subtotal	—	(112,001)	(19,054)	(131,055)
TBA securities ⁽¹⁾	9,771	(47,931)	—	(38,160)
Net gain (loss) on investments	\$ 9,771	\$ (159,932)	\$ (19,054)	\$ (169,215)
Interest rate hedging portfolio:				
U.S. Treasury futures	\$ 18,303	\$ 185,718	\$ —	\$ 204,021
Interest rate swaps	17	(107)	—	(90)
Net (loss) gain on interest rate hedges	\$ 18,320	\$ 185,611	\$ —	\$ 203,931
Total net gain (loss)	\$ 28,091	\$ 25,679	\$ (19,054)	\$ 34,716

	Six Months Ended June 30, 2023			
(\$s in thousands)	Realized Gain (Loss) Recognized in Net Income	Unrealized Gain (Loss) Recognized in Net Income	Unrealized Gain (Loss) Recognized in OCI	Total Change in Fair Value
Investment portfolio:				
Agency RMBS	\$ (74,916)	\$ 57,033	\$ 3,289	\$ (14,594)
Agency CMBS	—	(37)	302	265
CMBS IO	—	626	1,757	2,383
Other non-Agency and loans	—	(13)	2	(11)
Subtotal	(74,916)	57,609	5,350	(11,957)
TBA securities ⁽¹⁾	(8,538)	(2,095)	—	(10,633)
Net gain (loss) on investments	\$ (83,454)	\$ 55,514	\$ 5,350	\$ (22,590)
Interest rate hedging portfolio:				
U.S. Treasury futures	\$ (3,224)	\$ 68,070	\$ —	\$ 64,846
Put options on U.S. Treasury futures	(3,413)	(2,056)	—	(5,469)
Net (loss) gain on interest rate hedges	\$ (6,637)	\$ 66,014	\$ —	\$ 59,377
Total net gain (loss)	\$ (90,091)	\$ 121,528	\$ 5,350	\$ 36,787

1) Realized and unrealized gains (losses) on TBA securities are recorded within "gain on derivative instruments, net" on the Company's consolidated statements of comprehensive income.

Operating Expenses

Operating expenses for the six months ended June 30, 2024 increased \$2.9 million compared to the six months ended June 30, 2023 primarily due to accelerated recognition of share-based compensation expense for certain stock incentive awards granted in March 2024 to a retirement eligible employee. This expense was partially offset by a decline in consulting expenses of \$0.5 million.

Non-GAAP Financial Measures

In evaluating the Company's financial and operating performance, management considers book value per common share, total economic return (loss) to common shareholders, and other operating results presented in accordance with GAAP as well as certain non-GAAP financial measures, which include EAD to common shareholders (including per common share) and adjusted net interest income/expense. Management believes these non-GAAP financial measures may be useful to investors because they are viewed by management as a measure of the investment portfolio's return based on the effective yield of its investments, net of financing costs and, with respect to EAD, net of other normal recurring operating income/expenses. Drop income generated by TBA dollar roll positions, which is included in "gain (loss) on derivatives instruments, net" on the Company's consolidated statements of comprehensive income, is included in these non-GAAP financial measures because management views drop income as the economic equivalent of net interest income (interest income less implied financing cost) on the underlying Agency security from trade date to settlement date. Management also includes periodic interest benefit/cost from its interest rate swaps, which are included in "gain (loss) on derivatives instruments, net", in adjusted net interest income/expense because interest rate swaps are used by the Company to economically hedge the impact of changing interest rates on its borrowing costs from repurchase agreements, and including periodic interest benefit/cost from interest rate swaps is a helpful indicator of the Company's total cost of financing in

addition to GAAP interest expense. However, these non-GAAP financial measures are not a substitute for GAAP earnings and may not be comparable to similarly titled measures of other REITs because they may not be calculated in the same manner. Furthermore, though EAD is one of several factors our management considers in determining the appropriate level of distributions to common shareholders, it should not be utilized in isolation, and it is not an accurate indication of the Company's REIT taxable income or its distribution requirements in accordance with the Tax Code.

Reconciliations of EAD to common shareholders and adjusted net interest income to the related GAAP financial measures are provided below.

Reconciliations of GAAP to Non-GAAP Financial Measures:	Three Months Ended	
	June 30, 2024	March 31, 2024
(\$s in thousands except per share data)		
Comprehensive (loss) income to common shareholders	\$ (12,013)	\$ 20,927
Less:		
Change in fair value of investments ⁽¹⁾	45,269	87,292
Change in fair value of derivative instruments, net ⁽²⁾	(41,351)	(125,903)
EAD to common shareholders	\$ (8,095)	\$ (17,684)
Average common shares outstanding	66,954,870	59,008,316
EAD per common share	\$ (0.12)	\$ (0.30)
Net interest income (expense)	\$ 1,287	\$ (3,192)
Net periodic interest benefit of interest rate swaps	17	—
TBA drop loss ⁽³⁾	(233)	(1,268)
Adjusted net interest income (expense)	\$ 1,071	\$ (4,460)
Total operating expenses	(7,243)	(11,301)
Preferred stock dividends	(1,923)	(1,923)
EAD to common shareholders	\$ (8,095)	\$ (17,684)

(1) Amount includes realized and unrealized gains and losses due to changes in the fair value of the Company's MBS.

- (2) Amount includes unrealized gains and losses from changes in fair value of derivatives (including TBAs accounted for as derivative instruments) and realized gains and losses on terminated derivatives and excludes TBA drop loss and net periodic interest benefit/cost from interest rate swaps.
- (3) TBA drop income (loss) is calculated by multiplying the notional amount of the TBA dollar roll positions by the difference in price between two TBA securities with the same terms but different settlement dates.

We primarily use U.S. Treasury futures to hedge the impact of increasing interest rates on our borrowing costs and the fair value of our investments. The Company's realized gains on its U.S. Treasury futures as well as other interest rate hedges are included in GAAP earnings in the same reporting period in which the derivative instrument matures or is terminated but are not included in EAD or adjusted net interest income during any reporting period. Furthermore, because the majority of the U.S. Treasury futures and other derivative instruments are designated as hedges for tax purposes, the realized gains are not distributable to our shareholders until amortized into REIT taxable income over the period originally hedged. Additional information regarding the expected impact of deferred tax hedge amortization on our estimated REIT taxable income is discussed in "Executive Overview" and "Liquidity and Capital Resources."

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity include borrowings under repurchase arrangements and monthly principal and interest payments we receive on our investments. Additional sources may also include proceeds from the sale of investments, equity offerings, and net payments received from counterparties for derivative instruments. We use our

liquidity to purchase investments, to pay amounts due on our repurchase agreement borrowings, and to pay our operating expenses and dividends on our common and preferred stock. We also use our liquidity to meet margin requirements for our repurchase agreements and derivative transactions, including TBA contracts, under the terms of the related agreements. We may also periodically use liquidity to repurchase shares of the Company's stock.

During the second quarter of 2024, we issued 10,500,000 shares of common stock through a public offering, resulting in proceeds of \$124.5 million, net of issuance costs. We partially deployed these proceeds into purchases of \$551.1 million in specified pools of higher coupon Agency RMBS. We are reserving a portion of the proceeds in order to navigate through potential volatility and to deploy into additional investments as spreads widen during the remainder of 2024.

Our liquidity fluctuates based on our investment activities, our leverage, capital raising activities, and changes in the fair value of our investments and derivative instruments. Our measurement of liquidity includes unrestricted cash and cash equivalents and unencumbered Agency MBS, which are recognized as assets on our consolidated balance sheet. We also include in our measure of liquidity the fair value of noncash collateral pledged to us by our counterparties, which we typically receive when the fair value of our pledged collateral exceeds our current margin requirement. Though the fair value of this noncash collateral is not recorded on our consolidated balance sheet, we include this amount in our liquidity measure because we have the right to repledge the noncash collateral pledged to us by our counterparties. Our liquidity as of June 30, 2024 was \$644.0 million, which consisted of unrestricted cash of \$286.1 million, unencumbered Agency MBS with a fair value of \$355.5 million, and noncash collateral received from our counterparties, which consisted of U.S. Treasuries and Agency RMBS, with a fair value of \$2.4 million. Our liquidity as of December 31, 2023 was \$453.6 million.

We continuously monitor our liquidity, especially with potential risk events on the horizon, such as uncertainty regarding Federal Reserve policy decisions, frequent potential for a government shutdown, the impact on global markets stemming from global central bank policies, and the wars between Russia and Ukraine and between Israel and Hamas. We continuously assess the adequacy of our liquidity under various scenarios based on changes in the fair value of our investments and derivative instruments due to market factors such as changes in the absolute level of interest rates and the shape of the yield curve, credit spreads, lender haircuts, and prepayment speeds, which in turn have an impact on derivative margin requirements. In performing these analyses, we will also consider the current state of the fixed income markets and the repurchase agreement markets in order to determine if market forces such as supply-demand imbalances or structural changes to these markets could change the liquidity of MBS or the availability of financing. We also communicate frequently with our counterparties. We have not experienced any material changes in the terms of our repurchase agreements with our counterparties, and they have not indicated to us any concerns regarding access to liquidity.

Our perception of the liquidity of our investments and market conditions significantly influences our targeted leverage. In general, our leverage will increase if we view the risk-reward opportunity of higher leverage on our capital outweighs the risk to our liquidity and book value. Our leverage, which we calculate using total liabilities plus the cost basis of TBA long positions, was 7.9 times shareholders' equity as of June 30, 2024. We include the cost basis of our TBA securities in evaluating our leverage because it is possible under certain market conditions that it may be uneconomical for us to roll a TBA long position into future months, which may result in us having to take physical delivery of the underlying securities and use cash or other financing sources to fund our total purchase commitment. Leverage based on repurchase agreement amounts outstanding was 5.3 times shareholders' equity as of June 30, 2024.

Our repurchase agreement borrowings are principally uncommitted with terms renewable at the discretion of our lenders and generally have original terms to maturity of overnight to six months, though in some instances we may enter into longer-dated maturities depending on market conditions. We seek to maintain unused capacity under our existing repurchase agreement credit lines with multiple counterparties, which helps protect us in the event of a counterparty's failure to renew existing repurchase agreements. As part of our continuous evaluation of counterparty risk, we maintain our highest counterparty exposures with broker dealer subsidiaries of regulated financial institutions or primary dealers.

The amount outstanding for our repurchase agreement borrowings will typically fluctuate in any given period as it is dependent upon a number of factors, but particularly the extent to which we are active in buying and

selling securities, including the volume of activity in TBA dollar roll transactions versus buying specified pools. The following table presents information regarding the balances of our repurchase agreement borrowings as of and for the periods indicated:

	Repurchase Agreements		
	Balance Outstanding As of Quarter End	Average Balance Outstanding For the Quarter Ended	Maximum Balance Outstanding During the Quarter Ended
(\$s in thousands)			
June 30, 2024	\$ 5,494,428	\$ 5,410,282	\$ 5,529,856
March 31, 2024	5,284,708	5,365,575	5,469,434
December 31, 2023	5,381,104	5,168,821	5,381,354
September 30, 2023	5,002,230	4,773,435	5,037,440
June 30, 2023	4,201,901	3,447,406	4,203,788
March 31, 2023	2,937,124	2,713,481	2,959,263
December 31, 2022	2,644,405	2,727,274	3,072,483
September 30, 2022	2,991,876	2,398,268	3,082,138
June 30, 2022	2,202,648	2,486,217	2,949,918
March 31, 2022	2,952,802	2,806,212	2,973,475
December 31, 2021	2,849,916	2,701,191	2,873,523
September 30, 2021	2,527,065	2,529,023	2,590,185
June 30, 2021	2,321,043	2,155,200	2,415,037
March 31, 2021	2,032,089	2,158,121	2,437,163

For our repurchase agreement borrowings, we are required to post and maintain margin to the lender (i.e., collateral in excess of the repurchase agreement borrowing) in order to support the amount of the financing. This excess collateral is often referred to as a “haircut” and is intended to provide the lender protection against fluctuations in fair value of the collateral and/or the failure by us to repay the borrowing at maturity. Lenders have the right to change haircut requirements at maturity of the repurchase agreement and may change their haircuts based on market conditions and the perceived riskiness of the collateral pledged. If the fair value of the collateral falls below the amount required by the lender, the lender has the right to demand additional margin, or collateral. These demands are referred to as “margin calls,” and if we fail to meet any margin call, our lenders have the right to terminate the repurchase agreement and sell any collateral pledged. The weighted average haircut for our borrowings as of June 30, 2024 was consistent with prior periods, which has typically averaged less than 5% for borrowings collateralized with Agency RMBS and CMBS and between 10-14% for borrowings collateralized with CMBS IO.

The collateral we post in excess of our repurchase agreement borrowing with any counterparty is also typically referred to by us as “equity at risk,” which represents the potential loss to the Company if the counterparty is unable or unwilling to return collateral securing the repurchase agreement borrowing at its maturity. The counterparties with whom we have the greatest amounts of equity at risk may vary significantly during any given period due to the short-term and generally uncommitted nature of the repurchase agreement borrowings. As of June 30, 2024, we had amounts outstanding under 28 different repurchase agreements and did not have more than 10% of equity at risk with any counterparty or group of related counterparties.

We have various financial and operating covenants in certain of our repurchase agreements, which we monitor and evaluate on an ongoing basis for compliance as well as for impacts these customary covenants may have on our operating and financing flexibility. Currently, we do not believe we are subject to any covenants that materially restrict our financing flexibility. We were in full compliance with our debt covenants as of June 30, 2024, and we are not aware of circumstances which could potentially result in our non-compliance in the foreseeable future.

Derivative Instruments

Derivative instruments we enter into may require us to post initial margin at inception and daily variation margin based on subsequent changes in their fair value. Daily variation margin requirements also entitle us to receive collateral from our counterparties if the value of amounts owed to us under the derivative agreement exceeds the minimum margin requirement. The collateral posted as margin by us is typically in the form of cash. As of June 30, 2024, we had cash collateral posted to our counterparties of \$123.1 million under these agreements.

Collateral requirements for interest rate derivative instruments are typically governed by the central clearing exchange and the associated futures commission merchant, which may establish margin requirements in excess of the clearing exchange. Collateral requirements for our TBA contracts are governed by the Mortgage-Backed Securities Division (“MBSD”) of the Fixed Income Clearing Corporation and, if applicable, by our third-party brokerage agreements, which may establish margin levels in excess of the MBSD. Our TBA contracts, which are subject to master securities forward transaction agreements published by the Securities Industry and Financial Markets Association as well as supplemental terms and conditions with each counterparty, generally provide that valuations for our TBA contracts and any pledged collateral are to be obtained from a generally recognized source agreed to by both parties. However, in certain circumstances, our counterparties have the sole discretion to determine the value of the TBA contract and any pledged collateral. In such instances, our counterparties are required to act in good faith in making determinations of value. In the event of a margin call, we must generally provide additional collateral on the same business day.

Dividends

As a REIT, we are required to distribute to our shareholders amounts equal to at least 90% of our REIT taxable income for each taxable year after certain deductions. When declaring dividends, our Board of Directors considers the Company’s taxable income, the REIT distribution requirements of the Tax Code, financial performance measures, and maintaining compliance with dividend requirements of the Series C Preferred Stock, along with other factors that the Board of Directors may deem relevant from time to time.

Currently, we are primarily using U.S. Treasury futures to hedge the impact of increasing interest rates on our financing costs and fair value of our investments. Realized gains (losses) on these derivative instruments are included in GAAP earnings in the same reporting period in which the derivative instrument matures or is terminated by the Company but are not included in EAD to common shareholders during any reporting period. Furthermore, because we designate the majority of our derivative instruments as interest rate hedges for tax purposes, realized gains and losses recognized in GAAP net income are generally not recognized in REIT taxable income until future periods. The following table provides the projected amortization of our net deferred tax hedge gains as of June 30, 2024 that will be recognized as taxable income over the periods indicated, though recognition of deferred tax hedge gains and losses may be accelerated if the underlying instrument originally hedged is terminated or paid off:

Period of Recognition for Remaining Hedge Gains, Net	June 30, 2024
	<i>(\$ in thousands)</i>
Third quarter 2024	\$ 26,687
Fourth quarter 2024	26,784
Fiscal year 2025	107,939
Fiscal year 2026 and thereafter	687,428
	<u>\$ 848,838</u>

As of June 30, 2024, we also had \$602.5 million in capital loss carryforwards, the majority of which expire by 2028, and NOL carryforwards of \$8.1 million, which will expire over the next two years. Due to these amounts and other temporary and permanent differences between GAAP net income and REIT taxable income coupled with the degree of uncertainty about the trajectory of interest rates, we cannot reasonably estimate how much the deferred tax hedge gains to be recognized will impact our dividend declarations during 2024 or in any given year.

We generally fund dividend distributions through portfolio cash flows. If we make dividend distributions in excess of our portfolio cash flows during the period, whether for purposes of meeting our REIT distribution

requirements or other reasons, those distributions are generally funded either through our existing cash balances or through the return of principal from our investments (either through repayment or sale). Please refer to "Operating and Regulatory Structure" within Part I, Item 1, "Business" as well as Part I, Item 1A, "Risk Factors" of our 2023 Form 10-K for additional important information regarding dividends declared on our taxable income.

RECENT ACCOUNTING PRONOUNCEMENTS

Please refer to [Note 1](#) of the Notes to the Consolidated Financial Statements contained within Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of our financial condition and results of operations are based in large part upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. We base these estimates and judgments on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual results, however, may differ from the estimated amounts we have recorded.

Critical accounting estimates are defined as those that require management's most difficult, subjective, or complex judgments, and which may result in materially different results under different assumptions and conditions. Our critical accounting estimates are discussed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2023 Form 10-K under "Critical Accounting Estimates." There have been no significant changes in our critical accounting estimates during the three and six months ended June 30, 2024.

FORWARD-LOOKING STATEMENTS

Certain written statements in this Quarterly Report on Form 10-Q that are not historical facts constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements in this report addressing expectations, assumptions, beliefs, projections, future plans and strategies, future events, developments that we expect or anticipate will occur in the future, and future operating results, capital management, and dividend policy are forward-looking statements. Forward-looking statements are based upon management's beliefs, assumptions, and expectations as of the date of this report regarding future events and operating performance, taking into account all information currently available to us, and are applicable only as of the date of this report. Forward-looking statements generally can be identified by use of words such as "believe," "expect," "anticipate," "estimate," "plan," "may," "will," "intend," "should," "could" or similar expressions. We caution readers not to place undue reliance on our forward-looking statements, which are not historical facts and may be based on projections, assumptions, expectations, and anticipated events that do not materialize. Except as required by law, we are not obligated to, and do not intend to, update, or revise any forward-looking statement whether as a result of new information, future events, or otherwise.

Forward-looking statements in this Quarterly Report on Form 10-Q may include, but are not limited to statements about:

- Our business and investment strategy including our ability to generate acceptable risk-adjusted returns and our target investment allocations, and our views on the future performance of MBS and other investments;
- Our views on the macroeconomic environment, monetary and fiscal policy, and conditions in the investment, credit, interest rate and derivatives markets;
- Our views on inflation, market interest rates and market spreads;
- Our views on the effect of actual or proposed actions of the Federal Reserve or other central banks with respect to monetary policy (including the targeted Fed Funds rate), and the potential impact of these actions on interest rates, borrowing costs, inflation or unemployment;
- The effect of regulatory initiatives of the Federal Reserve, the Federal Housing Finance Agency, other financial regulators, and other central banks;

- Our financing strategy including our target leverage ratios, our use of TBA dollar roll transactions, and anticipated trends in financing costs including TBA dollar roll transaction costs, and our hedging strategy including changes to the derivative instruments to which we are a party, and changes to government regulation of hedging instruments and our use of these instruments;
- Our investment portfolio composition and target investments;
- Our investment portfolio performance, including the fair value, yields, and forecasted prepayment speeds of our investments;
- Our liquidity and ability to access financing, and the anticipated availability and cost of financing;
- Our capital stock activity including the impact of stock issuances and repurchases;
- The amount, timing, and funding of future dividends;
- Our use of our tax NOL carryforward and other tax loss carryforwards;
- Future competition for, and availability of, investments, financing and capital;
- Estimates of future interest expenses, including related to the Company's repurchase agreements and derivative instruments;
- The status and effect of legislative reforms and regulatory rule-making or review processes, and the status of reform efforts and other business developments in the repurchase agreement financing market;
- Market, industry and economic trends, and how these trends and related economic data may impact the behavior of market participants and financial regulators;
- The impact of recent bank failures, potential new regulations and the potential for other bank failures this year;
- The impact of debt ceiling negotiations on interest rates, spreads, the U.S. Treasury market as well as the impact more broadly on fixed income and equity markets;
- Uncertainties regarding the war between Russia and Ukraine or Israel and Hamas and the related impacts on macroeconomic conditions, including, among other things, interest rates;
- The financial position and credit worthiness of the depository institutions in which the Company's MBS and cash deposits are held;
- The impact of applicable tax and accounting requirements on us including our tax treatment of derivative instruments such as TBAs, interest rate swaps, options and futures;
- Our future compliance with covenants in our master repurchase agreements, ISDA agreements, and debt covenants in our other contractual agreements;
- Our reliance on a single service provider of our trading, portfolio management, risk reporting and accounting services systems;
- The implementation in a timely and cost-effective manner of our operating platform, which includes trading, portfolio management, risk reporting, and accounting services systems, and the anticipated benefits thereof; and
- Possible future effects of the COVID-19 pandemic or any global health crisis.

Forward-looking statements are inherently subject to risks, uncertainties and other factors that could cause our actual results to differ materially from historical results or from any results expressed or implied by such forward-looking statements. Not all of these risks and other factors are known to us. New risks and uncertainties arise over time, and it is not possible to predict those events or how they may affect us. The projections, assumptions, expectations, or beliefs upon which the forward-looking statements are based can also change as a result of these risks or other factors. If such a risk or other factor materializes in future periods, our business, financial condition, liquidity, and results of operations may vary materially from those expressed or implied in our forward-looking statements.

While it is not possible to identify all factors that may cause actual results to differ from historical results or from any results expressed or implied by forward-looking statements, or that may cause our projections, assumptions, expectations, or beliefs to change, some of those factors include the following:

- the risks and uncertainties referenced in this Quarterly Report on Form 10-Q, especially those incorporated by reference into Part II, Item 1A, "Risk Factors";
- our ability to find suitable reinvestment opportunities;
- changes in domestic economic conditions;

- geopolitical events, such as terrorism, war or other military conflict, including increased uncertainty regarding the wars between Russia and the Ukraine and between Israel and Hamas, and the related impact on macroeconomic conditions as a result of such conflict;
- changes in interest rates and credit spreads, including the repricing of interest-earning assets and interest-bearing liabilities;
- our investment portfolio performance particularly as it relates to cash flow, prepayment rates and credit performance;
- the impact on markets and asset prices from changes in the Federal Reserve’s policies regarding the purchases of Agency RMBS, Agency CMBS, and U.S. Treasuries;
- actual or anticipated changes in Federal Reserve monetary policy or the monetary policy of other central banks;
- adverse reactions in U.S. financial markets related to actions of foreign central banks or the economic performance of foreign economies including in particular China, Japan, the European Union, and the United Kingdom;
- uncertainty concerning the long-term fiscal health and stability of the United States;
- the cost and availability of financing, including the future availability of financing due to changes to regulation of, and capital requirements imposed upon, financial institutions;
- the cost and availability of new equity capital;
- changes in our leverage and use of leverage;
- changes to our investment strategy, operating policies, dividend policy or asset allocations;
- the quality of performance of third-party service providers, including our sole third-party service provider for our critical operations and trade functions;
- the loss or unavailability of our third-party service provider’s service and technology that supports critical functions of our business related to our trading and borrowing activities due to outages, interruptions, or other failures;
- the level of defaults by borrowers on loans underlying MBS;
- changes in our industry;
- increased competition;
- changes in government regulations affecting our business;
- changes or volatility in the repurchase agreement financing markets and other credit markets;
- changes to the market for derivative instruments, including changes to margin requirements on derivative instruments;
- uncertainty regarding continued government support of the U.S. financial system and U.S. housing and real estate markets, or to reform the U.S. housing finance system including the resolution of the conservatorship of Fannie Mae and Freddie Mac;
- the composition of the Board of Governors of the Federal Reserve;
- the political environment in the U.S.;
- systems failures or cybersecurity incidents; and
- exposure to current and future claims and litigation.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to losses resulting from changes in market factors. Our business strategy exposes us to a variety of market risks, including interest rate, spread, prepayment, credit, liquidity, and reinvestment risks. These risks can and do cause fluctuations in our liquidity, comprehensive income and book value as discussed below.

Interest Rate Risk

Investing in interest-rate sensitive investments such as MBS and TBA securities subjects us to interest rate risk. Interest rate risk results from investing in securities that have a fixed coupon or a floating coupon that may not immediately adjust for changes in interest rates. Interest rate risk also results from the mismatch between the duration of our assets versus the duration of our liabilities and hedges. The amount of the impact will depend on the composition of our portfolio, our hedging strategy, the effectiveness of our hedging instruments as well as the magnitude and the duration of the change in interest rates.

We manage interest rate risk within tolerances set by our Board of Directors. We use interest rate hedging instruments to mitigate the impact of changing interest rates on the market value of our assets and on our interest expense from repurchase agreements used to finance our investments. Our hedging methods are based on many factors, including, but not limited to, our estimates with regard to future interest rates and expected levels of prepayments of our assets. If prepayments are slower or faster than assumed, the maturity of our investments will also differ from our expectations, which could reduce the effectiveness of our hedging strategies and may cause losses that adversely affect our cash flow. Estimates of prepayment speeds can vary significantly by investor for the same security, and therefore estimates of security and portfolio duration can vary significantly between market participants.

We continuously monitor market conditions, economic conditions, interest rates and other market activity and frequently adjust the composition of our investments and hedges throughout any given period. As such, the projections for changes in market value provided below are limited in usefulness because the modeling assumes no changes to the composition of our investment portfolio or hedging instruments as of the dates indicated. Changes in types of our investments, the returns earned on these investments, future interest rates, credit spreads, the shape of the yield curve, the availability of financing, and/or the mix of our investments and financings including derivative instruments may cause actual results to differ significantly from the modeled results shown in the tables below. There can be no assurance that assumed events used to model the results shown below will occur, or that other events will not occur, that will affect the outcomes; therefore, the modeled results shown in the tables below and all related disclosures constitute forward-looking statements.

Management considers changes in the shape of the interest rate curves in assessing and managing portfolio interest rate risk on the market value of its investments and common equity. Because interest rates do not typically move in a parallel fashion from period to period (as can be seen by the graph for U.S. Treasury rates in Item 2, "Executive Overview"), the tables below show the projected sensitivity of the market value of our financial instruments and the percentage change in shareholders' equity assuming instantaneous parallel shifts and non-parallel shifts in market interest rates.

June 30, 2024

Type of Instrument ⁽¹⁾	Parallel Decrease in Interest Rates of				Parallel Increase in Interest Rates of			
	100 Basis Points		50 Basis Points		50 Basis Points		100 Basis Points	
	% of Market Value	% of Common Equity	% of Market Value	% of Common Equity	% of Market Value	% of Common Equity	% of Market Value	% of Common Equity
RMBS	3.2 %	30.5 %	1.7 %	15.9 %	(1.8)%	(16.8)%	(3.6)%	(34.2)%
CMBS/ CMBS IO	0.1 %	1.1 %	— %	0.5 %	— %	(0.5)%	(0.1)%	(1.0)%
TBAs	1.1 %	10.2 %	0.6 %	5.8 %	(0.7)%	(6.7)%	(1.5)%	(14.0)%
Interest rate hedges	(4.8)%	(45.3)%	(2.3)%	(22.3)%	2.3 %	21.9 %	4.6 %	43.6 %
Total	(0.4)%	(3.5)%	— %	(0.1)%	(0.2)%	(2.1)%	(0.6)%	(5.6)%

December 31, 2023

Type of Instrument ⁽¹⁾	Parallel Decrease in Interest Rates of				Parallel Increase in Interest Rates of			
	100 Basis Points		50 Basis Points		50 Basis Points		100 Basis Points	
	% of Market Value	% of Common Equity	% of Market Value	% of Common Equity	% of Market Value	% of Common Equity	% of Market Value	% of Common Equity
RMBS	3.5 %	33.8 %	1.8 %	17.9 %	(2.0)%	(19.4)%	(4.1)%	(39.6)%
CMBS/ CMBS IO	0.1 %	0.9 %	— %	0.5 %	— %	(0.5)%	(0.1)%	(0.9)%
TBAs	0.6 %	5.9 %	0.3 %	3.3 %	(0.4)%	(4.0)%	(0.9)%	(8.5)%
Interest rate hedges	(5.3)%	(51.6)%	(2.6)%	(25.3)%	2.5 %	24.6 %	5.0 %	48.7 %
Total	(1.1)%	(11.0)%	(0.4)%	(3.6)%	0.1 %	0.8 %	— %	(0.3)%

Non-Parallel Shifts	Basis Point Change in 2-year UST	Basis Point Change in 10-year UST	June 30, 2024		December 31, 2023		
			% of Market Value ⁽¹⁾	% of Common Equity	% of Market Value ⁽¹⁾	% of Common Equity	
Bearish	Steepening	+25	+50	(0.1)%	(1.1)%	0.1 %	1.4 %
		+50	+100	(0.4)%	(3.6)%	0.1 %	0.8 %
	Flattening	+50	+25	(0.2)%	(2.1)%	— %	(0.5)%
		+100	+50	(0.4)%	(3.6)%	— %	(0.3)%
Bullish		-25	+0	0.3 %	2.8 %	0.3 %	2.5 %
	Steepening	-50	-10	0.5 %	4.6 %	0.4 %	3.6 %
		-75	-25	0.6 %	5.8 %	0.4 %	3.8 %
		+0	-25	(0.1)%	(0.7)%	(0.2)%	(2.0)%
	Flattening	-10	-50	(0.2)%	(1.7)%	(0.5)%	(4.7)%
	-25	-75	(0.4)%	(4.1)%	(0.9)%	(8.8)%	

(1) Includes changes in market value of our investments and derivative instruments, including TBA securities, but excludes changes in market value of our financings which are not carried at fair value on our balance sheet due to their short-term maturities. The projections for market value do not assume any change in credit spreads.

In bearish-rate shifts where interest rates are increasing, models project the market value of our investments, net of hedges and our common equity as of June 30, 2024, will decline more versus that as December 31, 2023, primarily as a result of having a larger portfolio. Furthermore, the larger portfolio as of June 30, 2024 means more extension risk in higher interest rate scenarios.

In bullish-rate shifts where the yield curve flattens due to declining interest rates, models projected the market value of our investments, net of hedges and our common equity as of June 30, 2024 will decline less versus that as of December 31, 2023, because of the additional duration of the aggregate portfolio resulting from the assets extending. In bullish-rate shifts where the yield curve steepens due to declining interest rates, models project higher increases in market value of our investments, net of hedges and common equity due to having a larger portfolio as of June 30, 2024 versus December 31, 2023.

Spread Risk

Spread risk is the risk of loss from an increase in the market spread between the yield on an investment versus its benchmark index. Changes in market spreads represent the market's valuation of the perceived riskiness of an asset relative to risk-free rates. Widening spreads reduce the market value of our investments as market participants require additional yield to hold riskier assets. Market spreads could change based on macroeconomic or systemic factors as well as the factors specific to a particular security such as prepayment performance or credit performance. Other factors that could impact credit spreads include technical issues such as supply and demand for a particular type of security or Federal Reserve monetary policy. We do not hedge spread risk given the complexity of hedging credit spreads and in our opinion, the lack of liquid instruments available to use as hedges.

Fluctuations in spreads typically vary based on the type of investment. Sensitivity to changes in market spreads is derived from models that are dependent on various assumptions, and actual changes in market value in response to changes in market spreads could differ materially from the projected sensitivity if actual conditions differ from these assumptions.

The table below shows the projected sensitivity of the market value of our investments given the indicated change in market spreads as of the dates indicated:

Basis Point Change in Market Spreads	June 30, 2024		December 31, 2023	
	Percentage Change in		Percentage Change in	
	Market Value of Investments ⁽¹⁾	% of Common Equity	Market Value of Investments ⁽¹⁾	% of Common Equity
+20/+50 ⁽²⁾	(1.1)%	(10.6)%	(1.1)%	(10.8)%
+10	(0.6)%	(5.3)%	(0.5)%	(5.4)%
-10	0.6 %	5.3 %	0.5 %	5.4 %
-20/-50 ⁽²⁾	1.1 %	10.6 %	1.1 %	10.8 %

(1) Includes changes in market value of our MBS investments, including TBA securities.

(2) Assumes a 20-basis point shift in Agency and non-Agency RMBS and CMBS and a 50-basis point shift in Agency and non-Agency CMBS IO.

Prepayment Risk

Prepayment risk is the risk of an early, unscheduled return of principal on an investment. We are subject to prepayment risk from premiums paid on investments, which are amortized as a reduction in interest income using the effective interest method under GAAP. Our comprehensive income and book value per common share may also be negatively impacted by prepayments if the fair value of the investment materially exceeds the par balance of the underlying security. Principal prepayments on our investments are influenced by changes in market interest rates and a variety of economic, geographic, government policy and other factors beyond our control, including GSE policy with respect to loan forbearance and delinquent loan buy-outs.

We seek to manage our prepayment risk on our MBS by diversifying our investments and investing in securities which either contain loans for which the underlying borrowers have disincentive to refinance or have some provision of prepayment prohibition or yield maintenance as is the case with CMBS and CMBS IO. Loans underlying our CMBS and CMBS IO securities typically have some form of prepayment protection provisions (such as prepayment lock-outs) or prepayment compensation provisions (such as yield maintenance or prepayment penalties). Because CMBS IO consist of rights to interest on the underlying commercial mortgage loan pools and do not have rights to principal payments on the underlying loans, prepayment risk on these securities is particularly acute without these prepayment protection provisions. There are no prepayment protections if the loan defaults and is partially or wholly repaid earlier as a result of loss mitigation actions taken by the underlying loan servicer.

Our prepayment risk as of June 30, 2024 has declined relative to prior periods as the majority of our MBS portfolio consists of securities owned near or below par and prepayment speeds have declined in the current higher interest rate environment. However, if higher yielding investments prepay at a faster rate than anticipated, we may be unable to reinvest the repayments at comparable yields. Our net interest income may be negatively impacted if the proceeds from prepayments are reinvested into assets with lower yields. In an increasing interest rate environment, lower yielding assets with a fixed rate may extend or prepay slower than anticipated. Because we finance our investments with short-term repurchase agreement financing, we may be required to finance our investments at a higher interest rate without the ability to reinvest principal into higher yielding securities. As a result of rising financing costs, our net interest income could fall or could be negative for extended periods of time.

Credit Risk

Credit risk is the risk that we will not receive all contractual amounts due on investments that we own due to default by the borrower or due to a deficiency in proceeds from the liquidation of the collateral securing the obligation. Credit losses on loans could result in lower or negative yields on our investments.

Agency RMBS and Agency CMBS have credit risk to the extent that Fannie Mae or Freddie Mac fails to remit payments on the MBS for which they have issued a guaranty of payment. Given the improved financial performance and conservatorship of these entities and the continued support of the U.S. government, we believe this risk is low.

Agency and non-Agency CMBS IO represent the right to excess interest (and not principal) on the underlying loans. These securities are exposed to the loss of investment basis in the event a loan collateralizing the security liquidates without paying yield maintenance or prepayment penalty. This will typically occur when the underlying loan is in default and proceeds from the disposition of the loan collateral are insufficient to pay the prepayment consideration. To mitigate credit risk of investing in CMBS IO, we invest in primarily AAA-rated securities that are stripped off senior tranches, which means we receive the highest payment priority and are the last to absorb losses in the event of a shortfall in cash flows. Our Agency CMBS IO are Class X1 from Freddie Mac Series K deals from which interest continues to be advanced even in the event of an underlying default up until liquidation, which is the triggering event that disrupts the Agency CMBS IO cash flow. For non-Agency CMBS IO, the servicer and master servicer will determine if interest will continue to be advanced upon default of a loan based on their estimate of liquidation proceeds. Senior non-Agency CMBS IO may benefit from changes in contractual cash flows, including modifications or loan extensions as the senior classes can remain outstanding beyond the original maturity date.

In addition, bilateral agreements expose us to increased credit risk related to our counterparties, and we may be at risk of loss of any collateral held by a repurchase or derivative counterparty if the counterparty becomes insolvent or files for bankruptcy.

Liquidity Risk

We have liquidity risk principally from the use of recourse repurchase agreements to finance our ownership of securities. Our repurchase agreements are renewable at the discretion of our lenders and do not contain guaranteed roll-over terms. If we fail to repay the lender at maturity, the lender has the right to immediately sell the collateral and pursue us for any shortfall if the sales proceeds are inadequate to cover the repurchase agreement financing. In addition, declines in the market value of our investments pledged as collateral for repurchase agreement borrowings and for our derivative instruments may result in counterparties initiating margin calls for additional collateral.

Our use of TBA long positions as a means of investing in and financing Agency RMBS also exposes us to liquidity risk in the event that we are unable to roll or terminate our TBA contracts prior to their settlement date. If we are unable to roll or terminate our TBA long positions, we could be required to take physical delivery of the underlying securities and settle our obligations for cash, which could negatively impact our liquidity position or force us to sell assets under adverse conditions if financing is not available to us on acceptable terms.

For further information, including how we attempt to mitigate liquidity risk and monitor our liquidity position, and in particular, during the current macroeconomic environment, please refer to “Liquidity and Capital Resources” in Item 2 of this Quarterly Report on Form 10-Q as well as within Item 7 of our 2023 Form 10-K.

Reinvestment Risk

We are subject to reinvestment risk as a result of the prepayment, repayment and sales of our investments. In order to maintain our investment portfolio size and our earnings, we need to reinvest capital received from these events into new interest-earning assets or TBA securities, and if market yields on new investments are lower or if financing costs are higher, our net interest income will decline. In addition, based on market conditions, our leverage, and our liquidity profile, we may decide to not reinvest the cash flows we receive from our investment portfolio even when attractive reinvestment opportunities are available, or we may decide to reinvest in assets with lower yield but greater liquidity. If we retain capital or pay dividends to return capital to shareholders rather than reinvest capital, or if we invest capital in lower yielding assets for liquidity reasons, the size of our investment portfolio and the amount of income generated by our investment portfolio will likely decline.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2024, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended June 30, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

To the Company's knowledge, there are no pending or threatened legal proceedings, which, in management's opinion, individually or in the aggregate, could have a material adverse effect on the Company's results of operations or financial condition.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors discussed in Part I, Item 1A, "Risk Factors" of our 2023 Form 10-K. Risks and uncertainties identified in our forward-looking statements contained in this Quarterly Report on Form 10-Q together with those previously disclosed in the 2023 Form 10-K or those that are presently unforeseen could result in significant adverse effects on our financial condition, results of operations and cash flows. See "Forward-Looking Statements" contained in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q as well as Part I, Item 1A, "Risk Factors" in our 2023 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The Company's Board of Directors has authorized a share repurchase program (the "Program") of up to \$100 million of the Company's outstanding shares of common stock and up to \$50 million of the Company's Series C Preferred Stock through open market transactions, privately negotiated transactions, trading plans adopted in accordance with Rule 10b5-1 under the Exchange Act, block transactions or otherwise. The Program permits the Company to repurchase shares of common stock or Series C Preferred Stock at any time or from time-to-time at management's discretion. The actual means and timing of any shares purchased under the Program will depend on a variety of factors, including, but not limited to, the market prices of the common stock and the Series C Preferred Stock, as applicable, general market and economic conditions, and applicable legal and regulatory requirements. The Program does not obligate the Company to purchase any shares, and any open market repurchases under the Program will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price, and volume of open market stock repurchases. The Program is authorized through April 30, 2026, although it may be modified or terminated by the Board of Directors at any time.

The Company did not repurchase any shares of its common stock or Series C Preferred Stock during the three months ended June 30, 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plan

During the three months ended June 30, 2024, none of the Company's directors or Section 16 officers adopted or terminated any "Rule 10b5-1 trading arrangements" or any "non-Rule 10b5-1 trading arrangements" (in each case, as defined in Item 408 of Regulation S-K).

ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
3.1	Restated Articles of Incorporation, effective May 14, 2021 (incorporated herein by reference to Exhibit 3.1 to Dynex's Current Report on Form 8-K filed May 18, 2021).
3.1.1	Articles of Amendment of the Restated Articles of Incorporation, effective May 18, 2023 (incorporated herein by reference to Exhibit 3.1.1 to Dynex's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023).
3.2	Amended and Restated Bylaws, effective as of May 11, 2021 (incorporated herein by reference to Exhibit 3.2 to Dynex's Current Report on Form 8-K filed May 12, 2021).
4.1	Specimen of Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to Dynex's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019).
4.2	Specimen of 6.900% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate (incorporated herein by reference to Exhibit 4.4 to Dynex's Registration Statement on Form 8-A12B filed February 18, 2020).
10.1*	Amended and Restated Employment Agreement for Smriti L. Popenoe, dated as of July 19, 2024 (filed herewith).
10.2*	Amended and Restated Employment Agreement for Byron L. Boston, dated as of July 19, 2024 (filed herewith).
10.3*	Amended and Restated Employment Agreement for Robert S. Colligan, dated as of July 19, 2024 (filed herewith).
10.41.1*	Form of Performance Stock Unit Award Agreement for Executive Officers (for awards on or after March 8, 2024) under the Dynex Capital, Inc. 2020 Stock and Incentive Plan (incorporated herein by reference to Exhibit 10.41.1 to Dynex's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024).
10.41.2*	Form of Restricted Stock Unit Award Agreement for Executive Officers (for awards on or after March 8, 2024) under the Dynex Capital, Inc. 2020 Stock and Incentive Plan (incorporated herein by reference to Exhibit 10.41.2 to Dynex's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024).
10.41.3*	Form of Restricted Stock Unit Award Agreement for Executive Officers (for awards on or after March 10, 2023 through March 7, 2024) under the Dynex Capital, Inc. 2020 Stock and Incentive Plan (incorporated herein by reference to Exhibit 10.41.3 to Dynex's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024).
10.41.4*	Form of Performance Stock Unit Award Agreement for Executive Officers (for awards on or after March 10, 2023 through March 7, 2024) under the Dynex Capital, Inc. 2020 Stock and Incentive Plan (incorporated herein by reference to Exhibit 10.41.4 to Dynex's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024).
31.1	Certification of co-principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of co-principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.3	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101	The following materials from Dynex Capital, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024, formatted in iXBRL (Inline Extensible Business Reporting Language), filed herewith: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Shareholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements.
104	The cover page from Dynex Capital, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024, formatted in iXBRL (Inline Extensible Business Reporting Language) (included with Exhibit 101).

* Denotes a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DYNEX CAPITAL, INC.

Date: July 26, 2024

/s/ Byron L. Boston
Byron L. Boston
Co-Chief Executive Officer and Chairman of the Board
(Co-Principal Executive Officer)

Date: July 26, 2024

/s/ Robert S. Colligan
Robert S. Colligan
Chief Financial Officer, Chief Operating Officer, and Secretary
(Principal Financial Officer)

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this “Agreement”) is entered into as of this 19th day of July, 2024 (the “Effective Date”), by and between Dynex Capital, Inc., a Virginia corporation (the “Company”), and Smriti L. Popenoe (“Executive”).

WITNESSETH:

WHEREAS, Executive is currently employed by the Company;

WHEREAS, the Company desires to continue to employ and secure the exclusive services of Executive on the terms and conditions set forth in this Agreement;

WHEREAS, Executive desires to accept such employment on such terms and conditions;

WHEREAS, Executive has the trust and confidence of the Company’s Board of Directors (the “Board”);

WHEREAS, the Board values Executive’s leadership and appreciates her continuing contribution to the success of the Company; and

WHEREAS, the Company and Executive previously entered into an Employment Agreement effective October 27, 2023 (the “Prior Agreement”), which the parties desire to modify to reflect Executive’s appointment as Co-Chief Executive Officer of the Company; the Prior Agreement is hereby superseded in its entirety by this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration, the Company and Executive hereby agree as follows:

1. Agreement to Employ. Upon the terms and subject to the conditions of this Agreement, the Company hereby agrees to continue to employ Executive, and Executive hereby accepts such continued employment with the Company.

2. Term; Position and Responsibilities; Location.

(a) Term. This Agreement is effective on the Effective Date and expires on October 27, 2026 (the “Initial Term Expiration Date”), unless sooner terminated by either party as set forth below, or until the termination of Executive’s employment, if earlier. The term of this Agreement shall automatically renew for periods of one (1) year on the Initial Term Expiration Date and each one (1) year anniversary of the Initial Term Expiration Date thereafter (each, a “Renewal Date”), unless either party gives written notice of such nonrenewal (“Nonrenewal Notice”) to the other party at least ninety (90) days before the applicable Renewal Date. Upon a Change in Control (as defined below), the term of this Agreement shall automatically renew for a period of two (2) years, unless the Change in Control occurs during the initial term and there are more than two (2) years remaining in the initial term. The initial and any extended term of this Agreement through the earlier of (i) the date this Agreement expires or is terminated as described herein or (ii) the date of termination of Executive’s employment by the

Company or by Executive for any reason is referred to as the “Employment Period”. If the Company provides a Nonrenewal Notice for a Renewal Date in accordance with the requirements described in the preceding sentence and Executive’s employment is terminated by the Company on such Renewal Date for any reason other than Cause (as defined below) or Executive terminates for Good Reason (as defined below) on account of such Nonrenewal Notice, Executive shall have a right to receive the payments and benefits set forth (A) in Section 7(d)(i) of this Agreement if such termination occurs more than six (6) months prior to a Change in Control or more than two (2) years following a Change in Control or (B) in Section 7(d)(ii) of this Agreement if such termination occurs within six (6) months prior to a Change in Control or on or within two (2) years following a Change in Control, subject to the requirements therein, including but not limited to the Release requirement under Section 7(d)(i)(F) or Section 7(d)(ii)(F) of this Agreement, as applicable.

(b) Position and Responsibilities. During the Employment Period, Executive shall serve as Co-Chief Executive Officer (“Co-CEO”), President, and Chief Investment Officer (“CIO”) of the Company and shall be responsible for performing all duties associated with guiding the strategic and operational direction and performance of the Company and such other related duties and responsibilities as are customarily assigned to individuals serving in such positions. The Company and Executive agree that during the Employment Period, Executive shall report directly to the Board and shall devote as much of her skill, knowledge, commercial efforts and business time as the Board shall reasonably require for the conscientious and good faith performance of her duties and responsibilities for the Company to the best of her ability. Executive shall continue to be nominated to serve as a member of the Board during the Employment Period. Executive agrees to serve in other officer and director positions for the Company, including as a member of the Board if so elected, and any subsidiaries or affiliates of the Company upon request, in each case without additional compensation. The Company may appoint a new CIO during the Employment Period, in which case Executive will cease to serve as CIO but will continue to serve as Co-CEO and President.

(c) Location. During the Employment Period, Executive’s services may be performed from a virtual office located at her out-of-state residence, provided that Executive shall travel to the Company’s offices in the Richmond, Virginia metropolitan area as necessary or as required by the Company or the Board.

3. Base Salary. During the Employment Period, the Company shall pay Executive a base salary at an annualized rate of no less than \$900,000 (which increase is effective as of July 22, 2024), payable in installments on the Company’s regular payroll dates but not less frequently than monthly. The Board or a committee thereof shall review Executive’s base salary annually during the Employment Period for adjustment up or down (but not below \$900,000 without Executive’s consent), based on its periodic review of Executive’s performance in accordance with the Company’s regular policies and procedures; provided, however, that following a Change in Control Executive’s base salary shall not be decreased. The base salary amount payable to Executive for a full year under this Section 3 shall be referred to herein as the “Base Salary”.

4. Incentive Compensation.

(a) Annual Incentive Awards. Executive shall be eligible to participate in and receive annual cash incentive awards pursuant to the terms of the Dynex Capital, Inc. Annual Cash Incentive Plan or any successor plan or program (the “Dynex Incentive Plan”). The minimum target amount of Executive’s annual cash incentive award for any fiscal year during the Employment Period, including the full 2024 fiscal year, shall be not less than two hundred percent (200%) of Executive’s Base Salary, and the maximum amount of Executive’s annual cash incentive award for any fiscal year during the Employment Period shall be not less than four hundred percent (400%) of Executive’s Base Salary. The actual amount of Executive’s annual cash incentive award, if any, may be more or less than the target amount, as determined by the Board or a committee thereof, pursuant to the terms of the Dynex Incentive Plan, but not more than the maximum amount. For each fiscal year during the Employment Period, the Company’s management team shall recommend proposed performance targets under the Dynex Incentive Plan to the Board or a committee thereof by the end of the fiscal year immediately prior to the applicable performance year, and the Company’s management team shall provide all information necessary or appropriate to enable the Board or a committee thereof to determine the final performance targets by the end of the first month of the applicable performance year. Any annual cash incentive award shall be paid after the end of the fiscal year to which it relates, at the same time and under the same terms and conditions as the annual cash incentive awards for other executives of the Company and subject to the terms of the Dynex Incentive Plan, including requirements as to continued employment, subject to the provisions of Sections 7(d)(i)(C) and 7(d)(ii)(C) below. For the sake of clarity, Executive’s annual cash incentive award opportunity for the 2024 fiscal year under the Dynex Incentive Plan will be based on Executive’s increased 2024 Base Salary as set forth in Section 3.

(b) Long-Term Incentive Awards. Executive shall be eligible to participate in and receive long-term incentive awards pursuant to the Dynex Capital, Inc. 2020 Stock and Incentive Plan or any successor plan (the “Dynex Stock and Incentive Plan”). The target amount of Executive’s long-term incentive award granted with respect to any fiscal year during the Employment Period, including awards for the full 2024 fiscal year that are granted in 2025, shall be not less than \$3,100,000. The actual amount of Executive’s long-term incentive award, if any, may be more or less than the target amount, as determined by the Board or a committee thereof, pursuant to the terms of the Dynex Stock and Incentive Plan.

(c) Clawback. Executive agrees that any incentive compensation (including both equity and cash incentive compensation) that Executive receives from the Company is subject to repayment to (*i.e.*, clawback by) the Company or a related entity (i) as required by applicable law, or (ii) pursuant to an applicable clawback policy adopted by the Board from time to time. Any such clawback determination shall be made in good faith by the Board or a committee thereof and consistent with applicable law and the terms of the clawback policy, if applicable. Except where offset of, or recoupment from, incentive compensation covered by Code Section 409A (as defined below) is prohibited by Code Section 409A, to the extent allowed by law and as determined by the Board or a committee thereof, Executive agrees that such repayment may, in the discretion of the Board or a committee thereof, be accomplished by withholding of future compensation to be paid to Executive by the Company. Any recovery of

incentive compensation covered by Code Section 409A shall be implemented in a manner which complies with Code Section 409A. Any recovery of incentive compensation pursuant to this Section 4(c) shall not constitute a breach of this Agreement or Good Reason (as defined below).

5. Employee Benefits.

(a) General. During the Employment Period, Executive shall be eligible to participate in the employee and executive benefit plans and programs maintained by the Company from time-to-time in which executives of the Company are eligible to participate, including, to the extent maintained by the Company, life, medical, dental, accidental and disability insurance plans and retirement, deferred compensation and savings plans, in accordance with the terms and conditions thereof as in effect from time-to-time. As of the date of this Agreement, Executive is eligible and shall remain eligible to participate in the Company's existing 401(k) plan and the Company shall match Executive's contributions in accordance with the terms of that plan, provided that such matching does not violate any provisions of law applicable to the 401(k) plan.

(b) Vacation. During the Employment Period, Executive shall be entitled to a number of vacation days as determined by the Board or a committee thereof, which shall not be less than six (6) weeks per calendar year, without carry-over accumulation. Executive shall also be entitled to Company-designated holidays.

(c) Cellular Phones and Personal Data Assistants. During the Employment Period, the Company shall provide Executive with, or shall reimburse Executive for her purchase of, a cellular phone and a personal data assistant (*e.g.*, iPad, tablet, etc.) for her use as agreed upon by the Company and Executive, as well as pay for business-related usage fees, pursuant to the Company's policy for executives or, if none, as approved by the Company consistent with the Company's practice for other executives. Executive shall submit a detailed bill in order to obtain reimbursement.

(d) Concierge Medical Services. During the Employment Period, the Company shall reimburse Executive for the cost of an annual concierge medical services fee, including the cost of an annual physical, at the level of the Mayo Clinic Executive Health Program or any successor program.

6. Expenses.

(a) Business Travel, Lodging. The Company shall reimburse Executive for reasonable travel, lodging, meal and other reasonable expenses incurred by her in connection with the performance of her duties and responsibilities hereunder upon submission of related receipts or other evidence of the incurrence and purpose of each such expense consistent with the terms and conditions of the Company's travel policy in effect at any time.

(b) Agreement Review. Within thirty (30) days following Executive's written request (which must include documentation of such fees and expenses but not narratives of specific legal services provided), the Company shall reimburse Executive for the reasonable attorneys' fees and expenses she incurred (if any) relating to the review and negotiation of this Agreement. Executive must submit any request for reimbursement of such attorneys' fees and expenses within one (1) year of when such fees and expenses are incurred.

(c) Agreement Dispute. Within sixty (60) days following Executive's written request (which must include a detailed description of such fees and expenses), the Company agrees to pay, to the full extent permitted by law, all legal fees and expenses that Executive may reasonably incur as a result of any controversy or claim arising out of or relating to this Agreement, or the breach thereof, by the Company, Executive, or others (including as a result of any contest by Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment beyond such sixty (60) day period at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code"); provided that, before a Change in Control, the Company shall pay such legal fees and expenses only if Executive prevails on at least one material point in such controversy or claim (in which case all previously incurred legal fees and expenses as described above shall be paid immediately and future such legal fees and expenses shall be paid as they are incurred) and, following a Change in Control, the Company shall pay such legal fees and expenses as they are incurred regardless of the outcome of the controversy or claim but only for as long as Executive's claim is not determined by a court of final jurisdiction to be frivolous. If a court of final jurisdiction determines Executive's claim to be frivolous, then Executive shall be required to repay to the Company within sixty (60) days following the Company's written request any previously paid attorneys' fees and expenses under this Section 6(c).

(d) Reimbursement Requirements. Any reimbursements provided in Sections 5 and 6 of this Agreement shall be reimbursed, unless specifically provided otherwise herein, in accordance with the Company's expense reimbursement policy in effect at any time, if any, and the requirements of Section 8(d) of this Agreement, to the extent applicable.

7. Termination of Employment. The Board believes it is in the best interests of the Company to diminish the inevitable distraction of Executive by virtue of the personal uncertainties and risks in the event Executive terminates her employment for Good Reason or is terminated by the Company without Cause and to encourage Executive's full attention and dedication to the Company, and to provide Executive with compensation and benefits arrangements upon such termination which ensure that the compensation and benefits expectations of Executive will be satisfied and which are competitive with those of other corporations. The Board has approved this Section 7 and authorized its inclusion in this Agreement on the Company's behalf to Executive.

(a) Certain Definitions.

(i) "Change in Control" shall mean any of the following:

(A) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act")), (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of thirty-five percent (35%) or more of either (1) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); or

(B) The composition of the Company's Board shall change such that the individuals who, as of October 27, 2023, constituted the Board (the "Incumbent Directors") no longer comprise at least a majority of the members of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Incumbent Directors shall be considered as though such individual were an Incumbent Director, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(C) Consummation of a reorganization, merger, share exchange or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination:

(1) the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, at least eighty percent (80%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries or affiliates) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; and

(2) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were Incumbent Directors at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(D) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with clause (1) or (2) of Section 7(a)(i)(C) of this Agreement.

(ii) "Date of Termination" means the date of Executive's termination of employment with the Company, determined in accordance with the requirements of Section 8(c) of this Agreement, which will typically be (A) if Executive's employment is terminated by the Company for Cause, the date of receipt of the Notice of Termination (as defined below) or any later date specified therein, as the case may be, (B) if Executive's employment is terminated by Executive for Good Reason, the date specified pursuant to Section 7(b)(i) below, (C) if Executive's employment is terminated by the Company other than for Cause or by Executive without Good Reason, the date on which the Company or Executive notifies the other of such termination, (D) if Executive's employment is terminated by reason of death, the date of death of Executive, or (E) if the Company terminates Executive's employment due to Disability (as

defined below), the date of receipt of the Notice of Termination or any later date specified therein, as the case may be.

(b) Termination of Employment.

(i) Good Reason. Executive may terminate her employment during the Employment Period for Good Reason. In such event, the Company shall have the termination obligations in Section 7(d)(i) or (ii) of this Agreement, whichever is applicable on the Date of Termination. For purposes of this Agreement, "Good Reason" shall mean any of the following, without Executive's consent:

(A) prior to a Change in Control, a material diminution in Executive's position, authority, duties or responsibilities as Co-CEO, President and CIO, excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith; and provided that "Good Reason" shall not include the removal of Executive as CIO of the Company if Executive retains her position as Co-CEO and President of the Company;

(B) on or following a Change in Control, the assignment to Executive of any duties inconsistent with Executive's position (including status, office or title as Co-CEO, President and CIO, and reporting requirements), authority, duties, and responsibilities as Co-CEO, President and CIO, or any other action by the Company that results in a diminution in such position (including status, office or title as Co-CEO, President and CIO, and reporting requirements), authority, duties and responsibilities as Co-CEO, President and CIO, or any requirement that Executive not serve as Co-CEO, President and CIO of the Company, in all cases excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith; and provided that "Good Reason" shall not include the removal of Executive as CIO of the Company if Executive retains her position as Co-CEO and President of the Company;

(C) whether prior to, on or following a Change in Control, a reduction in Executive's Base Salary or a reduction of Executive's minimum target incentive opportunity in violation of Section 3, Section 4(a) or Section 4(b) of this Agreement;

(D) whether prior to, on or following a Change in Control, the Company's requiring Executive to perform her services on a regular basis at any location that is more than fifty (50) miles from the location where Executive primarily performed services during the six (6) months immediately preceding the change in location or the Company's requiring Executive to perform her services on a regular basis in person rather than by telecommuting;

(E) whether prior to, on or following a Change in Control, any material breach of this Agreement by the Company; or

(F) whether prior to, on or following a Change in Control, the Company delivers to Executive a Nonrenewal Notice as described in Section 2(a) and does not offer Executive a new employment agreement providing terms and conditions substantially similar to, or more favorable than, those in this Agreement, and Executive is willing and able to execute a new employment agreement on such terms and continue performing services thereunder.

To trigger “Good Reason,” Executive is required to provide written notice to the Board of the existence of a condition described in this Section 7(b)(i) within thirty (30) days following the initial existence of the condition, and the Company shall have thirty (30) days after receiving such notice to remedy the condition. If the condition is remedied within thirty (30) days, then “Good Reason” does not exist. If the condition is not remedied within thirty (30) days, then Executive must resign within thirty (30) days following the expiration of the remedy period in order for such resignation to be for “Good Reason.”

Notwithstanding the above, “Good Reason” shall not include any resignation by Executive if the Company has communicated to Executive in writing that grounds for a “Cause” termination exist, or if the Company communicates to Executive in writing that grounds for a “Cause” termination exist at any time during the notice and remedy period described in the preceding paragraph, and in either case if “Cause” is determined to exist pursuant to Section 7(b)(iii) of this Agreement. The remedy and resignation period described in the preceding paragraph shall be automatically extended so that it does not end before any notice and remedy period under Section 7(b)(iii) of this Agreement, provided that the remedy and resignation period described in the preceding paragraph shall not be extended beyond one hundred twenty (120) days from the date of Executive’s submission of written notice pursuant to the preceding paragraph.

(ii) Without Good Reason. Executive may terminate her employment during the Employment Period without Good Reason. In such event, the Company shall have the termination obligations in Section 7(d)(iii) of this Agreement.

(iii) Cause. The Company may terminate Executive’s employment during the Employment Period for Cause. In such event, the Company shall have the termination obligations in Section 7(d)(iii) of this Agreement. For purposes of this Agreement, “Cause” shall mean any of the following:

- (A) Executive’s gross or willful misconduct, fraud or embezzlement in connection with the performance of Executive’s duties to the Company;
- (B) prior to a Change in Control, the failure of Executive to adhere to the lawful directions of the Board that are reasonably consistent with Executive’s duties and positions as Co-CEO, President and CIO;
- (C) a material violation by Executive of any portion of Section 9 of this Agreement; or
- (D) Executive’s being convicted of, or entering a guilty plea or plea of no contest to, any felony or any crime of moral turpitude.

For purposes of this provision, no act or failure to act, on the part of Executive, shall be considered “willful” unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive’s action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or a committee thereof, or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company. The cessation of employment of Executive shall not be deemed to be for Cause unless and until there shall have been delivered to Executive written notice of a

resolution duly adopted by the affirmative vote of not less than two-thirds (2/3) of the Board at a meeting of the Board called and held for such purpose (after at least fifteen (15) days' notice is provided to Executive of such meeting (setting forth the specific section(s) of this Agreement applicable to Executive's conduct) and Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Executive is guilty of conduct described in subparagraph (A) or (B) or (C) or (D) above, and specifying the particulars thereof in detail. Upon delivery of the written notice, Executive's employment shall be immediately terminated; provided, however, with regard to conduct described in subparagraph (B) or (C) above only, if such conduct can be remedied, as determined in the good faith opinion of the Board, Executive shall have thirty (30) days after her receipt of the written notice to remedy the conduct. If the conduct is remedied within thirty (30) days, then "Cause" does not exist. If the conduct is not remedied within thirty (30) days, then the Company shall provide Notice of Termination within thirty (30) days following the expiration of the remedy period.

(iv) Without Cause. The Company may terminate Executive's employment without Cause during the Employment Period. In such event, the Company shall have the termination obligations in Section 7(d)(i) or 7(d)(ii) of this Agreement, whichever is applicable on the Date of Termination.

(v) Death or Disability. Executive's employment during the Employment Period shall automatically terminate on Executive's death and may be terminated by the Company due to her Disability. For purposes of this Agreement, "Disability" shall mean a physical or mental disability that prevents Executive from performing her essential job functions as Co-CEO, President and CIO for a period of at least six (6) consecutive months within any twelve (12)-month period. In such event, the Company shall have the termination obligations in Section 7(d)(iv) or (v), as applicable, of this Agreement.

(c) Notice of Termination. Any termination of Executive's employment by the Company for or without Cause or due to Disability, or by Executive for or without Good Reason, shall be communicated by a Notice of Termination to the other party. For purposes of this Agreement, a "Notice of Termination" means a written notice, which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) the Date of Termination. The failure by the Company or Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

(d) Company's Termination Obligations.

(i) Good Reason or Without Cause More Than Six Months Prior to a Change in Control or More Than Two Years Following a Change in Control. If Executive's employment is terminated by Executive for Good Reason, or by the Company without Cause (other than due to Executive's death or Disability), provided each occurs more than six (6) months prior to a Change in Control or more than two (2) years following a Change in Control, then, subject to the Release requirement set forth in Section 7(d)(i)(F) below and subject to

Executive's continued compliance with Section 9 below, the Company shall pay to Executive a lump sum payment in cash equal to the aggregate of the following amounts under Sections 7(d)(i)(A), (B) and (C) below within thirty (30) days following the Date of Termination and provide the other benefits provided below:

(A) Executive's Base Salary through the Date of Termination, to the extent not previously paid; any incentive compensation for a completed prior performance period that has been earned but has not yet been paid; reimbursement for any unreimbursed business expenses incurred by Executive prior to the Date of Termination that are subject to reimbursement under Section 6 of this Agreement; and payment of accrued, but unused vacation time as of the Date of Termination ("Accrued Obligations").

(B) An amount equal to the product of two (2) times the sum of: (1) Executive's Base Salary on the day prior to the Date of Termination (or, if Executive's termination for Good Reason is based upon a reduction in Base Salary, then Executive's Base Salary in effect immediately prior to such reduction) and (2) the sum of Executive's Annual Incentive Award (as defined below) paid for each of the three (3) calendar years preceding the calendar year that includes the Date of Termination, divided by three (3).

(C) An amount (the "Pro Rata Annual Incentive Award") equal to the Pro Rata Portion (as defined below) of the sum of (1) and (2) below, with respect to any Annual Incentive Award with an incomplete performance period as of the Date of Termination:

(1) With respect to any performance goals relating to Company financial performance or stock price, the greater of the amount that would have been payable at target performance or the amount calculated based on actual performance through the calendar quarter ending on or immediately prior to the Date of Termination.

(2) With respect to any performance goals relating to Company non-financial corporate goals or individual goals, the amount that would have been payable at maximum performance.

(3) The "Pro Rata Portion" is defined as the amount determined by multiplying the relevant amount in (1) or (2) above by a fraction, the numerator of which is equal to the number of days in the applicable performance period that precede the Date of Termination and the denominator of which is the number of days in the performance period.

(D) To the extent any previously awarded outstanding stock awards, such as stock options, stock appreciation rights, restricted stock units, restricted stock, dividend equivalent rights, or any other form of stock compensation ("Stock Awards") granted to Executive shall have not vested, such Stock Awards shall immediately become fully (100%) vested and exercisable and shall otherwise be paid in accordance with their terms. Performance-based Stock Awards shall become fully vested, and performance shall be determined based on the terms of the applicable grant agreement.

(E) The Company shall provide continued monthly coverage at the Company's expense under the Company's medical, dental, life insurance and disability policies or arrangements in which Executive and any of her dependents were covered on the day prior to the Date of Termination (the "Welfare Plans") ("Welfare Continuance Benefit") for a

period of twenty-four (24) months following the Date of Termination, provided that Executive's continued participation is possible under the general terms and provisions of the Welfare Plans. The following rules ("Welfare Continuance Rules") shall also apply:

(1) If the Company cannot maintain such coverage for Executive or Executive's spouse or dependents under the terms and provisions of the Welfare Plans (or where such continuation would adversely affect the tax status of the Welfare Plans pursuant to which the coverage is provided), the Company shall provide the Welfare Continuance Benefit by, at the Company's option, either providing substantially identical benefits directly or through an insurance arrangement or by paying Executive the estimated cost of the coverage for a similarly situated employee (both the Company and employee portions of any cost determination) for twenty-four (24) months after the Date of Termination with such payments to be made in accordance with the established payroll practices of the Company (but not less frequently than monthly) for employees generally for the period during which such cash payments are to be provided.

(2) If Executive becomes reemployed with another employer and is eligible to receive comparable welfare benefits under another employer provided plan, the portion of the Welfare Continuance Benefit for which Executive is eligible for comparable coverage shall be secondary to those provided under such other plan during such applicable period of eligibility, provided that the costs of obtaining such other welfare benefits is less than the cost of such benefits to Executive immediately prior to the Date of Termination.

(3) To the extent allowed by applicable law, the twenty-four (24)-month Welfare Continuance Benefit period shall run concurrently with the period for which Executive and/or her spouse and any of her dependents would be eligible for continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 or any similar state law (the "COBRA Period"), although the twenty-four (24)-month Welfare Continuance Benefit period may continue to run after the COBRA Period has ended.

(F) Notwithstanding any other provisions of this Agreement, no amounts or benefits, other than the Accrued Obligations, shall be payable to Executive, and Executive shall forfeit all rights, under Section 7(d)(i) of this Agreement unless a release of claims substantially in the form of the Release attached as **Exhibit A**, subject to such changes as the Company determines are necessary or appropriate to comply with changes in applicable law, regulation or other governmental guidance (the "Release") is signed and becomes irrevocable within the time period specified by the Release for review and revocation. To the extent any amounts or benefits under Section 7(d)(i), other than the Accrued Obligations, have been paid and the Release requirement of this Section 7(d)(i)(F) is not met, then any such amounts or benefits previously paid shall be forfeited and Executive shall repay such forfeited amounts or benefits to the Company within thirty (30) days following demand by the Company.

(G) The term "Annual Incentive Award" means an incentive award that is based on performance over a period of one (1) year. Annual Incentive Awards will be paid in cash. For the avoidance of doubt, an Annual Incentive Award does not include an outstanding Stock Award.

(ii) Good Reason or Without Cause Within Six Months Prior to or On or Within Two Years Following a Change in Control. If Executive's employment is terminated by Executive for Good Reason, or by the Company without Cause (other than due to Executive's death or Disability), provided each occurs within six (6) months prior to or on or within two (2) years following a Change in Control, then, subject to the Release requirement set forth in Section 7(d)(ii)(F) below and subject to Executive's continued compliance with Section 9 below, the Company shall pay to Executive a lump sum payment in cash equal to the aggregate of the following amounts under Sections 7(d)(ii) (A), (B) and (C) below within thirty (30) days following the Date of Termination and provide the other benefits provided below. Notwithstanding the foregoing, if such termination occurs within six (6) months prior to a Change in Control, the amount under Section 7(d)(i)(B) shall be calculated and paid as described in Section 7(d)(i) within thirty (30) days following the Date of Termination and, within thirty (30) days following the Change in Control, the Company shall pay to Executive a lump sum payment in cash equal to the excess of the amount payable under Section 7(d)(ii)(B) over the amount previously paid to Executive pursuant to Section 7(d)(i)(B).

(A) The Accrued Obligations.

(B) An amount equal to the product of two and ninety-nine hundredths (2.99) times the sum of: (1) Executive's Base Salary on the day prior to the Date of Termination (or, if Executive's termination for Good Reason is based upon a reduction in Base Salary, then Executive's Base Salary in effect immediately prior to such reduction) and (2) the sum of Executive's Annual Incentive Award paid for each of the three (3) calendar years preceding the calendar year that includes the Change in Control, divided by three (3).

(C) The Pro Rata Annual Incentive Award.

(D) To the extent any previously awarded Stock Awards granted to Executive shall have not vested, such Stock Awards shall immediately become fully (100%) vested and exercisable and shall otherwise be paid in accordance with their terms. Performance-based Stock Awards shall become fully vested, and performance shall be determined based on the terms of the applicable grant agreement.

(E) The Company shall provide the Welfare Continuance Benefit but for a period of thirty-six (36) months following the Date of Termination rather than twenty-four (24) months, provided that Executive's continued participation is possible under the general terms and provisions of the Welfare Plans. The Welfare Continuance Rules (as applied to a thirty-six (36) month period) shall also apply.

(F) Notwithstanding any other provisions of this Agreement, no amounts or benefits, other than the Accrued Obligations, shall be payable to Executive, and Executive shall forfeit all rights, under Section 7(d)(ii) of this Agreement unless the Release is signed and becomes irrevocable within the time period specified by the Release for review and revocation. To the extent any amounts or benefits under Section 7(d)(ii), other than the Accrued Obligations, have been paid and the Release requirement of this Section 7(d)(ii)(F) is not met, then any such amounts or benefits previously paid shall be forfeited and Executive shall repay such forfeited amounts or benefits to the Company within thirty (30) days following demand by the Company.

(iii) Without Good Reason or For Cause Before, On, or After a Change in Control. If the Company should terminate Executive's employment for Cause or if she should terminate her employment without Good Reason at any time during the Employment Period, then the Company shall pay to Executive the Accrued Obligations in a lump sum within thirty (30) days following the Date of Termination.

(iv) Termination Due to Disability Before, On, or After a Change in Control. If the Company should terminate Executive's employment due to her Disability at any time during the Employment Period, then the Company shall pay to Executive the Accrued Obligations in a lump sum within thirty (30) days following the Date of Termination. In addition, subject to the Release requirement set forth in Section 7(d)(iv)(C) below and subject to Executive's continued compliance with Section 9 below, to the extent any previously awarded Stock Awards granted to Executive shall have not vested, such Stock Awards shall immediately become fully (100%) vested and exercisable and shall otherwise be paid in accordance with their terms. Performance-based Stock Awards shall become fully vested, and performance shall be determined based on the terms of the applicable grant agreement. In addition, subject to the Release requirement set forth in Section 7(d)(iv)(C) below and subject to Executive's continued compliance with Section 9 below, the Company shall pay to Executive within thirty (30) days following the Date of Termination an amount equal to the sum of the amounts calculated under Section 7(d)(iv)(A) and (B) below with respect to any Annual Incentive Award with an incomplete performance period as of the Date of Termination:

(A) With respect to any performance goals relating to Company financial performance or stock price, the greater of the amount that would have been payable at target performance or the amount calculated based on actual performance through the calendar quarter ending on or immediately prior to the Date of Termination.

(B) With respect to any performance goals relating to Company non-financial corporate goals or individual goals, the amount that would have been payable at maximum performance.

(C) The Company shall provide the Welfare Continuance Benefit for a period of eighteen (18) months following the Date of Termination, provided that Executive's continued participation is possible under the general terms and provisions of the Welfare Plans and consistent with the Welfare Continuance Rules (as applied to an eighteen (18) month period) described in Section 7(d)(ii)(E) above.

(D) Notwithstanding any other provisions of this Agreement, no amounts or benefits, other than the Accrued Obligations, shall be payable to Executive, and Executive shall forfeit all rights, under Section 7(d)(iv) of this Agreement unless the Release is signed and becomes irrevocable within the time period specified by the Release for review and revocation. To the extent any amounts or benefits under Section 7(d)(iv), other than the Accrued Obligations, have been paid and the Release requirement of this Section 7(d)(iv)(C) is not met, then any such amounts or benefits previously paid shall be forfeited and Executive shall repay such forfeited amounts or benefits to the Company within thirty (30) days following demand by the Company.

(v) Termination Due to Death Before, On, or After a Change in Control. If Executive's employment should terminate due to her death at any time during the Employment Period, then the Company shall pay to Executive's estate the Accrued Obligations in a lump sum within thirty (30) days following the Date of Termination, subject to production to the Company of such evidence or information in respect of Executive's estate as the Company may require. In addition, to the extent any previously awarded Stock Awards granted to Executive shall have not vested, such awards shall immediately become fully (100%) vested and exercisable and shall otherwise be paid in accordance with their terms. Performance-based Stock Awards shall become fully vested, and performance shall be determined based on the terms of the applicable grant agreement. In addition, the Company shall pay to Executive's estate within thirty (30) days following the Date of Termination:

(A) An amount equal to the sum of: (1) Executive's Base Salary on the day prior to the Date of Termination and (2) the sum of Executive's Annual Incentive Award paid for each of the three (3) calendar years preceding the calendar year that includes the Date of Termination, divided by three (3).

(B) The Pro Rata Annual Incentive Award.

(e) Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any plan, program, policy or practice provided by the Company and for which Executive may qualify, nor, shall anything herein limit or otherwise negatively affect such rights as Executive may have under any contract or agreement with the Company. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

(f) Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others, except for any recoupment required pursuant to Section 4(c) of this Agreement and any withholding of taxes pursuant to Section 18(c) of this Agreement. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not Executive obtains other employment.

(g) Section 280G Limitations.

(i) Payment Limitation. Notwithstanding anything contained in this Agreement (or in any other agreement between Executive and the Company (which for this Section 7(g)(i) includes any successor)) to the contrary, to the extent that any payments and benefits provided under this Agreement or payments or benefits provided to, or for the benefit of, Executive under any other plan or agreement of the Company (such payments or benefits are collectively referred to as the "Payments") would be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), the Payments shall be reduced if and to the extent

that a reduction in the Payments would result in Executive retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and the Excise Tax), than Executive would have retained had Executive been entitled to receive all of the Payments (such reduced amount is hereinafter referred to as the "Limited Payment Amount"). The Company shall reduce the Payments by first reducing or eliminating payments or benefits which are not payable in cash and then by reducing or eliminating cash payments, in each case in reverse order beginning with payments or benefits which are to be paid the furthest in time from the date the Determination (as defined below) is delivered to the Company and Executive, subject to compliance with Code Section 409A. Executive shall be solely responsible for the payment of any Excise Taxes imposed upon Executive.

(ii) Determination and Dispute. The determination as to whether the Payments shall be reduced to the Limited Payment Amount and the amount of such Limited Payment Amount (the "Determination") shall be made at the Company's expense by an accounting firm selected by the Company and acceptable to Executive (the "Accounting Firm"). The Accounting Firm shall provide the Determination in writing, together with detailed supporting calculations and documentations, to the Company and Executive on or prior to the Date of Termination of Executive's employment if applicable, or at such other time as requested by the Company or by Executive. If there is no Dispute (as defined below), the Determination of the Accounting Firm shall be binding, final and conclusive upon the Company and Executive. Within ten (10) days following the delivery of the Determination to Executive, Executive shall have the right to dispute the Determination (the "Dispute") in writing setting forth the precise basis of the Dispute. Within five (5) days following the submission of a Dispute, the Company and Executive shall agree on the appointment of an independent accounting firm to review the Determination made by the Accounting Firm. If the Company and Executive cannot agree on an independent accounting firm within such time frame, then the Company and Executive agree to use an independent accounting firm selected by the Accounting Firm to perform the review. The selected accounting firm (the "Second Accounting Firm") will review at the Company's expense the Determination and make a decision on how to resolve the Dispute (the "Second Determination"). Such Second Determination shall be obtained as soon as possible following the Dispute but in all events within forty-five (45) days following submission of the Dispute. The Second Determination of the Second Accounting Firm shall be binding, final and conclusive upon the Company and Executive.

(iii) Attorneys' Fees Related to a Change in Control. Within sixty (60) days following Executive's written request (which must include documentation of and a detailed description of such fees and expenses), in the event of a Change in Control, the Company shall reimburse Executive for the reasonable attorneys' fees and expenses that Executive incurs in connection with the review of this Agreement with respect to the Change in Control and the review of the calculations described in this Section 7(g). Executive must submit any request for reimbursement of such attorneys' fees and expenses within sixty (60) days after such fees and expenses are incurred.

(h) Successors.

(i) Section 7 of this Agreement is personal to Executive and, without the prior written consent of the Company, shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. Section 7 of this Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(ii) Section 7 of this Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(iii) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

8. Code Section 409A Compliance.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code and applicable guidance thereunder ("Code Section 409A") or comply with an exemption from the application of Code Section 409A and, accordingly, all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A.

(b) Neither Executive nor the Company shall take any action to accelerate or delay the payment of any monies and/or provision of any benefits in any matter which would not be in compliance with Code Section 409A.

(c) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the form or timing of payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" (within the meaning of Code Section 409A) and, for purposes of any such provision of this Agreement under which (and to the extent) deferred compensation subject to Code Section 409A is paid, references to a "Date of Termination" or "termination of employment" or resignation or like references shall mean separation from service. A separation from service shall not occur under Code Section 409A unless Executive has completely severed her employment or contractor relationship with the Company or Executive has permanently decreased her services (via her employment relationship or her consulting relationship) to twenty percent (20%) or less of the average level of *bona fide* services over the immediately preceding thirty-six (36)-month period (or the full period if Executive has been providing services for less than thirty-six (36) months). A leave of absence shall only trigger a termination of employment that constitutes a separation from service at the time required under Code Section 409A (which is typically after six (6) months although the specific rules and exceptions in Code Section 409A shall apply). If Executive is deemed on the date of separation from service with the Company to be a "specified employee", within the meaning of that term under Code Section 409A(a)(2)(B) and using the identification methodology selected by the Company from time-to-time, or if none, the default methodology, then with regard to any payment or benefit that is required to be delayed in compliance with Code Section 409A(a)(2)(B), such payment or benefit shall not be

made or provided prior to the earlier of (i) the expiration of the six (6) month period measured from the date of Executive's separation from service or (ii) the date of Executive's death. In the case of benefits required to be delayed under Code Section 409A, however, Executive may pay the cost of benefit coverage, and thereby obtain benefits, during such six (6) month delay period and then be reimbursed by the Company thereafter when delayed payments are made pursuant to the next sentence. On the first day of the seventh (7th) month following the date of Executive's separation from service or, if earlier, on the date of Executive's death, all payments delayed pursuant to this Section 8(c) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. If any cash payment is delayed under this Section 8(c) of this Agreement, then interest shall be paid on the amount delayed calculated at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code from the date of Executive's termination to the date of payment.

(d) With regard to any provision herein that provides for reimbursement of expenses or in-kind benefits subject to Code Section 409A, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, and (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided that the foregoing clause (ii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Code Section 105(b) solely because such expenses are subject to a limit related to the period the arrangement is in effect. All reimbursements shall be reimbursed in accordance with the Company's reimbursement policies but in no event later than the calendar year following the calendar year in which the related expense is incurred.

(e) Each payment under this Agreement shall be treated as a separate payment for purposes of Code Section 409A. In no event may Executive, directly or indirectly, designate the calendar year of a payment under this Agreement. Notwithstanding any provision of this Agreement to the contrary, in no event shall the timing of Executive's execution of the Release, directly or indirectly, result in Executive designating the calendar year of payment of any amounts of deferred compensation subject to Code Section 409A, and if a payment that is subject to execution of the Release could be made in more than one taxable year, payment shall be made in the later taxable year if required by Code Section 409A.

(f) When, if ever, a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company. If the timing of any payment of deferred compensation is based on a Change in Control, if and to the extent required by Section 409A of the Code, such payment shall be made on a Change in Control that is a "change in control event" for purposes of Section 409A of the Code or such other earliest permissible date under Section 409A of the Code.

(g) The Company and Executive agree to cooperate in good faith to ensure compliance in form and operation with Code Section 409A to the extent Code Section 409A is applicable under this Agreement.

9. Restrictive Covenants. The Company and Executive agree that Executive has had and will have a prominent role in the management of the business, and the development of the goodwill of the Company and its subsidiaries (collectively, “Dynex”), and has had and will have access to and become familiar with or exposed to Confidential Information (as such term is defined below), in particular, trade secrets, proprietary information, and other valuable business information of Dynex pertaining to Dynex’s business. At the date of Executive’s termination of employment, the Company shall provide Executive with a list of Dynex’s then-current subsidiaries for purposes of the restrictive covenants. Executive agrees that Executive could cause harm to Dynex if she solicited Dynex’s employees, lenders, or business counterparties upon the cessation of Executive’s employment away from Dynex, or misappropriated or divulged Dynex’s Confidential Information; and that as such, Dynex has legitimate business interests in protecting its goodwill and Confidential Information; and, as such, these legitimate business interests justify the following restrictive covenants:

(a) Confidentiality and Non-Disclosure Covenant.

(i) Executive agrees that during the Employment Period and for a period of five (5) years following the cessation of her employment for any reason (or longer, consistent with Virginia law, if the Confidential Information qualifies as a trade secret under Virginia law), Executive shall not, directly or indirectly (A) disclose any Confidential Information (as defined below) to any Person (other than, only with respect to the period that Executive is employed by the Company, to an employee or outside advisor of the Company who requires such information to perform his or her duties for the Company or to a lender or business counterparty that requires such information to engage in a transaction with the Company), or (B) use any Confidential Information for Executive’s own benefit or the benefit of any third party. “Confidential Information” is Dynex’s business information that is not known to the general public or to the investment industry, such as marketing plans, trade secrets, financial information and records, customized software, data repositories, operation methods, personnel information, drawings, designs, information regarding product development, and customer lists. The foregoing obligation shall not apply to any Confidential Information that has been previously disclosed to the public by the Company or with its permission, is in the public domain (other than by reason of a breach of Executive’s obligations to hold such Confidential Information confidential), or is otherwise legitimately known by Executive prior to her employment with the Company. In particular, and without limitation, Confidential Information shall not include any knowledge of Executive with respect to the general business of the Company including its investment in and management of fixed income and similar securities on a leveraged basis, and its organization as a real estate investment trust. Nothing in this Agreement shall prevent Executive from retaining papers and other materials of a personal nature, such as personal diaries, calendars and Rolodexes, information relating to her compensation or relating to reimbursement of expenses, and copies of plans, programs and agreements relating to her employment or benefits. If Executive is required or requested by a court or governmental agency to disclose Confidential Information, Executive must notify the

Chief Operating Officer of the Company (or the Chief Executive Officer of the Company, if Executive is the Chief Operating Officer of the Company) of such disclosure obligation or request no later than three (3) business days after Executive learns of such obligation or request, and permit the Company to take all lawful steps it deems appropriate to prevent or limit the required disclosure.

(ii) Nothing in this Agreement restricts or prohibits Executive or Executive's counsel from initiating communications directly with, responding to any inquiry from, volunteering information to, or providing testimony before a self-regulatory authority or a governmental, law enforcement or other regulatory authority, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Congress, and any Office of Inspector General (collectively, the "Regulators"), from participating in any reporting of, investigation into, or proceeding regarding suspected violations of law, or from making other disclosures that are protected under or from receiving an award for information provided under the whistleblower provisions of state or federal law or regulation. Executive does not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide Confidential Information or documents containing Confidential Information to the Regulators, or make any such reports or disclosures to the Regulators. Executive is not required to notify the Company that Executive has engaged in such communications with the Regulators. Executive recognizes and agrees that, in connection with any such activity outlined above, Executive must inform the Regulators that the information Executive is providing is confidential.

(iii) Federal law provides certain protections to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances. Specifically, federal law provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret under either of the following conditions:

- Where the disclosure is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or
- Where the disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

Federal law also provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

(b) Non-Competition Covenant. Executive agrees that during the Employment Period, Executive shall devote on a full-time business basis her skill, knowledge,

commercial efforts and business time as the Board shall reasonably require to the conscientious and good faith performance of her duties and responsibilities to the Company to the best of her ability. Accordingly, during the Employment Period, Executive shall not, directly or indirectly, be employed by, render services for, engage in business with or serve as an agent or consultant to any Person other than the Company. However, Executive may serve on the board of directors of one or more non-profit or for-profit organizations, subject to the consent of the Board. Attached as **Exhibit B** is a list of the boards of directors on which Executive currently serves, which have been approved by the Board. Executive further agrees that during the Employment Period and for a period of ninety (90) days (subject to extension as provided below) following any cessation of her employment for any reason, Executive shall not, directly or indirectly, render services within the “Restricted Territory” as an employee, owner, consultant or in any capacity that are the same as or substantially similar to the services provided by Executive for the Company during the twelve (12) months preceding the cessation of Executive’s employment, on behalf of any person or entity that engages in a business that is the same as or substantially similar to, and competitive with, the business of Dynex at the time Executive’s employment ceases. In the event Executive is paid severance benefits under Section 7(d)(i) or (iv) of this Agreement, the period of non-competition, as described in the preceding sentence (the “Non-Competition Period”), shall be extended so that the period applies for six (6) months following Executive’s cessation of employment. In the event Executive is paid severance benefits under Section 7(d)(ii) of this Agreement (Change in Control), the Non-Competition Period shall be extended so that the period applies for twenty-four (24) months following Executive’s cessation of employment. Notwithstanding any other provisions of this Agreement, in the event that Executive materially breaches any of his obligations under this Section 9, no amounts or benefits, other than the Accrued Obligations, shall be payable to Executive under Section 7(d) of this Agreement, and the Company may take any such other actions as it deems appropriate with respect to the breach of Executive’s obligations. Executive shall be permitted to hold a ten percent (10%) or less interest in the equity or debt securities of any publicly traded company. The “Restricted Territory” shall mean the continental United States of America. The amounts and benefits payable under this Agreement, including severance benefits, where applicable, are provided as consideration for the non-competition and other restrictive covenants under this Agreement.

(c) Non-Solicitation of Employees. During the Employment Period and for the twelve (12)-month period following the cessation of her employment for any reason, Executive shall not, directly or indirectly, by herself or through any third party, whether on Executive’s own behalf or on behalf of any other Person or entity, (i) solicit or induce or endeavor to solicit or induce, divert, employ or retain, (ii) interfere with the relationship of Dynex with, or (iii) attempt to establish a business relationship of a nature that is competitive with the business of Dynex with, any person that is or was (during the last thirty (30) days of Executive’s employment with the Company) an employee or independent contractor of Dynex.

10. Work Product. Executive agrees that all of Executive’s work product (created solely or jointly with others, and including any intellectual property or moral rights in such work product), given, disclosed, created, developed or prepared in connection with Executive’s employment with the Company (“Work Product”) shall exclusively vest in and be the sole and

exclusive property of the Company and shall constitute “work made for hire” (as that term is defined under Section 101 of the U.S. Copyright Act, 17 U.S.C. § 101) with the Company being the person for whom the work was prepared. In the event that any such Work Product is deemed not to be a “work made for hire” or does not vest by operation of law in the Company, Executive hereby irrevocably assigns, transfers and conveys to the Company, exclusively and perpetually, all right, title and interest which Executive may have or acquire in and to such Work Product throughout the world, including without limitation any copyrights and patents, and the right to secure registrations, renewals, reissues, and extensions thereof. The Company or its designees shall have the exclusive right to make full and complete use of, and make changes to all Work Product without restrictions or liabilities of any kind, and Executive shall not have the right to use any such materials, other than within the legitimate scope and purpose of Executive’s employment with the Company. Executive shall promptly disclose to the Company the creation or existence of any Work Product and shall take whatever additional lawful action may be necessary, and sign whatever documents the Company may require, in order to secure and vest in the Company or its designee all right, title and interest in and to all Work Product and any intellectual property rights therein (including full cooperation in support of any Company applications for patents and copyright or trademark registrations).

11. Return of Company Property. In the event of termination of Executive’s employment for any reason, Executive shall return to the Company all of the property of Dynex, including without limitation all Dynex materials or documents containing Confidential Information, and including without limitation, all computers (including laptops), cell phones, keys, PDAs, tablets, credit cards, facsimile machines, televisions, card access to any Dynex building, customer lists, computer disks, reports, files, e-mails, work papers, Work Product, documents, memoranda, records and software, computer access codes, passwords, or disks and instructional manuals, internal policies, and other similar materials or documents which Executive used, received or prepared, helped prepare or supervised the preparation of in connection with Executive’s employment with the Company. Executive agrees not to retain any copies, duplicates, reproductions or excerpts of such material or documents, other than the materials of a “personal nature” referenced in Section 9(a) of this Agreement.

12. Compliance With Company Policies. During the Employment Period, Executive shall be governed by and be subject to, and Executive hereby agrees to comply with, all Company policies, procedures, codes, rules and regulations applicable to all employees and to executive officers of the Company, as they may be amended from time-to-time in the Company’s sole discretion.

13. Injunctive Relief with Respect to Covenants: Forum, Venue and Jurisdiction. Executive acknowledges and agrees that, in the event of any material breach by Executive of any section of this Agreement, remedies at law may be inadequate to protect the Company, and, without prejudice to any other legal or equitable rights and remedies otherwise available to the Company, Executive agrees to the granting of injunctive relief in the Company’s favor in connection with any such breach or violation without proof of irreparable harm.

14. Assumption of Agreement. The Company shall require any successor thereto, by agreement in form and substance reasonably satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company

would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a material breach of this Agreement and shall entitle Executive to terminate her employment for Good Reason and receive payment as provided under Section 7(d)(i) or (ii) of this Agreement, whichever is applicable on the Date of Termination.

15. Indemnification and Insurance. The Company agrees both during and after the Employment Period to indemnify Executive to the fullest extent permitted by the law and its Articles of Incorporation (including payment of expenses in advance of final disposition of a proceeding) against actions or inactions of Executive during the Employment Period as an officer, director or employee of the Company or any of its subsidiaries or affiliates or as a fiduciary of any benefit plan of any of the foregoing. The Company also agrees to provide Executive with Directors and Officers insurance coverage both during and, with regard to matters occurring during the Employment Period, after the Employment Period. Such coverage after the Employment Period shall be at a level at least equal to the level being maintained at such time for the then current officers and directors or, if then being maintained at a higher level with regard to any prior period activities for officers or directors during such prior period, such higher amount with regard to Executive's activities during such prior period.

16. Entire Agreement. This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof. All prior correspondence and proposals (including but not limited to summaries of proposed terms) and all prior promises, representations, understandings, arrangements and agreements relating to such subject matter (including but not limited to those made to or with Executive by any other person and those contained in any prior employment, consulting, severance, or similar agreement entered into by Executive and the Company or any predecessor thereto or subsidiary or affiliate thereof, including the Prior Agreement) are merged herein and superseded hereby.

17. Termination of this Agreement and Survival of Certain Provisions. Subject to earlier termination by written agreement of the parties hereto or expiration pursuant to Section 2(a) of this Agreement, this Agreement shall terminate effective upon termination of Executive's employment by the Company or by Executive for any reason; provided, however, that Sections 4(c), 6(c), 7 (to the extent applicable), 8, 9, 10, 11, 12 (to the extent applicable), 13, 15, 17 and 18, as applicable, of this Agreement shall survive any termination of Executive's employment with the Company and any expiration or termination of this Agreement.

18. Miscellaneous.

(a) Binding Effect: Assignment. This Agreement shall be binding on and inure to the benefit of the Company and its successors and assigns. This Agreement shall also be binding on and inure to the benefit of Executive and her heirs, executors, administrators and legal representatives. This Agreement shall be assignable by the Company to a successor by merger or otherwise, but not by Executive.

(b) Choice of Law and Forum. This Agreement shall be interpreted, enforced, construed, and governed under the laws of the Commonwealth of Virginia, without regard for any conflict of law principles. The Company and Executive hereby consent irrevocably to personal jurisdiction, service and venue in connection with any claim or controversy arising out

of this Agreement or Executive's employment, in the courts of the Commonwealth of Virginia located in Henrico County, Virginia, and in the federal court in the Eastern District of Virginia, Richmond Division, to be chosen at the option of the Company, and Executive waives any objections thereto.

(c) Taxes. The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment and social insurance taxes, as shall be required by law.

(d) Amendments. No provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is approved in writing by the Board or a person authorized thereby and is agreed to in writing by Executive. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No waiver of any provision of this Agreement shall be implied from any course of dealing between or among the parties hereto or from any failure by any party hereto to assert its rights hereunder on any occasion or series of occasions.

(e) Severability. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby. In the event that one or more terms or provisions of this Agreement are deemed invalid or unenforceable by the laws of Virginia or any other state or jurisdiction in which it is to be enforced, by reason of being vague or unreasonable as to duration or geographic scope of activities restricted, or for any other reason, the provision in question shall be immediately amended or reformed to the extent necessary to make it valid and enforceable by the court of such jurisdiction charged with interpreting and/or enforcing such provision. Executive agrees and acknowledges that the provision in question, as so amended or reformed, shall be valid and enforceable as though the invalid or unenforceable portion had never been included herein.

(f) Notices. Any notice or other communication required or permitted to be delivered under this Agreement shall be (i) in writing, (ii) delivered personally, by courier service, by certified or registered mail, first-class postage prepaid and return receipt requested, or by electronic mail with receipt verification, (iii) deemed to have been received on the date of delivery or, if mailed, on the third business day after the mailing thereof, and (iv) addressed as follows (or to such other address as the party entitled to notice shall hereafter designate in accordance with the terms hereof):

- (A) If to the Company, to it at:
Chief Financial Officer
Dynex Capital, Inc.
4991 Lake Brook Drive, Suite 100
Glen Allen, Virginia 23060
rob.colligan@dynexcapital.com

(B) If to Executive, to her residential address as currently on file with the Company or the Company's email address for Executive unless Executive has provided an alternative email address for notification purpose.

(g) Voluntary Agreement; No Conflicts. Executive represents that she is entering into this Agreement voluntarily and that Executive's employment hereunder and compliance with the terms and conditions of this Agreement shall not conflict with or result in the breach by Executive of any agreement to which she is a party or by which she or her properties or assets may be bound.

(h) No Construction Against Any Party. This Agreement is the product of informed negotiations between Executive and the Company. If any part of this Agreement is deemed to be unclear or ambiguous, it shall be construed as if it were drafted jointly by all parties. Executive and the Company agree that neither party was in a superior bargaining position regarding the substantive terms of this Agreement.

(i) Counterparts; Electronic Signature. This Agreement may be executed in counterparts (including by electronic signature), each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(j) Conflicting Provisions. If any provision in this Agreement conflicts with a provision in an award agreement with Executive under a Company incentive plan, the provision more favorable to Executive will govern, to the extent consistent with any applicable shareholder-approved incentive plan.

(k) Headings. The section and other headings contained in this Agreement are for the convenience of the parties only and are not intended to be a part hereof or to affect the meaning or interpretation hereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has duly executed this Agreement by its authorized representative, and Executive has hereunto set her hand, in each case effective as of the date first above written.

DYNEX CAPITAL, INC.

By: /s/ Robert S. Colligan

Robert S. Colligan

Its: Chief Financial Officer and Chief Operating Officer

SMRITI L. POPENOE

/s/ Smriti L. Popenoe

SIGNATURE

[Signature Page to Popenoe Employment Agreement]

RELEASE

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Smriti L. Popenoe ("Executive"), hereby irrevocably and unconditionally releases, acquits, and forever discharges Dynex Capital, Inc. (the "Company") and its subsidiaries and affiliates (collectively, "Dynex") and each of their agents, directors, members, affiliated entities, officers, employees, former employees, attorneys, and all persons acting by, through, under or in concert with any of them (collectively "Releasees"), from any and all charges, complaints, claims, liabilities, grievances, obligations, promises, agreements, controversies, damages, policies, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses of any nature whatsoever, known or unknown, suspected or unsuspected, including, but not limited to, any rights arising out of alleged violations or breaches of any contracts, express or implied, or any tort, or any legal restrictions on Dynex's right to terminate employees, or any federal, state or other governmental statute, regulation, law or ordinance, including without limitation Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991; the Americans with Disabilities Act; 42 U.S.C. § 1981; the federal Age Discrimination in Employment Act (age discrimination); the Older Workers Benefit Protection Act; the Equal Pay Act; the Family and Medical Leave Act; the Employee Retirement Income Security Act; the Virginia Human Rights Act; the Virginia Equal Pay Act; the Virginians with Disabilities Act; the Virginia Wage Payment Law; the Virginia Right-to-Work Law; the Virginia Equal Pay Law; the Virginia Occupational Safety and Health Act; the Virginia Fraud Against Taxpayers Act; the Virginia Whistleblower Protection Law; Maryland's anti-discrimination statute (Md. Code Ann., State Gov't §§ 20-101 – 20-1203); Maryland Fair Employment Practices Act; Maryland Reasonable Accommodations for Disabilities Due to Pregnancy Act; Maryland Deployment of Family Members in the Armed Forces Act; Maryland Equal Pay For Equal Work Law; Maryland Medical Information Discrimination Law; Maryland Maternity Leave Law (Maryland Flexible Leave Act); Maryland Wage Payment and Collection Law; Maryland Wage and Hour Law; Maryland WARN Laws; and Maryland Occupational Safety and Health Act ("Claim" or "Claims"), which Executive now has, owns or holds, or claims to have, own or hold, or which Executive at any time heretofore had owned or held, or claimed to have owned or held, against each or any of the Releasees at any time up to and including the date of the execution of this Release; provided, however, that this Release does not release the Releasees from any obligation to pay "Accrued Obligations" (as defined in Section 7(d)(i)(A) of the employment agreement entered into as of July 19, 2024 by and between the Company and Executive (the "Employment Agreement")), any applicable termination obligations of the Company under Section 7(d) of the Employment Agreement shall be paid in exchange for this Release, any accrued, vested benefits under the Company's benefit plans that Executive has earned prior to the date hereof, the provisions under Sections 6(c) and 15 of the Employment Agreement, or any rights to indemnification or defense under the Company's charter, bylaws or directors and officers insurance.

Nothing in this Release shall restrict or prohibit Executive or Executive's counsel from filing a charge or complaint with, initiating communications directly with, responding to any inquiry from, volunteering information to, or providing testimony before a self-regulatory authority or a governmental, law enforcement or other regulatory authority, including the U.S.

Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Congress, and any Office of Inspector General (collectively, the “Regulators”), from participating in any reporting of, investigation into, or proceeding regarding suspected violations of law, or from making other disclosures that are protected under or from receiving an award for information provided under the whistleblower provisions of state or federal law or regulation. Executive does not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide Confidential Information (as defined in the Employment Agreement) or documents containing Confidential Information to the Regulators, or make any such reports or disclosures to the Regulators. Executive is not required to notify the Company that Executive has engaged in such communications with the Regulators. Executive recognizes and agrees that, in connection with any such activity outlined above, Executive must inform the Regulators that the information Executive is providing is confidential. To the extent, that any such charge or complaint is made against the Releasees, Executive expressly waives any claim or right to any form of monetary relief or other damages, or any form of individual recovery or relief in connection with any such charge or complaint, except that Executive does not waive her right with respect to an award for information provided under the whistleblower provisions of state or federal law or regulation.

Executive hereby acknowledges and agrees that the execution of this Release and the cessation of Executive’s employment and all actions taken in connection therewith are in compliance with the federal Age Discrimination in Employment Act and the Older Workers Benefit Protection Act and that the releases set forth above shall be applicable, without limitation, to any claims brought under these Acts. Executive further acknowledges and agrees that:

- a. The Release given by Executive is given solely in exchange for the severance payments set forth in the Employment Agreement between Dynex and Executive to which this Release was initially attached and such consideration is in addition to anything of value which Executive was entitled to receive prior to entering into this Release;
- b. By entering into this Release, Executive does not waive rights or claims that may arise after the date this Release is executed;
- c. Executive is hereby advised to consult an attorney prior to entering into this Release, and this provision of the Release satisfies the requirements of the Older Workers Benefit Protection Act that Executive be so advised in writing;
- d. Executive has been offered twenty-one (21) days [or forty-five (45) days in the event of a group termination] from receipt of this Release within which to consider whether to sign this Release; and
- e. For a period of seven (7) days following Executive’s execution of this Release, Executive may revoke this Release by delivering the revocation to an authorized officer of Dynex, and it shall not become effective or enforceable until such seven (7) day period has expired.

This release shall be binding upon the heirs and personal representatives of Executive and shall inure to the benefit of the successors and assigns of Dynex.

Date: _____

SMRITI L. POPENOE

Current Boards of Directors

Industrial Indicators Inc.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this “Agreement”) is entered into as of this 19th day of July, 2024 (the “Effective Date”), by and between Dynex Capital, Inc., a Virginia corporation (the “Company”), and Byron L. Boston (“Executive”).

WITNESSETH:

WHEREAS, Executive is currently employed by the Company;

WHEREAS, the Company desires to continue to employ and secure the exclusive services of Executive on the terms and conditions set forth in this Agreement;

WHEREAS, Executive desires to accept such employment on such terms and conditions;

WHEREAS, Executive has the trust and confidence of the Company’s Board of Directors (the “Board”);

WHEREAS, the Board values Executive’s leadership and appreciates his continuing contribution to the success of the Company; and

WHEREAS, the Company and Executive previously entered into an Employment Agreement effective October 27, 2023 (the “Prior Agreement”), which the parties desire to modify to reflect Executive’s appointment as Co-Chief Executive Officer of the Company; the Prior Agreement is hereby superseded in its entirety by this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration, the Company and Executive hereby agree as follows:

1. Agreement to Employ. Upon the terms and subject to the conditions of this Agreement, the Company hereby agrees to continue to employ Executive, and Executive hereby accepts such continued employment with the Company.

2. Term; Position and Responsibilities; Location.

(a) Term. This Agreement is effective on the Effective Date and expires on October 27, 2026 (the “Initial Term Expiration Date”), unless sooner terminated by either party as set forth below, or until the termination of Executive’s employment, if earlier. The term of this Agreement shall automatically renew for periods of one (1) year on the Initial Term Expiration Date and each one (1) year anniversary of the Initial Term Expiration Date thereafter (each, a “Renewal Date”), unless either party gives written notice of such nonrenewal (“Nonrenewal Notice”) to the other party at least ninety (90) days before the applicable Renewal Date. Upon a Change in Control (as defined below), the term of this Agreement shall automatically renew for a period of two (2) years, unless the Change in Control occurs during the initial term and there are more than two (2) years remaining in the initial term. The initial and any extended term of this Agreement through the earlier of (i) the date this Agreement expires or is terminated as described herein or (ii) the date of termination of Executive’s employment by the Company or by Executive for any reason is referred to as the “Employment Period”. If the Company provides a Nonrenewal Notice for a Renewal Date in accordance with the

requirements described in the preceding sentence and Executive's employment is terminated by the Company on such Renewal Date for any reason other than Cause (as defined below) or Executive terminates for Good Reason (as defined below) on account of such Nonrenewal Notice, Executive shall have a right to receive the payments and benefits set forth (A) in Section 7(d)(i) of this Agreement if such termination occurs more than six (6) months prior to a Change in Control or more than two (2) years following a Change in Control or (B) in Section 7(d)(ii) of this Agreement if such termination occurs within six (6) months prior to a Change in Control or on or within two (2) years following a Change in Control, subject to the requirements therein, including but not limited to the Release requirement under Section 7(d)(i)(F) or Section 7(d)(ii)(F) of this Agreement, as applicable.

(b) Position and Responsibilities. During the Employment Period, Executive shall serve as Co-Chief Executive Officer of the Company ("Co-CEO") and shall be responsible for performing all duties associated with guiding the strategic and operational direction and performance of the Company and such other related duties and responsibilities as are customarily assigned to individuals serving in such position. The Company and Executive agree that during the Employment Period, Executive shall report directly to the Board and shall devote as much of his skill, knowledge, commercial efforts and business time as the Board shall reasonably require for the conscientious and good faith performance of his duties and responsibilities for the Company to the best of his ability. Executive shall continue to be nominated to serve as a member of the Board during the Employment Period. Executive agrees to serve in other officer and director positions for the Company, including as a member of the Board if so elected, and any subsidiaries or affiliates of the Company upon request, in each case without additional compensation.

(c) Location. During the Employment Period, Executive's services may be performed from one or more virtual offices located at his out-of-state residences, provided that Executive shall travel to the Company's offices in the Richmond, Virginia metropolitan area as necessary or as required by the Company or the Board.

3. Base Salary. During the Employment Period, the Company shall pay Executive a base salary at an annualized rate of no less than \$900,000 (which increase was effective as of July 1, 2023), payable in installments on the Company's regular payroll dates but not less frequently than monthly. The Board or a committee thereof shall review Executive's base salary annually during the Employment Period for adjustment up or down (but not below \$900,000 without Executive's consent), based on its periodic review of Executive's performance in accordance with the Company's regular policies and procedures; provided, however, that following a Change in Control Executive's base salary shall not be decreased. The base salary amount payable to Executive for a full year under this Section 3 shall be referred to herein as the "Base Salary".

4. Incentive Compensation.

(a) Annual Incentive Awards. Executive shall be eligible to participate in and receive annual cash incentive awards pursuant to the terms of the Dynex Capital, Inc. Annual Cash Incentive Plan or any successor plan or program (the "Dynex Incentive Plan"). The minimum target amount of Executive's annual cash incentive award for any fiscal year during the Employment Period, including the full 2024 fiscal year, shall be not less than two hundred

percent (200%) of Executive's Base Salary, and the maximum amount of Executive's annual cash incentive award for any fiscal year during the Employment Period shall be not less than four hundred percent (400%) of Executive's Base Salary. The actual amount of Executive's annual cash incentive award, if any, may be more or less than the target amount, as determined by the Board or a committee thereof, pursuant to the terms of the Dynex Incentive Plan, but not more than the maximum amount. For each fiscal year during the Employment Period, the Company's management team shall recommend proposed performance targets under the Dynex Incentive Plan to the Board or a committee thereof by the end of the fiscal year immediately prior to the applicable performance year, and the Company's management team shall provide all information necessary or appropriate to enable the Board or a committee thereof to determine the final performance targets by the end of the first month of the applicable performance year. Any annual cash incentive award shall be paid after the end of the fiscal year to which it relates, at the same time and under the same terms and conditions as the annual cash incentive awards for other executives of the Company and subject to the terms of the Dynex Incentive Plan, including requirements as to continued employment, subject to the provisions of Sections 7(d)(i)(C) and 7(d)(ii)(C) below.

(b) Long-Term Incentive Awards. Executive shall be eligible to participate in and receive long-term incentive awards pursuant to the Dynex Capital, Inc. 2020 Stock and Incentive Plan or any successor plan (the "Dynex Stock and Incentive Plan"). The target amount of Executive's long-term incentive award granted with respect to any fiscal year during the Employment Period, including awards for the full 2024 fiscal year that are granted in 2025, shall be not less than \$3,100,000. The actual amount of Executive's long-term incentive award, if any, may be more or less than the target amount, as determined by the Board or a committee thereof, pursuant to the terms of the Dynex Stock and Incentive Plan.

(c) Clawback. Executive agrees that any incentive compensation (including both equity and cash incentive compensation) that Executive receives from the Company is subject to repayment to (*i.e.*, clawback by) the Company or a related entity (i) as required by applicable law, or (ii) pursuant to an applicable clawback policy adopted by the Board from time to time. Any such clawback determination shall be made in good faith by the Board or a committee thereof and consistent with applicable law and the terms of the clawback policy, if applicable. Except where offset of, or recoupment from, incentive compensation covered by Code Section 409A (as defined below) is prohibited by Code Section 409A, to the extent allowed by law and as determined by the Board or a committee thereof, Executive agrees that such repayment may, in the discretion of the Board or a committee thereof, be accomplished by withholding of future compensation to be paid to Executive by the Company. Any recovery of incentive compensation covered by Code Section 409A shall be implemented in a manner which complies with Code Section 409A. Any recovery of incentive compensation pursuant to this Section 4(c) shall not constitute a breach of this Agreement or Good Reason (as defined below).

5. Employee Benefits.

(a) General. During the Employment Period, Executive shall be eligible to participate in the employee and executive benefit plans and programs maintained by the Company from time-to-time in which executives of the Company are eligible to participate, including, to the extent maintained by the Company, life, medical, dental, accidental and

disability insurance plans and retirement, deferred compensation and savings plans, in accordance with the terms and conditions thereof as in effect from time-to-time. As of the date of this Agreement, Executive is eligible and shall remain eligible to participate in the Company's existing 401(k) plan and the Company shall match Executive's contributions in accordance with the terms of that plan, provided that such matching does not violate any provisions of law applicable to the 401(k) plan.

(b) Vacation. During the Employment Period, Executive shall be entitled to a number of vacation days as determined by the Board or a committee thereof, which shall not be less than six (6) weeks per calendar year, without carry-over accumulation. Executive shall also be entitled to Company-designated holidays.

(c) Cellular Phones and Personal Data Assistants. During the Employment Period, the Company shall provide Executive with, or shall reimburse Executive for his purchase of, a cellular phone and a personal data assistant (e.g., iPad, tablet, etc.) for his use as agreed upon by the Company and Executive, as well as pay for business-related usage fees, pursuant to the Company's policy for executives or, if none, as approved by the Company consistent with the Company's practice for other executives. Executive shall submit a detailed bill in order to obtain reimbursement.

(d) Concierge Medical Services. During the Employment Period, the Company shall reimburse Executive for the cost of an annual concierge medical services fee, including the cost of an annual physical, at the level of the Mayo Clinic Executive Health Program or any successor program.

6. Expenses.

(a) Business Travel, Lodging. The Company shall reimburse Executive for reasonable travel, lodging, meal and other reasonable expenses incurred by him in connection with the performance of his duties and responsibilities hereunder upon submission of related receipts or other evidence of the incurrence and purpose of each such expense consistent with the terms and conditions of the Company's travel policy in effect at any time.

(b) Agreement Review. Within thirty (30) days following Executive's written request (which must include documentation of such fees and expenses but not narratives of specific legal services provided), the Company shall reimburse Executive for the reasonable attorneys' fees and expenses he incurred (if any) relating to the review and negotiation of this Agreement. Executive must submit any request for reimbursement of such attorneys' fees and expenses within one (1) year of when such fees and expenses are incurred.

(c) Agreement Dispute. Within sixty (60) days following Executive's written request (which must include a detailed description of such fees and expenses), the Company agrees to pay, to the full extent permitted by law, all legal fees and expenses that Executive may reasonably incur as a result of any controversy or claim arising out of or relating to this Agreement, or the breach thereof, by the Company, Executive, or others (including as a result of any contest by Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment beyond such sixty (60) day period at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code"); provided that, before a Change in Control, the Company shall pay such

legal fees and expenses only if Executive prevails on at least one material point in such controversy or claim (in which case all previously incurred legal fees and expenses as described above shall be paid immediately and future such legal fees and expenses shall be paid as they are incurred) and, following a Change in Control, the Company shall pay such legal fees and expenses as they are incurred regardless of the outcome of the controversy or claim but only for as long as Executive's claim is not determined by a court of final jurisdiction to be frivolous. If a court of final jurisdiction determines Executive's claim to be frivolous, then Executive shall be required to repay to the Company within sixty (60) days following the Company's written request any previously paid attorneys' fees and expenses under this Section 6(c).

(d) Reimbursement Requirements. Any reimbursements provided in Sections 5 and 6 of this Agreement shall be reimbursed, unless specifically provided otherwise herein, in accordance with the Company's expense reimbursement policy in effect at any time, if any, and the requirements of Section 8(d) of this Agreement, to the extent applicable.

7. Termination of Employment. The Board believes it is in the best interests of the Company to diminish the inevitable distraction of Executive by virtue of the personal uncertainties and risks in the event Executive terminates his employment for Good Reason or is terminated by the Company without Cause and to encourage Executive's full attention and dedication to the Company, and to provide Executive with compensation and benefits arrangements upon such termination which ensure that the compensation and benefits expectations of Executive will be satisfied and which are competitive with those of other corporations. The Board has approved this Section 7 and authorized its inclusion in this Agreement on the Company's behalf to Executive.

(a) Certain Definitions.

(i) "Change in Control" shall mean any of the following:

(A) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of thirty-five percent (35%) or more of either (1) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); or

(B) The composition of the Company's Board shall change such that the individuals who, as of October 27, 2023, constituted the Board (the "Incumbent Directors") no longer comprise at least a majority of the members of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Incumbent Directors shall be considered as though such individual were an Incumbent Director, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to

the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(C) Consummation of a reorganization, merger, share exchange or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination:

(1) the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, at least eighty percent (80%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries or affiliates) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; and

(2) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were Incumbent Directors at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(D) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with clause (1) or (2) of Section 7(a)(i)(C) of this Agreement.

(ii) "Date of Termination" means the date of Executive's termination of employment with the Company, determined in accordance with the requirements of Section 8(c) of this Agreement, which will typically be (A) if Executive's employment is terminated by the Company for Cause, the date of receipt of the Notice of Termination (as defined below) or any later date specified therein, as the case may be, (B) if Executive's employment is terminated by Executive for Good Reason, the date specified pursuant to Section 7(b)(i) below, (C) if Executive's employment is terminated by the Company other than for Cause or by Executive without Good Reason, the date on which the Company or Executive notifies the other of such termination, (D) if Executive's employment is terminated by reason of death, the date of death of Executive, or (E) if the Company terminates Executive's employment due to Disability (as defined below), the date of receipt of the Notice of Termination or any later date specified therein, as the case may be.

(b) Termination of Employment.

(i) Good Reason. Executive may terminate his employment during the Employment Period for Good Reason. In such event, the Company shall have the termination obligations in Section 7(d)(i) or (ii) of this Agreement, whichever is applicable on

the Date of Termination. For purposes of this Agreement, “Good Reason” shall mean any of the following, without Executive’s consent:

(A) prior to a Change in Control, a material diminution in Executive’s position, authority, duties or responsibilities as Co-CEO, excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith;

(B) on or following a Change in Control, the assignment to Executive of any duties inconsistent with Executive’s position (including status, office or title as Co-CEO, and reporting requirements), authority, duties, and responsibilities as Co-CEO, or any other action by the Company that results in a diminution in such position (including status, office or title as Co-CEO, and reporting requirements), authority, duties and responsibilities as Co-CEO, or any requirement that Executive not serve as the Co-CEO of the Company, in all cases excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith;

(C) whether prior to, on or following a Change in Control, a reduction in Executive’s Base Salary or a reduction of Executive’s minimum target incentive opportunity in violation of Section 3, Section 4(a) or Section 4(b) of this Agreement;

(D) whether prior to, on or following a Change in Control, the Company’s requiring Executive to perform his services on a regular basis at any location that is more than fifty (50) miles from the location where Executive primarily performed services during the six (6) months immediately preceding the change in location or the Company’s requiring Executive to perform his services on a regular basis in person rather than by telecommuting;

(E) whether prior to, on or following a Change in Control, any material breach of this Agreement by the Company;
or

(F) whether prior to, on or following a Change in Control, the Company delivers to Executive a Nonrenewal Notice as described in Section 2(a) and does not offer Executive a new employment agreement providing terms and conditions substantially similar to, or more favorable than, those in this Agreement, and Executive is willing and able to execute a new employment agreement on such terms and continue performing services thereunder.

To trigger “Good Reason,” Executive is required to provide written notice to the Board of the existence of a condition described in this Section 7(b)(i) within thirty (30) days following the initial existence of the condition, and the Company shall have thirty (30) days after receiving such notice to remedy the condition. If the condition is remedied within thirty (30) days, then “Good Reason” does not exist. If the condition is not remedied within thirty (30) days, then Executive must resign within thirty (30) days following the expiration of the remedy period in order for such resignation to be for “Good Reason.”

Notwithstanding the above, “Good Reason” shall not include any resignation by Executive if the Company has communicated to Executive in writing that grounds for a “Cause” termination exist, or if the Company communicates to Executive in writing that grounds for a “Cause” termination exist at any time during the notice and remedy period described in the preceding

paragraph, and in either case if “Cause” is determined to exist pursuant to Section 7(b)(iii) of this Agreement. The remedy and resignation period described in the preceding paragraph shall be automatically extended so that it does not end before any notice and remedy period under Section 7(b)(iii) of this Agreement, provided that the remedy and resignation period described in the preceding paragraph shall not be extended beyond one hundred twenty (120) days from the date of Executive’s submission of written notice pursuant to the preceding paragraph.

(ii) Without Good Reason. Executive may terminate his employment during the Employment Period without Good Reason. In such event, the Company shall have the termination obligations in Section 7(d)(iii) of this Agreement.

(iii) Cause. The Company may terminate Executive’s employment during the Employment Period for Cause. In such event, the Company shall have the termination obligations in Section 7(d)(iii) of this Agreement. For purposes of this Agreement, “Cause” shall mean any of the following:

(A) Executive’s gross or willful misconduct, fraud or embezzlement in connection with the performance of Executive’s duties to the Company;

(B) prior to a Change in Control, the failure of Executive to adhere to the lawful directions of the Board that are reasonably consistent with Executive’s duties and position as Co-CEO;

(C) a material violation by Executive of any portion of Section 9 of this Agreement; or

(D) Executive’s being convicted of, or entering a guilty plea or plea of no contest to, any felony or any crime of moral turpitude.

For purposes of this provision, no act or failure to act, on the part of Executive, shall be considered “willful” unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive’s action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or a committee thereof, or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company. The cessation of employment of Executive shall not be deemed to be for Cause unless and until there shall have been delivered to Executive written notice of a resolution duly adopted by the affirmative vote of not less than two-thirds (2/3) of the Board at a meeting of the Board called and held for such purpose (after at least fifteen (15) days’ notice is provided to Executive of such meeting (setting forth the specific section(s) of this Agreement applicable to Executive’s conduct) and Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Executive is guilty of conduct described in subparagraph (A) or (B) or (C) or (D) above, and specifying the particulars thereof in detail. Upon delivery of the written notice, Executive’s employment shall be immediately terminated; provided, however, with regard to conduct described in subparagraph (B) or (C) above only, if such conduct can be remedied, as determined in the good faith opinion of the Board, Executive shall have thirty (30) days after his receipt of the written notice to remedy the conduct. If the conduct is remedied within thirty (30) days, then “Cause” does not

exist. If the conduct is not remedied within thirty (30) days, then the Company shall provide Notice of Termination within thirty (30) days following the expiration of the remedy period.

(iv) Without Cause. The Company may terminate Executive's employment without Cause during the Employment Period. In such event, the Company shall have the termination obligations in Section 7(d)(i) or 7(d)(ii) of this Agreement, whichever is applicable on the Date of Termination.

(v) Death or Disability. Executive's employment during the Employment Period shall automatically terminate on Executive's death and may be terminated by the Company due to his Disability. For purposes of this Agreement, "Disability" shall mean a physical or mental disability that prevents Executive from performing his essential job functions as Co-CEO for a period of at least six (6) consecutive months within any twelve (12)-month period. In such event, the Company shall have the termination obligations in Section 7(d)(iv) or (v), as applicable, of this Agreement.

(c) Notice of Termination. Any termination of Executive's employment by the Company for or without Cause or due to Disability, or by Executive for or without Good Reason, shall be communicated by a Notice of Termination to the other party. For purposes of this Agreement, a "Notice of Termination" means a written notice, which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) the Date of Termination. The failure by the Company or Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

(d) Company's Termination Obligations.

(i) Good Reason or Without Cause More Than Six Months Prior to a Change in Control or More Than Two Years Following a Change in Control. If Executive's employment is terminated by Executive for Good Reason, or by the Company without Cause (other than due to Executive's death or Disability), provided each occurs more than six (6) months prior to a Change in Control or more than two (2) years following a Change in Control, then, subject to the Release requirement set forth in Section 7(d)(i)(F) below and subject to Executive's continued compliance with Section 9 below, the Company shall pay to Executive a lump sum payment in cash equal to the aggregate of the following amounts under Sections 7(d)(i)(A), (B) and (C) below within thirty (30) days following the Date of Termination and provide the other benefits provided below:

(A) Executive's Base Salary through the Date of Termination, to the extent not previously paid; any incentive compensation for a completed prior performance period that has been earned but has not yet been paid; reimbursement for any unreimbursed business expenses incurred by Executive prior to the Date of Termination that are subject to reimbursement under Section 6 of this Agreement; and payment of accrued, but unused vacation time as of the Date of Termination ("Accrued Obligations").

(B) An amount equal to the product of two (2) times the sum of: (1) Executive's Base Salary on the day prior to the Date of Termination (or, if Executive's termination for Good Reason is based upon a reduction in Base Salary, then Executive's Base Salary in effect immediately prior to such reduction) and (2) the sum of Executive's Annual Incentive Award (as defined below) paid for each of the three (3) calendar years preceding the calendar year that includes the Date of Termination, divided by three (3).

(C) An amount (the "Pro Rata Annual Incentive Award") equal to the Pro Rata Portion (as defined below) of the sum of (1) and (2) below, with respect to any Annual Incentive Award with an incomplete performance period as of the Date of Termination:

(1) With respect to any performance goals relating to Company financial performance or stock price, the greater of the amount that would have been payable at target performance or the amount calculated based on actual performance through the calendar quarter ending on or immediately prior to the Date of Termination.

(2) With respect to any performance goals relating to Company non-financial corporate goals or individual goals, the amount that would have been payable at maximum performance.

(3) The "Pro Rata Portion" is defined as the amount determined by multiplying the relevant amount in (1) or (2) above by a fraction, the numerator of which is equal to the number of days in the applicable performance period that precede the Date of Termination and the denominator of which is the number of days in the performance period.

(D) To the extent any previously awarded outstanding stock awards, such as stock options, stock appreciation rights, restricted stock units, restricted stock, dividend equivalent rights, or any other form of stock compensation ("Stock Awards") granted to Executive shall have not vested, such Stock Awards shall immediately become fully (100%) vested and exercisable and shall otherwise be paid in accordance with their terms. Performance-based Stock Awards shall become fully vested, and performance shall be determined based on the terms of the applicable grant agreement.

(E) The Company shall provide continued monthly coverage at the Company's expense under the Company's medical, dental, life insurance and disability policies or arrangements in which Executive and any of his dependents were covered on the day prior to the Date of Termination (the "Welfare Plans") ("Welfare Continuance Benefit") for a period of twenty-four (24) months following the Date of Termination, provided that Executive's continued participation is possible under the general terms and provisions of the Welfare Plans. The following rules ("Welfare Continuance Rules") shall also apply:

(1) If the Company cannot maintain such coverage for Executive or Executive's spouse or dependents under the terms and provisions of the Welfare Plans (or where such continuation would adversely affect the tax status of the Welfare Plans pursuant to which the coverage is provided), the Company shall provide the Welfare Continuance Benefit by, at the Company's option, either providing substantially identical benefits directly or through an insurance arrangement or by paying Executive the estimated cost of the coverage for a similarly situated employee (both the Company and employee portions of any cost determination) for twenty-four (24) months after the Date of Termination with such

payments to be made in accordance with the established payroll practices of the Company (but not less frequently than monthly) for employees generally for the period during which such cash payments are to be provided.

(2) If Executive becomes reemployed with another employer and is eligible to receive comparable welfare benefits under another employer provided plan, the portion of the Welfare Continuance Benefit for which Executive is eligible for comparable coverage shall be secondary to those provided under such other plan during such applicable period of eligibility, provided that the costs of obtaining such other welfare benefits is less than the cost of such benefits to Executive immediately prior to the Date of Termination.

(3) To the extent allowed by applicable law, the twenty-four (24)-month Welfare Continuance Benefit period shall run concurrently with the period for which Executive and/or his spouse and any of his dependents would be eligible for continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 or any similar state law (the “COBRA Period”), although the twenty-four (24)-month Welfare Continuance Benefit period may continue to run after the COBRA Period has ended.

(F) Notwithstanding any other provisions of this Agreement, no amounts or benefits, other than the Accrued Obligations, shall be payable to Executive, and Executive shall forfeit all rights, under Section 7(d)(i) of this Agreement unless a release of claims substantially in the form of the Release attached as **Exhibit A**, subject to such changes as the Company determines are necessary or appropriate to comply with changes in applicable law, regulation or other governmental guidance (the “Release”) is signed and becomes irrevocable within the time period specified by the Release for review and revocation. To the extent any amounts or benefits under Section 7(d)(i), other than the Accrued Obligations, have been paid and the Release requirement of this Section 7(d)(i)(F) is not met, then any such amounts or benefits previously paid shall be forfeited and Executive shall repay such forfeited amounts or benefits to the Company within thirty (30) days following demand by the Company.

(G) The term “Annual Incentive Award” means an incentive award that is based on performance over a period of one (1) year. Annual Incentive Awards will be paid in cash. For the avoidance of doubt, an Annual Incentive Award does not include an outstanding Stock Award.

(ii) Good Reason or Without Cause Within Six Months Prior to or On or Within Two Years Following a Change in Control. If Executive’s employment is terminated by Executive for Good Reason, or by the Company without Cause (other than due to Executive’s death or Disability), provided each occurs within six (6) months prior to or on or within two (2) years following a Change in Control, then, subject to the Release requirement set forth in Section 7(d)(ii)(F) below and subject to Executive’s continued compliance with Section 9 below, the Company shall pay to Executive a lump sum payment in cash equal to the aggregate of the following amounts under Sections 7(d)(ii) (A), (B) and (C) below within thirty (30) days following the Date of Termination and provide the other benefits provided below. Notwithstanding the foregoing, if such termination occurs within six (6) months prior to a Change in Control, the amount under Section 7(d)(i)(B) shall be calculated and paid as described in Section 7(d)(i) within thirty (30) days following the Date of Termination and, within thirty (30) days following the Change in Control, the Company shall pay to Executive a lump

sum payment in cash equal to the excess of the amount payable under Section 7(d)(ii)(B) over the amount previously paid to Executive pursuant to Section 7(d)(i)(B).

(A) The Accrued Obligations.

(B) An amount equal to the product of two and ninety-nine hundredths (2.99) times the sum of: (1) Executive's Base Salary on the day prior to the Date of Termination (or, if Executive's termination for Good Reason is based upon a reduction in Base Salary, then Executive's Base Salary in effect immediately prior to such reduction) and (2) the sum of Executive's Annual Incentive Award paid for each of the three (3) calendar years preceding the calendar year that includes the Change in Control, divided by three (3).

(C) The Pro Rata Annual Incentive Award.

(D) To the extent any previously awarded Stock Awards granted to Executive shall have not vested, such Stock Awards shall immediately become fully (100%) vested and exercisable and shall otherwise be paid in accordance with their terms. Performance-based Stock Awards shall become fully vested, and performance shall be determined based on the terms of the applicable grant agreement.

(E) The Company shall provide the Welfare Continuance Benefit but for a period of thirty-six (36) months following the Date of Termination rather than twenty-four (24) months, provided that Executive's continued participation is possible under the general terms and provisions of the Welfare Plans. The Welfare Continuance Rules (as applied to a thirty-six (36) month period) shall also apply.

(F) Notwithstanding any other provisions of this Agreement, no amounts or benefits, other than the Accrued Obligations, shall be payable to Executive, and Executive shall forfeit all rights, under Section 7(d)(ii) of this Agreement unless the Release is signed and becomes irrevocable within the time period specified by the Release for review and revocation. To the extent any amounts or benefits under Section 7(d)(ii), other than the Accrued Obligations, have been paid and the Release requirement of this Section 7(d)(ii)(F) is not met, then any such amounts or benefits previously paid shall be forfeited and Executive shall repay such forfeited amounts or benefits to the Company within thirty (30) days following demand by the Company.

(iii) Without Good Reason or For Cause Before, On, or After a Change in Control. If the Company should terminate Executive's employment for Cause or if he should terminate his employment without Good Reason at any time during the Employment Period, then the Company shall pay to Executive the Accrued Obligations in a lump sum within thirty (30) days following the Date of Termination.

(iv) Termination Due to Disability Before, On, or After a Change in Control. If the Company should terminate Executive's employment due to his Disability at any time during the Employment Period, then the Company shall pay to Executive the Accrued Obligations in a lump sum within thirty (30) days following the Date of Termination. In addition, subject to the Release requirement set forth in Section 7(d)(iv) (C) below and subject to Executive's continued compliance with Section 9 below, to the extent any previously awarded Stock Awards granted to Executive shall have not vested, such Stock Awards shall immediately

become fully (100%) vested and exercisable and shall otherwise be paid in accordance with their terms. Performance-based Stock Awards shall become fully vested, and performance shall be determined based on the terms of the applicable grant agreement. In addition, subject to the Release requirement set forth in Section 7(d)(iv)(C) below and subject to Executive's continued compliance with Section 9 below, the Company shall pay to Executive within thirty (30) days following the Date of Termination an amount equal to the sum of the amounts calculated under Section 7(d)(iv)(A) and (B) below with respect to any Annual Incentive Award with an incomplete performance period as of the Date of Termination:

(A) With respect to any performance goals relating to Company financial performance or stock price, the greater of the amount that would have been payable at target performance or the amount calculated based on actual performance through the calendar quarter ending on or immediately prior to the Date of Termination.

(B) With respect to any performance goals relating to Company non-financial corporate goals or individual goals, the amount that would have been payable at maximum performance.

(C) The Company shall provide the Welfare Continuance Benefit for a period of eighteen (18) months following the Date of Termination, provided that Executive's continued participation is possible under the general terms and provisions of the Welfare Plans and consistent with the Welfare Continuance Rules (as applied to an eighteen (18) month period) described in Section 7(d)(ii)(E) above.

(D) Notwithstanding any other provisions of this Agreement, no amounts or benefits, other than the Accrued Obligations, shall be payable to Executive, and Executive shall forfeit all rights, under Section 7(d)(iv) of this Agreement unless the Release is signed and becomes irrevocable within the time period specified by the Release for review and revocation. To the extent any amounts or benefits under Section 7(d)(iv), other than the Accrued Obligations, have been paid and the Release requirement of this Section 7(d)(iv)(C) is not met, then any such amounts or benefits previously paid shall be forfeited and Executive shall repay such forfeited amounts or benefits to the Company within thirty (30) days following demand by the Company.

(v) Termination Due to Death Before, On, or After a Change in Control. If Executive's employment should terminate due to his death at any time during the Employment Period, then the Company shall pay to Executive's estate the Accrued Obligations in a lump sum within thirty (30) days following the Date of Termination, subject to production to the Company of such evidence or information in respect of Executive's estate as the Company may require. In addition, to the extent any previously awarded Stock Awards granted to Executive shall have not vested, such awards shall immediately become fully (100%) vested and exercisable and shall otherwise be paid in accordance with their terms. Performance-based Stock Awards shall become fully vested, and performance shall be determined based on the terms of the applicable grant agreement. In addition, the Company shall pay to Executive's estate within thirty (30) days following the Date of Termination:

(A) An amount equal to the sum of: (1) Executive's Base Salary on the day prior to the Date of Termination and (2) the sum of Executive's Annual Incentive Award paid for each of the three (3) calendar years preceding the calendar year that includes the Date of Termination, divided by three (3).

(B) The Pro Rata Annual Incentive Award.

(e) Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any plan, program, policy or practice provided by the Company and for which Executive may qualify, nor, shall anything herein limit or otherwise negatively affect such rights as Executive may have under any contract or agreement with the Company. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

(f) Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others, except for any recoupment required pursuant to Section 4(c) of this Agreement and any withholding of taxes pursuant to Section 18(c) of this Agreement. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not Executive obtains other employment.

(g) Section 280G Limitations.

(i) Payment Limitation. Notwithstanding anything contained in this Agreement (or in any other agreement between Executive and the Company (which for this Section 7(g)(i) includes any successor)) to the contrary, to the extent that any payments and benefits provided under this Agreement or payments or benefits provided to, or for the benefit of, Executive under any other plan or agreement of the Company (such payments or benefits are collectively referred to as the "Payments") would be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), the Payments shall be reduced if and to the extent that a reduction in the Payments would result in Executive retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and the Excise Tax), than Executive would have retained had Executive been entitled to receive all of the Payments (such reduced amount is hereinafter referred to as the "Limited Payment Amount"). The Company shall reduce the Payments by first reducing or eliminating payments or benefits which are not payable in cash and then by reducing or eliminating cash payments, in each case in reverse order beginning with payments or benefits which are to be paid the furthest in time from the date the Determination (as defined below) is delivered to the Company and Executive, subject to compliance with Code Section 409A. Executive shall be solely responsible for the payment of any Excise Taxes imposed upon Executive.

(ii) Determination and Dispute. The determination as to whether the Payments shall be reduced to the Limited Payment Amount and the amount of such Limited Payment Amount (the "Determination") shall be made at the Company's expense by an accounting firm selected by the Company and acceptable to Executive (the "Accounting Firm"). The Accounting Firm shall provide the Determination in writing, together with detailed supporting calculations and documentations, to the Company and Executive on or prior to the Date of Termination of Executive's employment if applicable, or at such other time as requested by the Company or by Executive. If there is no Dispute (as defined below), the Determination of the Accounting Firm shall be binding, final and conclusive upon the Company and Executive. Within ten (10) days following the delivery of the Determination to Executive, Executive shall have the right to dispute the Determination (the "Dispute") in writing setting forth the precise basis of the Dispute. Within five (5) days following the submission of a Dispute, the Company and Executive shall agree on the appointment of an independent accounting firm to review the Determination made by the Accounting Firm. If the Company and Executive cannot agree on an independent accounting firm within such time frame, then the Company and Executive agree to use an independent accounting firm selected by the Accounting Firm to perform the review. The selected accounting firm (the "Second Accounting Firm") will review at the Company's expense the Determination and make a decision on how to resolve the Dispute (the "Second Determination"). Such Second Determination shall be obtained as soon as possible following the Dispute but in all events within forty-five (45) days following submission of the Dispute. The Second Determination of the Second Accounting Firm shall be binding, final and conclusive upon the Company and Executive.

(iii) Attorneys' Fees Related to a Change in Control. Within sixty (60) days following Executive's written request (which must include documentation of and a detailed description of such fees and expenses), in the event of a Change in Control, the Company shall reimburse Executive for the reasonable attorneys' fees and expenses that Executive incurs in connection with the review of this Agreement with respect to the Change in Control and the review of the calculations described in this Section 7(g). Executive must submit any request for reimbursement of such attorneys' fees and expenses within sixty (60) days after such fees and expenses are incurred.

(h) Successors.

(i) Section 7 of this Agreement is personal to Executive and, without the prior written consent of the Company, shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. Section 7 of this Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(ii) Section 7 of this Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(iii) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

8. Code Section 409A Compliance.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code and applicable guidance thereunder (“Code Section 409A”) or comply with an exemption from the application of Code Section 409A and, accordingly, all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A.

(b) Neither Executive nor the Company shall take any action to accelerate or delay the payment of any monies and/or provision of any benefits in any matter which would not be in compliance with Code Section 409A.

(c) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the form or timing of payment of any amounts or benefits upon or following a termination of employment unless such termination is also a “separation from service” (within the meaning of Code Section 409A) and, for purposes of any such provision of this Agreement under which (and to the extent) deferred compensation subject to Code Section 409A is paid, references to a “Date of Termination” or “termination of employment” or resignation or like references shall mean separation from service. A separation from service shall not occur under Code Section 409A unless Executive has completely severed his employment or contractor relationship with the Company or Executive has permanently decreased his services (via his employment relationship or his consulting relationship) to twenty percent (20%) or less of the average level of *bona fide* services over the immediately preceding thirty-six (36)-month period (or the full period if Executive has been providing services for less than thirty-six (36) months). A leave of absence shall only trigger a termination of employment that constitutes a separation from service at the time required under Code Section 409A (which is typically after six (6) months although the specific rules and exceptions in Code Section 409A shall apply). If Executive is deemed on the date of separation from service with the Company to be a “specified employee”, within the meaning of that term under Code Section 409A(a)(2)(B) and using the identification methodology selected by the Company from time-to-time, or if none, the default methodology, then with regard to any payment or benefit that is required to be delayed in compliance with Code Section 409A(a)(2)(B), such payment or benefit shall not be made or provided prior to the earlier of (i) the expiration of the six (6) month period measured from the date of Executive’s separation from service or (ii) the date of Executive’s death. In the case of benefits required to be delayed under Code Section 409A, however, Executive may pay the cost of benefit coverage, and thereby obtain benefits, during such six (6) month delay period and then be reimbursed by the Company thereafter when delayed payments are made pursuant to the next sentence. On the first day of the seventh (7th) month following the date of Executive’s separation from service or, if earlier, on the date of Executive’s death, all payments delayed pursuant to this Section 8(c) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. If any cash payment is delayed under this Section 8(c) of this Agreement, then interest shall be paid on the amount delayed calculated at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code from the date of Executive’s termination to the date of payment.

(d) With regard to any provision herein that provides for reimbursement of expenses or in-kind benefits subject to Code Section 409A, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, and (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided that the foregoing clause (ii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Code Section 105(b) solely because such expenses are subject to a limit related to the period the arrangement is in effect. All reimbursements shall be reimbursed in accordance with the Company's reimbursement policies but in no event later than the calendar year following the calendar year in which the related expense is incurred.

(e) Each payment under this Agreement shall be treated as a separate payment for purposes of Code Section 409A. In no event may Executive, directly or indirectly, designate the calendar year of a payment under this Agreement. Notwithstanding any provision of this Agreement to the contrary, in no event shall the timing of Executive's execution of the Release, directly or indirectly, result in Executive designating the calendar year of payment of any amounts of deferred compensation subject to Code Section 409A, and if a payment that is subject to execution of the Release could be made in more than one taxable year, payment shall be made in the later taxable year if required by Code Section 409A.

(f) When, if ever, a payment under this Agreement specifies a payment period with reference to a number of days (*e.g.*, "payment shall be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company. If the timing of any payment of deferred compensation is based on a Change in Control, if and to the extent required by Section 409A of the Code, such payment shall be made on a Change in Control that is a "change in control event" for purposes of Section 409A of the Code or such other earliest permissible date under Section 409A of the Code.

(g) The Company and Executive agree to cooperate in good faith to ensure compliance in form and operation with Code Section 409A to the extent Code Section 409A is applicable under this Agreement.

9. Restrictive Covenants. The Company and Executive agree that Executive has had and will have a prominent role in the management of the business, and the development of the goodwill of the Company and its subsidiaries (collectively, "Dynex"), and has had and will have access to and become familiar with or exposed to Confidential Information (as such term is defined below), in particular, trade secrets, proprietary information, and other valuable business information of Dynex pertaining to Dynex's business. At the date of Executive's termination of employment, the Company shall provide Executive with a list of Dynex's then-current subsidiaries for purposes of the restrictive covenants. Executive agrees that Executive could cause harm to Dynex if he solicited Dynex's employees, lenders, or business counterparties upon the cessation of Executive's employment away from Dynex, or misappropriated or divulged Dynex's Confidential Information; and that as such, Dynex has legitimate business interests in

protecting its goodwill and Confidential Information; and, as such, these legitimate business interests justify the following restrictive covenants:

(a) Confidentiality and Non-Disclosure Covenant.

(i) Executive agrees that during the Employment Period and for a period of five (5) years following the cessation of his employment for any reason (or longer, consistent with Virginia law, if the Confidential Information qualifies as a trade secret under Virginia law), Executive shall not, directly or indirectly (A) disclose any Confidential Information (as defined below) to any Person (other than, only with respect to the period that Executive is employed by the Company, to an employee or outside advisor of the Company who requires such information to perform his or her duties for the Company or to a lender or business counterparty that requires such information to engage in a transaction with the Company), or (B) use any Confidential Information for Executive's own benefit or the benefit of any third party. "Confidential Information" is Dynex's business information that is not known to the general public or to the investment industry, such as marketing plans, trade secrets, financial information and records, customized software, data repositories, operation methods, personnel information, drawings, designs, information regarding product development, and customer lists. The foregoing obligation shall not apply to any Confidential Information that has been previously disclosed to the public by the Company or with its permission, is in the public domain (other than by reason of a breach of Executive's obligations to hold such Confidential Information confidential), or is otherwise legitimately known by Executive prior to his employment with the Company. In particular, and without limitation, Confidential Information shall not include any knowledge of Executive with respect to the general business of the Company including its investment in and management of fixed income and similar securities on a leveraged basis, and its organization as a real estate investment trust. Nothing in this Agreement shall prevent Executive from retaining papers and other materials of a personal nature, such as personal diaries, calendars and Rolodexes, information relating to his compensation or relating to reimbursement of expenses, and copies of plans, programs and agreements relating to his employment or benefits. If Executive is required or requested by a court or governmental agency to disclose Confidential Information, Executive must notify the Chief Operating Officer of the Company (or the Chief Executive Officer of the Company, if Executive is the Chief Operating Officer of the Company) of such disclosure obligation or request no later than three (3) business days after Executive learns of such obligation or request, and permit the Company to take all lawful steps it deems appropriate to prevent or limit the required disclosure.

(ii) Nothing in this Agreement restricts or prohibits Executive or Executive's counsel from initiating communications directly with, responding to any inquiry from, volunteering information to, or providing testimony before a self-regulatory authority or a governmental, law enforcement or other regulatory authority, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Congress, and any Office of Inspector General (collectively, the "Regulators"), from participating in any reporting of, investigation into, or proceeding regarding suspected violations of law, or from making other disclosures that are protected under

or from receiving an award for information provided under the whistleblower provisions of state or federal law or regulation. Executive does not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide Confidential Information or documents containing Confidential Information to the Regulators, or make any such reports or disclosures to the Regulators. Executive is not required to notify the Company that Executive has engaged in such communications with the Regulators. Executive recognizes and agrees that, in connection with any such activity outlined above, Executive must inform the Regulators that the information Executive is providing is confidential.

(iii) Federal law provides certain protections to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances. Specifically, federal law provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret under either of the following conditions:

- Where the disclosure is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or
- Where the disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

Federal law also provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

(b) Non-Competition Covenant. Executive agrees that during the Employment Period, Executive shall devote on a full-time business basis his skill, knowledge, commercial efforts and business time as the Board shall reasonably require to the conscientious and good faith performance of his duties and responsibilities to the Company to the best of his ability. Accordingly, during the Employment Period, Executive shall not, directly or indirectly, be employed by, render services for, engage in business with or serve as an agent or consultant to any Person other than the Company. However, Executive may serve on the board of directors of one or more non-profit or for-profit organizations, subject to the consent of the Board. Attached as **Exhibit B** is a list of the boards of directors on which Executive currently serves, which have been approved by the Board. Executive further agrees that during the Employment Period and for a period of ninety (90) days (subject to extension as provided below) following any cessation of his employment for any reason, Executive shall not, directly or indirectly, render services within the “Restricted Territory” as an employee, owner, consultant or in any capacity that are the same as or substantially similar to the services provided by Executive for the Company during the twelve (12) months preceding the cessation of Executive’s employment, on behalf of any person or entity that engages in a business that is the same as or substantially similar to, and competitive with, the business of Dynex at the time Executive’s employment ceases. In the event Executive is paid severance benefits under Section 7(d)(i) or (iv) of this Agreement, the period of non-competition, as described in the preceding sentence (the “Non-Competition”

Period”), shall be extended so that the period applies for six (6) months following Executive’s cessation of employment. In the event Executive is paid severance benefits under Section 7(d)(ii) of this Agreement (Change in Control), the Non-Competition Period shall be extended so that the period applies for twenty-four (24) months following Executive’s cessation of employment. Notwithstanding any other provisions of this Agreement, in the event that Executive materially breaches any of his obligations under this Section 9, no amounts or benefits, other than the Accrued Obligations, shall be payable to Executive under Section 7(d) of this Agreement, and the Company may take any such other actions as it deems appropriate with respect to the breach of Executive’s obligations. Executive shall be permitted to hold a ten percent (10%) or less interest in the equity or debt securities of any publicly traded company. The “Restricted Territory” shall mean the continental United States of America. The amounts and benefits payable under this Agreement, including severance benefits, where applicable, are provided as consideration for the non-competition and other restrictive covenants under this Agreement.

(c) Non-Solicitation of Employees. During the Employment Period and for the twelve (12)-month period following the cessation of his employment for any reason, Executive shall not, directly or indirectly, by himself or through any third party, whether on Executive’s own behalf or on behalf of any other Person or entity, (i) solicit or induce or endeavor to solicit or induce, divert, employ or retain, (ii) interfere with the relationship of Dynex with, or (iii) attempt to establish a business relationship of a nature that is competitive with the business of Dynex with, any person that is or was (during the last thirty (30) days of Executive’s employment with the Company) an employee or independent contractor of Dynex.

10. Work Product. Executive agrees that all of Executive’s work product (created solely or jointly with others, and including any intellectual property or moral rights in such work product), given, disclosed, created, developed or prepared in connection with Executive’s employment with the Company (“Work Product”) shall exclusively vest in and be the sole and exclusive property of the Company and shall constitute “work made for hire” (as that term is defined under Section 101 of the U.S. Copyright Act, 17 U.S.C. § 101) with the Company being the person for whom the work was prepared. In the event that any such Work Product is deemed not to be a “work made for hire” or does not vest by operation of law in the Company, Executive hereby irrevocably assigns, transfers and conveys to the Company, exclusively and perpetually, all right, title and interest which Executive may have or acquire in and to such Work Product throughout the world, including without limitation any copyrights and patents, and the right to secure registrations, renewals, reissues, and extensions thereof. The Company or its designees shall have the exclusive right to make full and complete use of, and make changes to all Work Product without restrictions or liabilities of any kind, and Executive shall not have the right to use any such materials, other than within the legitimate scope and purpose of Executive’s employment with the Company. Executive shall promptly disclose to the Company the creation or existence of any Work Product and shall take whatever additional lawful action may be necessary, and sign whatever documents the Company may require, in order to secure and vest in the Company or its designee all right, title and interest in and to all Work Product and any intellectual property rights therein (including full cooperation in support of any Company applications for patents and copyright or trademark registrations).

11. Return of Company Property. In the event of termination of Executive's employment for any reason, Executive shall return to the Company all of the property of Dynex, including without limitation all Dynex materials or documents containing Confidential Information, and including without limitation, all computers (including laptops), cell phones, keys, PDAs, tablets, credit cards, facsimile machines, televisions, card access to any Dynex building, customer lists, computer disks, reports, files, e-mails, work papers, Work Product, documents, memoranda, records and software, computer access codes, passwords, or disks and instructional manuals, internal policies, and other similar materials or documents which Executive used, received or prepared, helped prepare or supervised the preparation of in connection with Executive's employment with the Company. Executive agrees not to retain any copies, duplicates, reproductions or excerpts of such material or documents, other than the materials of a "personal nature" referenced in Section 9(a) of this Agreement.

12. Compliance With Company Policies. During the Employment Period, Executive shall be governed by and be subject to, and Executive hereby agrees to comply with, all Company policies, procedures, codes, rules and regulations applicable to all employees and to executive officers of the Company, as they may be amended from time-to-time in the Company's sole discretion.

13. Injunctive Relief with Respect to Covenants: Forum, Venue and Jurisdiction. Executive acknowledges and agrees that, in the event of any material breach by Executive of any section of this Agreement, remedies at law may be inadequate to protect the Company, and, without prejudice to any other legal or equitable rights and remedies otherwise available to the Company, Executive agrees to the granting of injunctive relief in the Company's favor in connection with any such breach or violation without proof of irreparable harm.

14. Assumption of Agreement. The Company shall require any successor thereto, by agreement in form and substance reasonably satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a material breach of this Agreement and shall entitle Executive to terminate his employment for Good Reason and receive payment as provided under Section 7(d)(i) or (ii) of this Agreement, whichever is applicable on the Date of Termination.

15. Indemnification and Insurance. The Company agrees both during and after the Employment Period to indemnify Executive to the fullest extent permitted by the law and its Articles of Incorporation (including payment of expenses in advance of final disposition of a proceeding) against actions or inactions of Executive during the Employment Period as an officer, director or employee of the Company or any of its subsidiaries or affiliates or as a fiduciary of any benefit plan of any of the foregoing. The Company also agrees to provide Executive with Directors and Officers insurance coverage both during and, with regard to matters occurring during the Employment Period, after the Employment Period. Such coverage after the Employment Period shall be at a level at least equal to the level being maintained at such time for the then current officers and directors or, if then being maintained at a higher level with regard to any prior period activities for officers or directors during such prior period, such higher amount with regard to Executive's activities during such prior period.

16. Entire Agreement. This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof. All prior correspondence and proposals (including but not limited to summaries of proposed terms) and all prior promises, representations, understandings, arrangements and agreements relating to such subject matter (including but not limited to those made to or with Executive by any other person and those contained in any prior employment, consulting, severance, or similar agreement entered into by Executive and the Company or any predecessor thereto or subsidiary or affiliate thereof, including the Prior Agreement) are merged herein and superseded hereby.

17. Termination of this Agreement and Survival of Certain Provisions. Subject to earlier termination by written agreement of the parties hereto or expiration pursuant to Section 2(a) of this Agreement, this Agreement shall terminate effective upon termination of Executive's employment by the Company or by Executive for any reason; provided, however, that Sections 4(c), 6(c), 7 (to the extent applicable), 8, 9, 10, 11, 12 (to the extent applicable), 13, 15, 17 and 18, as applicable, of this Agreement shall survive any termination of Executive's employment with the Company and any expiration or termination of this Agreement.

18. Miscellaneous.

(a) Binding Effect: Assignment. This Agreement shall be binding on and inure to the benefit of the Company and its successors and assigns. This Agreement shall also be binding on and inure to the benefit of Executive and his heirs, executors, administrators and legal representatives. This Agreement shall be assignable by the Company to a successor by merger or otherwise, but not by Executive.

(b) Choice of Law and Forum. This Agreement shall be interpreted, enforced, construed, and governed under the laws of the Commonwealth of Virginia, without regard for any conflict of law principles. The Company and Executive hereby consent irrevocably to personal jurisdiction, service and venue in connection with any claim or controversy arising out of this Agreement or Executive's employment, in the courts of the Commonwealth of Virginia located in Henrico County, Virginia, and in the federal court in the Eastern District of Virginia, Richmond Division, to be chosen at the option of the Company, and Executive waives any objections thereto.

(c) Taxes. The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment and social insurance taxes, as shall be required by law.

(d) Amendments. No provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is approved in writing by the Board or a person authorized thereby and is agreed to in writing by Executive. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No waiver of any provision of this Agreement shall be implied from any course of dealing between or among the parties hereto or from any failure by any party hereto to assert its rights hereunder on any occasion or series of occasions.

(e) Severability. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby. In the event that one or more terms or provisions of this Agreement are deemed invalid or unenforceable by the laws of Virginia or any other state or jurisdiction in which it is to be enforced, by reason of being vague or unreasonable as to duration or geographic scope of activities restricted, or for any other reason, the provision in question shall be immediately amended or reformed to the extent necessary to make it valid and enforceable by the court of such jurisdiction charged with interpreting and/or enforcing such provision. Executive agrees and acknowledges that the provision in question, as so amended or reformed, shall be valid and enforceable as though the invalid or unenforceable portion had never been included herein.

(f) Notices. Any notice or other communication required or permitted to be delivered under this Agreement shall be (i) in writing, (ii) delivered personally, by courier service, by certified or registered mail, first-class postage prepaid and return receipt requested, or by electronic mail with receipt verification, (iii) deemed to have been received on the date of delivery or, if mailed, on the third business day after the mailing thereof, and (iv) addressed as follows (or to such other address as the party entitled to notice shall hereafter designate in accordance with the terms hereof):

(A) If to the Company, to it at:

Chief Financial Officer
Dynex Capital, Inc.
4991 Lake Brook Drive, Suite 100
Glen Allen, Virginia 23060
rob.colligan@dynexcapital.com

(B) If to Executive, to his residential address as currently on file with the Company or the Company's email address for Executive unless Executive has provided an alternative email address for notification purposes.

(g) Voluntary Agreement; No Conflicts. Executive represents that he is entering into this Agreement voluntarily and that Executive's employment hereunder and compliance with the terms and conditions of this Agreement shall not conflict with or result in the breach by Executive of any agreement to which he is a party or by which he or his properties or assets may be bound.

(h) No Construction Against Any Party. This Agreement is the product of informed negotiations between Executive and the Company. If any part of this Agreement is deemed to be unclear or ambiguous, it shall be construed as if it were drafted jointly by all parties. Executive and the Company agree that neither party was in a superior bargaining position regarding the substantive terms of this Agreement.

(i) Counterparts; Electronic Signature. This Agreement may be executed in counterparts (including by electronic signature), each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(j) Conflicting Provisions. If any provision in this Agreement conflicts with a provision in an award agreement with Executive under a Company incentive plan, the provision more favorable to Executive will govern, to the extent consistent with any applicable shareholder-approved incentive plan.

(k) Headings. The section and other headings contained in this Agreement are for the convenience of the parties only and are not intended to be a part hereof or to affect the meaning or interpretation hereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has duly executed this Agreement by its authorized representative, and Executive has hereunto set his hand, in each case effective as of the date first above written.

DYNEX CAPITAL, INC.

By: /s/ Robert S. Colligan

Robert S. Colligan

Its: Chief Financial Officer and Chief Operating Officer

BYRON L. BOSTON

/s/ Byron L. Boston

SIGNATURE

[Signature Page to Boston Employment Agreement]

RELEASE

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Byron L. Boston (“Executive”), hereby irrevocably and unconditionally releases, acquits, and forever discharges Dynex Capital, Inc. (the “Company”) and its subsidiaries and affiliates (collectively, “Dynex”) and each of their agents, directors, members, affiliated entities, officers, employees, former employees, attorneys, and all persons acting by, through, under or in concert with any of them (collectively “Releasees”), from any and all charges, complaints, claims, liabilities, grievances, obligations, promises, agreements, controversies, damages, policies, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses of any nature whatsoever, known or unknown, suspected or unsuspected, including, but not limited to, any rights arising out of alleged violations or breaches of any contracts, express or implied, or any tort, or any legal restrictions on Dynex’s right to terminate employees, or any federal, state or other governmental statute, regulation, law or ordinance, including without limitation Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991; the Americans with Disabilities Act; 42 U.S.C. § 1981; the federal Age Discrimination in Employment Act (age discrimination); the Older Workers Benefit Protection Act; the Equal Pay Act; the Family and Medical Leave Act; the Employee Retirement Income Security Act; the Virginia Human Rights Act; the Virginia Equal Pay Act; the Virginians with Disabilities Act; the Virginia Wage Payment Law; the Virginia Right-to-Work Law; the Virginia Equal Pay Law; the Virginia Occupational Safety and Health Act; the Virginia Fraud Against Taxpayers Act; the Virginia Whistleblower Protection Law; the Florida Civil Rights Act, including age and sexual harassment claims; the Florida Omnibus AIDS Act; the Florida Equal Pay Law; the retaliation provision of the Florida Workers Compensation Act (Fla. Stat. Ann. § 440.205); the Florida Private Sector Whistleblower’s Act; Florida’s minimum wage and wage payment laws; Florida Constitution art. X, § 24; the retaliation provision of the Florida False Claims Act (Fla. Stat. Ann. § 68.088); the Florida Domestic Violence Leave Act; the Florida Discrimination on the Basis of Sickle Cell Trait Law; and Florida’s OSHA laws (“Claim” or “Claims”), which Executive now has, owns or holds, or claims to have, own or hold, or which Executive at any time heretofore had owned or held, or claimed to have owned or held, against each or any of the Releasees at any time up to and including the date of the execution of this Release; provided, however, that this Release does not release the Releasees from any obligation to pay “Accrued Obligations” (as defined in Section 7(d)(i)(A) of the employment agreement entered into as of July 19, 2024 by and between the Company and Executive (the “Employment Agreement”), any applicable termination obligations of the Company under Section 7(d) of the Employment Agreement shall be paid in exchange for this Release, any accrued, vested benefits under the Company’s benefit plans that Executive has earned prior to the date hereof, the provisions under Sections 6(c) and 15 of the Employment Agreement, or any rights to indemnification or defense under the Company’s charter, bylaws or directors and officers insurance.

Nothing in this Release shall restrict or prohibit Executive or Executive’s counsel from filing a charge or complaint with, initiating communications directly with, responding to any inquiry from, volunteering information to, or providing testimony before a self-regulatory

authority or a governmental, law enforcement or other regulatory authority, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Congress, and any Office of Inspector General (collectively, the “Regulators”), from participating in any reporting of, investigation into, or proceeding regarding suspected violations of law, or from making other disclosures that are protected under or from receiving an award for information provided under the whistleblower provisions of state or federal law or regulation. Executive does not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide Confidential Information (as defined in the Employment Agreement) or documents containing Confidential Information to the Regulators, or make any such reports or disclosures to the Regulators. Executive is not required to notify the Company that Executive has engaged in such communications with the Regulators. Executive recognizes and agrees that, in connection with any such activity outlined above, Executive must inform the Regulators that the information Executive is providing is confidential. To the extent, that any such charge or complaint is made against the Releasees, Executive expressly waives any claim or right to any form of monetary relief or other damages, or any form of individual recovery or relief in connection with any such charge or complaint, except that Executive does not waive his right with respect to an award for information provided under the whistleblower provisions of state or federal law or regulation.

Executive hereby acknowledges and agrees that the execution of this Release and the cessation of Executive’s employment and all actions taken in connection therewith are in compliance with the federal Age Discrimination in Employment Act and the Older Workers Benefit Protection Act and that the releases set forth above shall be applicable, without limitation, to any claims brought under these Acts. Executive further acknowledges and agrees that:

- a. The Release given by Executive is given solely in exchange for the severance payments set forth in the Employment Agreement between Dynex and Executive to which this Release was initially attached and such consideration is in addition to anything of value which Executive was entitled to receive prior to entering into this Release;
- b. By entering into this Release, Executive does not waive rights or claims that may arise after the date this Release is executed;
- c. Executive is hereby advised to consult an attorney prior to entering into this Release, and this provision of the Release satisfies the requirements of the Older Workers Benefit Protection Act that Executive be so advised in writing;
- d. Executive has been offered twenty-one (21) days [or forty-five (45) days in the event of a group termination] from receipt of this Release within which to consider whether to sign this Release; and

e. For a period of seven (7) days following Executive's execution of this Release, Executive may revoke this Release by delivering the revocation to an authorized officer of Dynex, and it shall not become effective or enforceable until such seven (7) day period has expired.

By signing this letter agreement, Executive acknowledges that Executive is waiving any future claims against Dynex under Mass. Gen. Laws ch. 149 § 148 of the Massachusetts Wage Act. These claims include, but are not limited to, failure to pay earned wages, failure to pay overtime, failure to pay earned commissions, failure to timely pay wages, failure to pay accrued vacation or holiday pay, failure to furnish appropriate pay stubs, claims for improper wage deductions, and claims for failing to provide proper check-cashing facilities.

This release shall be binding upon the heirs and personal representatives of Executive and shall inure to the benefit of the successors and assigns of Dynex.

Date: _____

BYRON L. BOSTON

Current Boards of Directors

Mortgage Bankers Association

Salzburg Global Seminar

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (this “**Agreement**”) is entered into as of this 19th day of July, 2024 (the “**Effective Date**”), by and between Dynex Capital, Inc., a Virginia corporation (the “**Company**”), and Robert S. Colligan (the “**Executive**”).

WHEREAS, Executive is currently employed by the Company;

WHEREAS, the Company desires to continue to employ and secure the exclusive services of Executive on the terms and conditions set forth in this Agreement;

WHEREAS, Executive desires to accept such employment on such terms and conditions;

WHEREAS, Executive has the trust and confidence of the Company’s Board of Directors (the “**Board**”);

WHEREAS, the Board values Executive’s leadership and appreciates his continuing contribution to the success of the Company; and

WHEREAS, the Company and Executive previously entered into an Employment Agreement effective July 18, 2022 (the “**Prior Agreement**”), which is hereby superseded in its entirety by this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration, the Company and Executive hereby agree as follows:

1. Agreement to Employ. Upon the terms and subject to the conditions of this Agreement, the Company hereby agrees to continue to employ Executive, and Executive hereby accepts such continued employment with the Company.

2. Term; Positions and Responsibilities; Location.

(a) Term.

(i) This Agreement shall become effective on the Effective Date and expire on December 31, 2027, unless sooner terminated by either party as set forth below, or until the termination of the Executive’s employment, if earlier. The term of this Agreement shall automatically renew for periods of one (1) year on December 31, 2027 and each one (1) year anniversary of December 31, 2027 thereafter (each, a “**Renewal Date**”), unless either party gives written notice of such nonrenewal to the other party at least 90 days before the applicable Renewal Date.

(ii) Upon a Change in Control (as defined below), the term of this Agreement shall automatically renew for a period of two (2) years, unless the Change in Control occurs during the initial term and there are more than two (2) years remaining in the initial term. The initial and any extended term of this Agreement through the earlier of (i) the date this Agreement expires or is terminated as described herein or (ii) the date of termination of Executive’s employment by the Company or by Executive for any reason is referred to as the “**Employment Period**”.

(b) Positions and Responsibilities. During the Employment Period, commencing on the Effective Date, the Executive shall serve as Chief Financial Officer (“**CFO**”) and Chief Operating Officer (“**COO**”) of the Company and shall be responsible for performing all duties and responsibilities as are

customarily assigned to individuals serving in such positions. The Company and the Executive agree that during the Employment Period, Executive shall report directly to the Company's Executive Committee, comprised of the Company's Co-Chief Executive Officers (the "**Executive Committee**"), and shall devote as much of his skill, knowledge, commercial efforts and business time as the Company's Board of Directors (the "**Board**") or the Executive Committee shall reasonably require for the conscientious and good faith performance of his duties and responsibilities for the Company to the best of his ability. Executive agrees to serve in other officer and director positions for the Company and any subsidiaries or affiliates of the Company upon request, in each case without additional compensation.

(c) Location. During the Employment Period, the Executive's services shall be performed primarily remotely from the Executive's home office; *provided, however*, that the Executive shall travel to the Company's offices, currently in the Richmond, Virginia metropolitan area, and to other locations for business meetings, as may be reasonably requested or required from time to time.

3. Base Salary. During the Employment Period, the Company shall pay Executive a base salary at an annualized rate of no less than \$560,000 (which increase was effective as of July 22, 2024), payable in installments on the Company's regular payroll dates but not less frequently than monthly. The Board or a committee thereof shall review Executive's base salary annually during the Employment Period for adjustment up or down (but not below \$560,000 without Executive's consent), based on its periodic review of Executive's performance in accordance with the Company's regular policies and procedures; *provided, however*, that following a Change in Control Executive's base salary shall not be decreased. The base salary amount payable to Executive for a full year under this Section 3 shall be referred to herein as the "**Base Salary**".

4. Incentive Compensation.

(a) Annual Incentive Awards. The Executive shall be eligible to participate in and receive annual cash incentive awards pursuant to the terms of the Dynex Capital, Inc. Annual Cash Incentive Plan or any successor plan or program (the "**Dynex Incentive Plan**"). The target amount of the Executive's annual cash incentive award for any fiscal year during the Employment Period, including the full 2024 fiscal year, shall be not less than one hundred seventy-five percent (175%) of the Executive's Base Salary, and the maximum amount of Executive's annual cash incentive award for any fiscal year during the Employment Period shall be not more than three hundred fifty percent (350%) of the Executive's Base Salary. The actual amount of the Executive's annual cash incentive award, if any, may be more or less than the target amount, as determined by the Board or a committee thereof, pursuant to the terms of the Dynex Incentive Plan, but not more than the maximum amount. Any annual cash incentive award shall be paid after the end of the fiscal year to which it relates, at the same time and under the same terms and conditions as the annual cash incentive awards for other executives of the Company and subject to the terms of the Dynex Incentive Plan, including requirements as to continued employment, subject to the provisions of Sections 7(d)(i)(C) and 7(d)(ii)(C), below.

(b) Long-Term Incentive Awards. The Executive shall be eligible to participate in and receive long-term incentive awards pursuant to the Dynex Capital, Inc. 2020 Stock and Incentive Plan or any successor plan (the "**Dynex Stock and Incentive Plan**"). The target amount of the Executive's long-term incentive award granted with respect to any fiscal year during the Employment Period shall be not less than two hundred fifty percent (250%) of the Executive's Base Salary. The actual amount of Executive's long-term incentive award, if any, may be more or less than the target amount, as determined by the Board or a committee thereof, pursuant to the terms of the Dynex Stock and Incentive Plan.

(c) Clawback. Executive agrees that any incentive compensation (including both equity and cash incentive compensation) that Executive receives from the Company is subject to repayment to (*i.e.*,

clawback by) the Company or a related entity (i) as required by applicable law, or (ii) pursuant to an applicable clawback policy adopted by the Board from time to time. Any such clawback determination shall be made in good faith by the Board or a committee thereof and consistent with applicable law and the terms of the clawback policy, if applicable. Except where offset of, or recoupment from, incentive compensation covered by Code Section 409A (as defined below) is prohibited by Code Section 409A, to the extent allowed by law and as determined by the Board or a committee thereof, Executive agrees that such repayment may, in the discretion of the Board or a committee thereof, be accomplished by withholding of future compensation to be paid to Executive by the Company. Any recovery of incentive compensation covered by Code Section 409A shall be implemented in a manner which complies with Code Section 409A. Any recovery of incentive compensation pursuant to this Section 4(c) shall not constitute a breach of this Agreement or Good Reason (as defined below).

5. Employee Benefits.

(a) General. During the Employment Period, the Executive shall be eligible to participate in the employee and executive benefit plans and programs maintained by the Company from time-to-time in which executives of the Company are eligible to participate, including, to the extent maintained by the Company, life, medical, dental, accidental and disability insurance plans and retirement, deferred compensation and savings plans, in accordance with the terms and conditions thereof as in effect from time-to-time.

(b) Vacation. During the Employment Period, the Executive shall be entitled to a number of vacation days as determined by the Board or a committee thereof, which shall not be less than six (6) weeks per calendar year, without carry-over accumulation. The Executive shall also be entitled to Company-designated holidays.

(c) Cellular Phones and Personal Data Assistants. During the Employment Period, the Company shall provide the Executive with, or shall reimburse the Executive for his purchase of, a cellular phone and a personal data assistant (*e.g.*, iPad, tablet, etc.) for his use as agreed upon by the Company and the Executive, as well as pay for business-related usage fees, pursuant to the Company's policy for executives or, if none, as approved by the Company consistent with the Company's practice for other executives. The Executive shall submit a detailed bill in order to obtain reimbursement.

(d) Concierge Medical Services. During the Employment Period, the Company shall reimburse the Executive for the cost of an annual concierge medical services fee, including the cost of an annual physical, at a cost not to exceed \$10,000 per year, unless otherwise approved by the Compensation Committee of the Board (the "**Compensation Committee**").

6. Expenses.

(a) Business Travel, Lodging. The Company shall reimburse the Executive for reasonable travel, lodging, meal and other reasonable expenses incurred by him in connection with the performance of his duties and responsibilities hereunder upon submission of related receipts or other evidence of the incurrence and purpose of each such expense consistent with the terms and conditions of the Company's travel policy in effect at any time.

(b) Reimbursement Requirements. Any reimbursements provided in Sections 5 and 6 of this Agreement shall be reimbursed, unless specifically provided otherwise herein, in accordance with the Company's expense reimbursement policy in effect at any time, if any, and the requirements of Section 8(d) of this Agreement, to the extent applicable.

7. Termination of Employment. The Board believes it is in the best interests of the Company to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks in the event the Executive terminates his employment for Good Reason or is terminated by the Company

without Cause and to encourage the Executive's full attention and dedication to the Company, and to provide the Executive with compensation and benefits arrangements upon such termination which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. The Board has approved this Section 7 and authorized its inclusion in this Agreement on the Company's behalf to the Executive.

(a) Certain Definitions.

(i) **"Change in Control"** shall mean any of the following:

(A) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, (the "**Exchange Act**")), (a "**Person**") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of thirty-five percent (35%) or more of either (1) the then outstanding shares of common stock of the Company (the "**Outstanding Company Common Stock**") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "**Outstanding Company Voting Securities**"); or

(B) The composition of the Company's Board shall change such that the individuals who, as of July 18, 2022, constitute the Board (the "**Incumbent Directors**") no longer comprise at least a majority of the members of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Incumbent Directors shall be considered as though such individual were an Incumbent Director, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(C) Consummation of a reorganization, merger, share exchange or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "**Business Combination**"), in each case, unless, following such Business Combination:

(1) the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, at least eighty percent (80%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries or affiliates) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; and

(2) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were Incumbent Directors at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(D) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with clause (1) or (2) of Section 7(a)(i)(C), of this Agreement.

(ii) **"Date of Termination"** means the date of the Executive's termination of employment with the Company, determined in accordance with the requirements of Section 8(c), of this

Agreement, which will typically be (A) if the Executive's employment is terminated by the Company for Cause, the date of receipt of the Notice of Termination (as defined below) or any later date specified therein, as the case may be, (B) if the Executive's employment is terminated by the Executive for Good Reason, the date specified pursuant to Section 7(b)(i) below, (C) if Executive's employment is terminated by the Company other than for Cause or by the Executive without Good Reason, the date on which the Company or the Executive notifies the other of such termination, (D) if Executive's employment is terminated by reason of death, the date of death of the Executive, or (E) if the Company terminates the Executive's employment due to Disability (as defined below), the date of receipt of the Notice of Termination or any later date specified therein, as the case may be.

(b) Termination of Employment.

(i) Good Reason. Executive may terminate his employment during the Employment Period for Good Reason. In such event, the Company shall have the termination obligations in Section 7(d)(i) or (ii) of this Agreement, whichever is applicable on the Date of Termination. For purposes of this Agreement, "**Good Reason**" shall mean any of the following, without the Executive's consent:

(A) prior to a Change in Control, a material diminution in the Executive's position, authority, duties or responsibilities as CFO and COO, excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith; and provided that "Good Reason" shall not include the removal of the Executive as COO of the Company if the Executive retains his position as CFO of the Company;

(B) on or following a Change in Control, the assignment to Executive of any duties inconsistent with the Executive's position (including status, office or title as CFO and COO, and reporting requirements), authority, duties, and responsibilities as CFO and COO, or any other action by the Company that results in a diminution in such position (including status, office or title as CFO and COO, and reporting requirements), authority, duties and responsibilities as CFO and COO, or any requirement that the Executive not serve as the sole CFO and COO of the Company, in all cases excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith; and provided that "Good Reason" shall not include the removal of the Executive as COO of the Company if the Executive retains his position as CFO of the Company;

(C) whether prior to, on or following a Change in Control, a reduction in the Executive's Base Salary or a reduction of Executive's minimum target incentive opportunity in violation of Section 3, Section 4(a) or Section 4(b) of this Agreement;

(D) On or following a Change in Control, the Company's requiring the Executive to perform his services on a regular basis at any location that is more than 50 miles from the location where the Executive primarily performed services during the six (6) months immediately preceding the change in location; or

(E) whether prior to, on or following a Change in Control, any material breach of this Agreement by the Company.

To trigger "Good Reason," the Executive is required to provide written notice to the Board of the existence of a condition described in this Section 7(b)(i) within 30 days following the initial existence of the condition, and the Company shall have 30 days after receiving such notice to remedy the condition. If the condition is remedied within 30 days, then "Good Reason" does not exist. If the condition is not remedied within 30 days, then Executive must resign within 30 days following the expiration of the remedy period in order for such resignation to be for "Good Reason."

Notwithstanding the above, "Good Reason" shall not include any resignation by the Executive if the Company has communicated to the Executive in writing that grounds for a "Cause" termination exist,

or if the Company communicates to the Executive in writing that grounds for a “Cause” termination exist at any time during the notice and remedy period described in the preceding paragraph, and in either case if “Cause” is determined to exist pursuant to Section 7(b)(iii) of this Agreement. The remedy and resignation period described in the preceding paragraph shall be automatically extended so that it does not end before any notice and remedy period under Section 7(b)(iii) of this Agreement, *provided* that the remedy and resignation period described in the preceding paragraph shall not be extended beyond 120 days from the date of the Executive’s submission of written notice pursuant to the preceding paragraph.

(ii) Without Good Reason. The Executive may terminate his employment during the Employment Period without Good Reason. In such event, the Company shall have the termination obligations in Section 7(d)(iii) of this Agreement.

(iii) Cause. The Company may terminate the Executive’s employment during the Employment Period for Cause. In such event, the Company shall have the termination obligations in Section 7(d)(iii) of this Agreement. For purposes of this Agreement, “Cause” shall mean any of the following:

(A) The Executive’s gross or willful misconduct, fraud or embezzlement in connection with the performance of the Executive’s duties to the Company;

(B) Prior to a Change in Control, the failure of the Executive to adhere to the lawful directions of the Board or the Executive Committee that are reasonably consistent with the Executive’s duties and positions as CFO and COO;

(C) A material violation of the Company’s employment, share trading, or other corporate policies applicable to the Executive, including without limitation the Company’s Employee Handbook, Insider Trading Policy, Regulation FD and Disclosure Policy, Relation Person Transactions Policy, Code of Business Conduct and Ethics, Corporate Governance Guidelines, Whistleblower Policy, Policy Prohibiting Pledging and Hedging, and Stock Ownership Guidelines, all as may be amended from time to time;

(D) A material violation by the Executive of any portion of Section 9 of this Agreement; or

(E) The Executive’s being indicted of, or entering a guilty plea or plea of no contest to, any felony or any crime of moral turpitude.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered “willful” unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive’s action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or a committee thereof, or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive written notice of a resolution duly adopted by the affirmative vote of not less than two-thirds (2/3) of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive of such meeting and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of conduct described in subparagraph (A), (B), (C), (D) or (E) above, and specifying the particulars thereof in detail. Upon delivery of the written notice, the Executive’s employment shall be immediately terminated; *provided, however*, with regard to conduct described in subparagraph (B), (C) or (D) above only, if such conduct can be remedied, as determined in the good faith opinion of the Board, the Executive shall have 30 days after his receipt of the written notice

to remedy the conduct. If the conduct is remedied within 30 days, then "Cause" does not exist. If the conduct is not remedied within 30 days, then the Company shall provide Notice of Termination within 30 days following the expiration of the remedy period.

(iv) Without Cause. The Company may terminate the Executive's employment without Cause during the Employment Period. In such event, the Company shall have the termination obligations in Section 7(d)(i) or 7(d)(ii) of this Agreement, whichever is applicable on the Date of Termination.

(v) Death or Disability. The Executive's employment during the Employment Period shall automatically terminate on the Executive's death and may be terminated by the Company due to his Disability. For purposes of this Agreement, "**Disability**" shall mean a physical or mental disability that prevents the Executive from performing his essential job functions as CFO and COO for a period of at least six (6) months within any 12-month period. In such event, the Company shall have the termination obligations in Section 7(d)(iv) or (v), as applicable, of this Agreement.

(c) Notice of Termination. Any termination of the Executive's employment by the Company for or without Cause or due to Disability, or by the Executive for or without Good Reason, shall be communicated by a Notice of Termination to the other party. For purposes of this Agreement, a "**Notice of Termination**" means a written notice, which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) the Date of Termination. The failure by the Company or the Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(d) Company's Termination Obligations.

(i) Good Reason or Without Cause Prior to a Change in Control or More Than Two (2) Years Following a Change in Control. If the Executive's employment is terminated by the Executive for Good Reason, or by the Company without Cause (other than due to Executive's death or Disability), *provided* any such termination occurs (1) prior to a Change in Control, or (2) more than two (2) years following a Change in Control, then, subject to the Release requirement set forth in Section 7(d)(i)(E) below and subject to Executive's continued compliance with Section 9 below, the Company shall pay to the Executive a lump sum payment in cash equal to the aggregate of the following amounts under Sections 7(d)(i)(A) and (B) below no later than the 30th day following the Date of Termination and provide the other benefits provided below. The amount described in Section 7(d)(i)(C) below shall be paid at the time Annual Incentive Awards are paid to executives for the applicable performance period.

(A) The Executive's Base Salary through the Date of Termination, to the extent not previously paid; any incentive compensation for a completed prior performance period that has been earned but has not yet been paid; reimbursement for any unreimbursed business expenses incurred by the Executive prior to the Date of Termination that are subject to reimbursement under Section 6 of this Agreement; and payment of accrued, but unused vacation time as of the Date of Termination ("**Accrued Obligations**"). The amount described in this subsection (A) shall be paid without regard to whether the Executive signs the Release.

(B) An amount equal to the sum of (x) an amount equal to one (1) times the Executive's Base Salary on the day prior to the Date of Termination (or, if the Executive's termination for Good Reason is based upon a reduction in Base Salary, then the Executive's Base Salary in effect immediately prior to such reduction), plus (y) an amount equal to one (1) times the Annual Incentive

Award (as defined below) for the calendar year immediately preceding the year in which the Executive's termination occurs, plus (z) an amount equal to the monthly cost of coverage under the Company's medical, dental, life insurance and disability policies or arrangements in which Executive and any of his dependents were covered on the day prior to the Date of Termination (the "**Welfare Plans**") for a period of 12 months following the Date of Termination.

(C) An amount (the "**Pro Rata Annual Incentive Award**") equal to the Pro Rata Portion (as defined below) of any Annual Incentive Award with an incomplete performance period as of the Date of Termination. The Pro Rata Portion is the Annual Incentive Award amount calculated by the Compensation Committee based on actual performance at the end of the applicable performance period multiplied by a fraction, the numerator of which is equal to the number of days in the applicable performance period that precede the Date of Termination and the denominator of which is the number of days in the performance period. The term "**Annual Incentive Award**" means a cash incentive award that is based on performance over a period of one (1) year. For the avoidance of doubt, an Annual Incentive Award does not include an outstanding Stock Award.

(D) Any outstanding stock awards, such as stock options, stock appreciation rights, restricted stock units, restricted stock, dividend equivalent rights, or any other form of stock compensation ("**Stock Awards**") granted to the Executive shall be governed by the terms of the applicable award agreement. A prorata portion of any outstanding performance-based Stock Awards shall remain outstanding and eligible to vest based on actual performance at the end of the applicable performance period. The pro rata portion is the amount calculated by the Compensation Committee based on actual performance at the end of the applicable performance period multiplied by a fraction, the numerator of which is equal to the number of days in the applicable performance period that precede the Date of Termination and the denominator of which is the number of days in the performance period.

(E) Notwithstanding any other provisions of this Agreement, no amounts or benefits, other than the Accrued Obligations, shall be payable to the Executive and the Executive shall forfeit all rights under Section 7(d)(i) of this Agreement unless a release of claims substantially in the form of the Release attached as Exhibit A, subject to such changes as the Company determines are necessary or appropriate to comply with changes in applicable law, regulation or other governmental guidance (the "**Release**"), is signed and becomes irrevocable within the time period specified by the Release for review and revocation. To the extent any amounts or benefits under Section 7(d)(i), other than the Accrued Obligations, have been paid and the Release requirement of this Section 7(d)(i)(E) is not met, then any such amounts or benefits previously paid shall be forfeited and the Executive shall repay such forfeited amounts or benefits to the Company within 30 days following demand by the Company.

(ii) Good Reason or Without Cause On or Within Two Years Following a Change in Control. If the Executive's employment is terminated by Executive for Good Reason, or by the Company without Cause (other than due to Executive's death or Disability), provided each occurs on or within two (2) years following a Change in Control, then, subject to the Release requirement set forth in Section 7(d)(ii)(E) below and subject to Executive's continued compliance with Section 9 below, the Company shall pay to the Executive a lump sum payment in cash equal to the aggregate of the following amounts under Sections 7(d)(ii)(A), (B), (C) and (E) below on the 30th day following the Date of Termination and provide the other benefits provided below:

(A) The Accrued Obligations, which shall be paid without regard to whether the Executive signs the Release.

(B) An amount equal to the product of two and ninety-nine hundredths (2.99) times the sum of: (1) the Executive's Base Salary on the day prior to the Date of Termination (or, if the Executive's termination for Good Reason is based upon a reduction in Base Salary, then the Executive's

Base Salary in effect immediately prior to such reduction) and (2) the sum of the Executive's Annual Incentive Awards paid for each of the three (3) calendar years preceding the calendar year that includes the Change in Control, ~~divided by~~ three (3) (subject to such adjustment as the Company deems appropriate if the Executive has worked less than three (3) calendar years and taking into account the partial year 2022).

(C) The Pro Rata Annual Incentive Award, calculated as described in Section 7(d)(i)(C), except that performance shall be calculated at maximum instead of based on actual performance.

(D) To the extent any previously awarded Stock Awards granted to Executive shall have not vested, such Stock Awards shall immediately become fully (100%) vested and exercisable and shall otherwise be paid in accordance with their terms. Performance-based Stock Awards shall become fully vested, and performance shall be determined based on the terms of the applicable grant agreement.

(E) An amount equal to the monthly cost of coverage under the Company's Welfare Plans for a period of 36 months following the Date of Termination.

(F) Notwithstanding any other provisions of this Agreement, no amounts or benefits, other than the Accrued Obligations, shall be payable to the Executive, and the Executive shall forfeit all rights, under Section 7(d)(ii) of this Agreement unless the Release is signed and becomes irrevocable within the time period specified by the Release for review and revocation. To the extent any amounts or benefits under Section 7(d)(ii), other than the Accrued Obligations, have been paid and the Release requirement of this Section 7(d)(ii)(E) is not met, then any such amounts or benefits previously paid shall be forfeited and the Executive shall repay such forfeited amounts or benefits to the Company within 30 days following demand by the Company.

(iii) Without Good Reason or For Cause Before, On, or After a Change in Control. If the Company should terminate the Executive's employment for Cause or if he should terminate his employment without Good Reason at any time during the Employment Period, then the Company shall pay to the Executive the Accrued Obligations in a lump sum within 30 days following the Date of Termination.

(iv) Termination Due to Disability Before, On, or After a Change in Control. If the Company should terminate the Executive's employment due to his Disability at any time during the Employment Period, then the Company shall pay to the Executive the Accrued Obligations in a lump sum no later than the 30th day following the Date of Termination. In addition, subject to the Release requirement set forth in Section 7(d)(i)(E) below and subject to Executive's continued compliance with Section 9 below, to the extent any previously awarded Stock Awards granted to the Executive shall have not vested, such Stock Awards shall immediately become fully (100%) vested and exercisable and shall otherwise be paid in accordance with their terms. Performance-based Stock Awards shall become fully vested, and performance shall be determined based on the terms of the applicable grant agreement. In addition, subject to the Release requirement set forth in Section 7(d)(i)(E) below and subject to Executive's continued compliance with Section 9 below, the Company shall pay the Pro Rata Annual Incentive Award described in Section 7(d)(i)(C) to the Executive at the time Annual Incentive Awards are paid to executives for the applicable performance period.

(v) Termination Due to Death. If the Executive's employment should terminate due to his death at any time during the Employment Period, then the Company shall pay to the Executive's estate the Accrued Obligations in a lump sum within 30 days following the Date of Termination, subject to production to the Company of such evidence or information in respect of Executive's estate as the Company may require. In addition, to the extent any previously awarded Stock Awards granted to

Executive shall have not vested, such awards shall immediately become fully (100%) vested and exercisable and shall otherwise be paid in accordance with their terms. Performance-based Stock Awards shall become fully vested, and performance shall be determined based on the terms of the applicable grant agreement. In addition, the Company shall pay the Pro Rata Annual Incentive Award described in Section 7(d)(i)(C) to Executive's estate at the time Annual Incentive Awards are paid to executives for the applicable performance period.

(e) Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any plan, program, policy or practice provided by the Company and for which the Executive may qualify, nor, shall anything herein limit or otherwise negatively affect such rights as the Executive may have under any contract or agreement with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

(f) Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others, except for any recoupment required pursuant to Section 4(c) of this Agreement and any withholding of taxes pursuant to Section 18(c) of this Agreement. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

(g) Section 280G Limitations.

(i) Payment Limitation. Notwithstanding anything contained in this Agreement (or in any other agreement between the Executive and the Company (which for this Section 7(g)(i) includes any successor)) to the contrary, to the extent that any payments and benefits provided under this Agreement or payments or benefits provided to, or for the benefit of, the Executive under any other plan or agreement of the Company (such payments or benefits are collectively referred to as the "**Payments**") would be subject to the excise tax imposed under Section 4999 of the Code (the "**Excise Tax**"), the Payments shall be reduced if and to the extent that a reduction in the Payments would result in the Executive retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and the Excise Tax), than the Executive would have retained had the Executive been entitled to receive all of the Payments (such reduced amount is hereinafter referred to as the "**Limited Payment Amount**"). The Company shall reduce the Payments by first reducing or eliminating payments or benefits which are not payable in cash and then by reducing or eliminating cash payments, in each case in reverse order beginning with payments or benefits which are to be paid the furthest in time from the date the Determination (as defined below) is delivered to the Company and the Executive, subject to compliance with Code Section 409A. If no reduction applies under this Section 7(g)(i), then the Executive shall be solely responsible for the payment of any excise taxes imposed upon the Executive under Section 280G of the Code. Executive shall be solely responsible for the payment of any Excise Taxes imposed upon Executive.

(ii) Determination and Dispute. The determination as to whether the Payments shall be reduced to the Limited Payment Amount and the amount of such Limited Payment Amount (the "**Determination**") shall be made at the Company's expense by an accounting firm selected by the Company and acceptable to the Executive (the "**Accounting Firm**"). The Accounting Firm shall provide the Determination in writing, together with detailed supporting calculations and documentations, to the Company and the Executive on or prior to the Date of Termination of the Executive's employment if

applicable, or at such other time as requested by the Company or by the Executive. If there is no Dispute (as defined below), the Determination of the Accounting Firm shall be binding, final and conclusive upon the Company and the Executive. Within ten (10) days following the delivery of the Determination to the Executive, the Executive shall have the right to dispute the Determination (the “**Dispute**”) in writing setting forth the precise basis of the Dispute. Within five (5) days following the submission of a Dispute, the Company and the Executive shall agree on the appointment of an independent accounting firm to review the Determination made by the Accounting Firm. If the Company and the Executive cannot agree on an independent accounting firm within such time frame, then the Company and the Executive agree to use an independent accounting firm selected by the Accounting Firm to perform the review. The selected accounting firm (the “**Second Accounting Firm**”) will review at the Company’s expense the Determination and make a decision on how to resolve the Dispute (the “**Second Determination**”). Such Second Determination shall be obtained as soon as possible following the Dispute but in all events within 45 days following submission of the Dispute. The Second Determination of the Second Accounting Firm shall be binding, final and conclusive upon the Company and the Executive.

(h) Successors.

(i) Section 7 of this Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. Section 7 of this Agreement shall inure to the benefit of and be enforceable by the Executive’s legal representatives.

(ii) Section 7 of this Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(iii) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

8. Code Section 409A Compliance.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code and applicable guidance thereunder (“**Code Section 409A**”) or comply with an exemption from the application of Code Section 409A and, accordingly, all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A.

(b) Neither the Executive nor the Company shall take any action to accelerate or delay the payment of any monies and/or provision of any benefits in any matter which would not be in compliance with Code Section 409A.

(c) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the form or timing of payment of any amounts or benefits upon or following a termination of employment unless such termination is also a “separation from service” (within the meaning of Code Section 409A) and, for purposes of any such provision of this Agreement under which (and to the extent) deferred compensation subject to Code Section 409A is paid, references to a “Date of Termination” or “termination of employment” or resignation or like references shall mean separation from service. A separation from service shall not occur under Code Section 409A unless the Executive has completely severed his employment or contractor relationship with the Company or the Executive has permanently decreased his services (via his employment relationship or his consulting relationship) to 20% or less of the average level of *bona fide* services over the immediately preceding 36-month period (or the full period if the Executive has been providing services for less than 36

months). A leave of absence shall only trigger a termination of employment that constitutes a separation from service at the time required under Code Section 409A (which is typically after six (6) months although the specific rules and exceptions in Code Section 409A shall apply). If the Executive is deemed on the date of separation from service with the Company to be a “specified employee”, within the meaning of that term under Code Section 409A(a)(2)(B) and using the identification methodology selected by the Company from time-to-time, or if none, the default methodology, then with regard to any payment or benefit that is required to be delayed in compliance with Code Section 409A(a)(2)(B), such payment or benefit shall not be made or provided prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of the Executive’s separation from service or (ii) the date of the Executive’s death, if required to comply with Code Section 409A. In the case of benefits required to be delayed under Code Section 409A, however, Executive may pay the cost of benefit coverage, and thereby obtain benefits, during such six (6) month delay period and then be reimbursed by the Company thereafter when delayed payments are made pursuant to the next sentence. On the first day of the seventh (7th) month following the date of the Executive’s separation from service or, if earlier, on the date of Executive’s death, all payments delayed pursuant to this Section 8(c) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. If any cash payment is delayed under this Section 8(c) of this Agreement, then interest shall be paid on the amount delayed calculated at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code from the date of the Executive’s termination to the date of payment.

(d) With regard to any provision herein that provides for reimbursement of expenses or in-kind benefits subject to Code Section 409A, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, and (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided that the foregoing clause (ii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Code Section 105(b) solely because such expenses are subject to a limit related to the period the arrangement is in effect. All reimbursements shall be reimbursed in accordance with the Company’s reimbursement policies but in no event later than the calendar year following the calendar year in which the related expense is incurred.

(e) Each payment under this Agreement shall be treated as a separate payment for purposes of Code Section 409A.

(f) When, if ever, a payment under this Agreement specifies a payment period with reference to a number of days (*e.g.*, “payment shall be made within 30 days following the date of termination”), the actual date of payment within the specified period shall be within the sole discretion of the Company. In no event may the Executive, directly or indirectly, designate the calendar year of a payment. Notwithstanding any provision of this Agreement to the contrary, in no event shall the timing of the Executive’s execution of the Release, directly or indirectly, result in the Executive designating the calendar year of payment of any amounts of deferred compensation subject to Code Section 409A, and if a payment that is subject to execution of the Release could be made in more than one taxable year, payment shall be made in the later taxable year if required by Code Section 409A.

(g) If the timing of any payment of deferred compensation is based on a Change in Control, if and to the extent required by Section 409A of the Code, such payment shall be made on a Change in Control that is a “change in control event” for purposes of Section 409A of the Code or such other earliest permissible date under Section 409A of the Code.

(h) The Company and the Executive agree to cooperate in good faith to ensure compliance in form and operation with Code Section 409A to the extent Code Section 409A is applicable under this Agreement.

9. Restrictive Covenants. The Company and Executive agree that Executive has had and will have a prominent role in the management of the business, and the development of the goodwill of the Company and its subsidiaries (collectively, “Dynex”), and has had and will have access to and become familiar with or exposed to Confidential Information (as such term is defined below), in particular, trade secrets, proprietary information, and other valuable business information of Dynex pertaining to Dynex’s business. Executive agrees that Executive could cause harm to Dynex if he solicited Dynex’s employees, lenders, or business counterparties upon the cessation of Executive’s employment away from Dynex, or misappropriated or divulged Dynex’s Confidential Information; and that as such, Dynex has legitimate business interests in protecting its goodwill and Confidential Information; and, as such, these legitimate business interests justify the following restrictive covenants:

(a) Confidentiality and Non-Disclosure Covenant.

(i) The Executive agrees that during and at all times after the Employment Period, the Executive shall not, directly or indirectly (A) disclose any Confidential Information (as defined below) to any Person (other than, only with respect to the period that the Executive is employed by the Company, to an employee or outside advisor of the Company who requires such information to perform his or her duties for the Company or to a lender or business counterparty that requires such information to engage in a transaction with the Company), or (B) use any Confidential Information for the Executive’s own benefit or the benefit of any third party. “**Confidential Information**” is Dynex’s business information that is not known to the general public or to the investment industry, such as marketing plans, trade secrets, financial information and records, customized software, data repositories, operation methods, personnel information, drawings, designs, information regarding product development, and customer lists. The foregoing obligation shall not apply to any Confidential Information that has been previously disclosed to the public by the Company or with its permission, is in the public domain (other than by reason of a breach of the Executive’s obligations to hold such Confidential Information confidential), or is otherwise legitimately known by the Executive prior to his employment with the Company. In particular, and without limitation, Confidential Information shall not include any knowledge of the Executive with respect to the general business of the Company including its investment in and management of fixed income and similar securities on a leveraged basis, and its organization as a real estate investment trust. Nothing in this Agreement shall prevent the Executive from retaining papers and other materials of a personal nature, such as personal diaries, calendars and Rolodexes, and information relating to his compensation or relating to reimbursement of expenses, and copies of plans, programs and agreements relating to his employment or benefits. If the Executive is required or requested by a court or governmental agency to disclose Confidential Information, the Executive must notify the Executive Committee of such disclosure obligation or request no later than three (3) business days after the Executive learns of such obligation or request, and permit the Company to take all lawful steps it deems appropriate to prevent or limit the required disclosure.

(ii) Nothing in this Agreement restricts or prohibits the Executive or the Executive’s counsel from initiating communications directly with, responding to any inquiry from, volunteering information to, or providing testimony before a self-regulatory authority or a governmental, law enforcement or other regulatory authority, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Congress, and any Office of Inspector General (collectively, the “**Regulators**”), from participating in any reporting of, investigation into, or proceeding regarding suspected violations of law, or from making other disclosures

that are protected under or from receiving an award for information provided under the whistleblower provisions of state or federal law or regulation. The Executive does not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide Confidential Information or documents containing Confidential Information to the Regulators, or make any such reports or disclosures to the Regulators. The Executive is not required to notify the Company that the Executive has engaged in such communications with the Regulators. The Executive recognizes and agrees that, in connection with any such activity outlined above, the Executive must inform the Regulators that the information the Executive is providing is confidential.

(iii) Federal law provides certain protections to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances. Specifically, federal law provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret under either of the following conditions:

- Where the disclosure is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or
- Where the disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

Federal law also provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

(b) Non-Competition Covenant.

(i) The Executive agrees that during the Employment Period, the Executive shall devote on a full-time business basis his skill, knowledge, commercial efforts and business time as the Board shall reasonably require to the conscientious and good faith performance of his duties and responsibilities to the Company to the best of his ability. Accordingly, during the Employment Period, the Executive shall not, directly or indirectly, be employed by, render services for, engage in business with or serve as an agent or consultant to any Person other than the Company; *provided, however*, the Executive may serve on the board of directors, or as an advisor to another entity or entities, or one or more non-profit or for-profit organizations, subject to the consent of the Board. Attached as Exhibit B is a list of the boards of directors on which, or advisory roles in which the Executive currently serves, and which have been approved by the Board.

(ii) The Executive further agrees that during the Employment Period and for a period of one (1) year following any cessation of his employment for any reason, the Executive shall not, directly or indirectly, render services within the "Restricted Territory" as an employee, owner, consultant or in any capacity that are the same as or substantially similar to the services provided by the Executive for the Company during the 12 months preceding the cessation of the Executive's employment, on behalf of any person or entity that engages in a business that is the same as or substantially similar to, and competitive with, the business of Dynex at the time the Executive's employment ceases. The Executive shall be permitted to hold a ten percent (10%) or less interest in the equity or debt securities of any publicly traded company. The "**Restricted Territory**" shall mean the continental United States of America.

(c) Non-Solicitation of Employees. During the Employment Period and for a period of one (1) year following the cessation of his employment for any reason, the Executive shall not, directly or indirectly, by himself or through any third party, whether on the Executive's own behalf or on behalf of any other Person or entity, (i) solicit or induce or endeavor to solicit or induce, divert, employ or retain, (ii) interfere with the relationship of Dynex with, or (iii) attempt to establish a business relationship of a nature that is competitive with the business of Dynex with, any person that is or was (during the last 30 days of the Executive's employment with the Company) an employee or independent contractor of Dynex.

10. Work Product. The Executive agrees that all of the Executive's work product (created solely or jointly with others, and including any intellectual property or moral rights in such work product), given, disclosed, created, developed or prepared in connection with the Executive's employment with the Company ("**Work Product**") shall exclusively vest in and be the sole and exclusive property of the Company and shall constitute "work made for hire" (as that term is defined under Section 101 of the U.S. Copyright Act, 17 U.S.C. § 101) with the Company being the person for whom the work was prepared. In the event that any such Work Product is deemed not to be a "work made for hire" or does not vest by operation of law in the Company, the Executive hereby irrevocably assigns, transfers and conveys to the Company, exclusively and perpetually, all right, title and interest which the Executive may have or acquire in and to such Work Product throughout the world, including without limitation any copyrights and patents, and the right to secure registrations, renewals, reissues, and extensions thereof. The Company or its designees shall have the exclusive right to make full and complete use of, and make changes to all Work Product without restrictions or liabilities of any kind, and the Executive shall not have the right to use any such materials, other than within the legitimate scope and purpose of the Executive's employment with the Company. The Executive shall promptly disclose to the Company the creation or existence of any Work Product and shall take whatever additional lawful action may be necessary, and sign whatever documents the Company may require, in order to secure and vest in the Company or its designee all right, title and interest in and to all Work Product and any intellectual property rights therein (including full cooperation in support of any Company applications for patents and copyright or trademark registrations).

11. Return of Company Property. In the event of termination of the Executive's employment for any reason, the Executive shall return to the Company all of the property of Dynex, including without limitation all Dynex materials or documents containing Confidential Information, and including without limitation, all computers (including laptops), cell phones, keys, PDAs, tablets, credit cards, facsimile machines, televisions, card access to any Dynex building, customer lists, computer disks, reports, files, e-mails, work papers, Work Product, documents, memoranda, records and software, computer access codes, passwords, or disks and instructional manuals, internal policies, and other similar materials or documents which the Executive used, received or prepared, helped prepare or supervised the preparation of in connection with the Executive's employment with the Company. The Executive agrees not to retain any copies, duplicates, reproductions or excerpts of such material or documents, other than the materials of a "personal nature" referenced in Section 9(a) of this Agreement.

12. Compliance With Company Policies. During the Employment Period, the Executive shall be governed by and be subject to, and the Executive hereby agrees to comply with, all Company policies, procedures, codes, rules and regulations applicable to all employees and to executive officers of the Company, as they may be amended from time-to-time in the Company's sole discretion.

13. Injunctive Relief with Respect to Covenants: Forum, Venue and Jurisdiction. The Executive acknowledges and agrees that, in the event of any material breach by the Executive of any section of this Agreement, remedies at law may be inadequate to protect the Company, and, without prejudice to any other legal or equitable rights and remedies otherwise available to the Company, the Executive agrees to

the granting of injunctive relief in the Company's favor in connection with any such breach or violation without proof of irreparable harm.

14. Assumption of Agreement. The Company shall require any successor thereto, by agreement in form and substance reasonably satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a material breach of this Agreement and shall entitle the Executive to terminate his employment for Good Reason and receive payment as provided under Section 7(d)(i) or (ii) of this Agreement, whichever is applicable on the Date of Termination.

15. Indemnification and Insurance. The Company agrees both during and after the Employment Period to indemnify the Executive to the fullest extent permitted by the law and its Articles of Incorporation (including payment of expenses in advance of final disposition of a proceeding) against actions or inactions of the Executive during the Employment Period as an officer, director or employee of the Company or any of its subsidiaries or affiliates or as a fiduciary of any benefit plan of any of the foregoing. The Company also agrees to provide the Executive with Directors and Officers insurance coverage both during and, with regard to matters occurring during the Employment Period, after the Employment Period. Such coverage after the Employment Period shall be at a level at least equal to the level being maintained at such time for the then current officers and directors or, if then being maintained at a higher level with regard to any prior period activities for officers or directors during such prior period, such higher amount with regard to the Executive's activities during such prior period.

16. Entire Agreement. This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof. All prior correspondence and proposals (including but not limited to summaries of proposed terms) and all prior promises, representations, understandings, arrangements and agreements relating to such subject matter (including but not limited to those made to or with the Executive by any other person and those contained in any prior employment, consulting, severance, or similar agreement entered into by the Executive and the Company or any predecessor thereto or subsidiary or affiliate thereof, including the Prior Agreement) are merged herein and superseded hereby.

17. Termination of this Agreement and Survival of Certain Provisions. Subject to earlier termination by written agreement of the parties hereto or expiration pursuant to Section 2(a) of this Agreement, this Agreement shall terminate effective upon termination of the Executive's employment by the Company or by the Executive for any reason; *provided, however*, that Sections 4(c), 7 (to the extent applicable), 8, 9, 10, 11, 12 (to the extent applicable), 13, 15, 17 and 18, as applicable, of this Agreement shall survive any termination of the Executive's employment with the Company and any expiration or termination of this Agreement.

18. Miscellaneous.

(a) Binding Effect: Assignment. This Agreement shall be binding on and inure to the benefit of the Company and its successors and assigns. This Agreement shall also be binding on and inure to the benefit of the Executive and his heirs, executors, administrators and legal representatives. This Agreement shall be assignable by the Company to a successor by merger or otherwise, but not by the Executive.

(b) Choice of Law and Forum. This Agreement shall be interpreted, enforced, construed, and governed under the laws of the Commonwealth of Virginia, without regard for any conflict of law principles. The Company and the Executive hereby consent irrevocably to personal jurisdiction, service and venue in connection with any claim or controversy arising out of this Agreement or the Executive's employment, in the courts of the Commonwealth of Virginia located in Henrico County, Virginia, and in

the federal court in the Eastern District of Virginia, Richmond Division, to be chosen at the option of the Company, and the Executive waives any objections thereto.

(c) Taxes. The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment and social insurance taxes, as shall be required by law.

(d) Amendments. No provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is approved in writing by the Board or a person authorized thereby and is agreed to in writing by the Executive. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No waiver of any provision of this Agreement shall be implied from any course of dealing between or among the parties hereto or from any failure by any party hereto to assert its rights hereunder on any occasion or series of occasions.

(e) Severability. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby. In the event that one or more terms or provisions of this Agreement are deemed invalid or unenforceable by the laws of Virginia or any other state or jurisdiction in which it is to be enforced, by reason of being vague or unreasonable as to duration or geographic scope of activities restricted, or for any other reason, the provision in question shall be immediately amended or reformed to the extent necessary to make it valid and enforceable by the court of such jurisdiction charged with interpreting and/or enforcing such provision. The Executive agrees and acknowledges that the provision in question, as so amended or reformed, shall be valid and enforceable as though the invalid or unenforceable portion had never been included herein.

(f) Notices. Any notice or other communication required or permitted to be delivered under this Agreement shall be (i) in writing, (ii) delivered personally, by courier service, by certified or registered mail, first-class postage prepaid and return receipt requested, or by electronic mail with receipt verification, (iii) deemed to have been received on the date of delivery or, if mailed, on the third business day after the mailing thereof, and (iv) addressed as follows (or to such other address as the party entitled to notice shall hereafter designate in accordance with the terms hereof):

(A) If to the Company: Dynex Capital, Inc.
4991 Lake Brook Drive, Suite 100
Glen Allen, Virginia 23060
Attention: Co-Chief Executive Officer
Email: byron.boston@dynexcapital.com

(B) If to the Executive, to his residential address as currently on file with the Company or the Company's email address for the Executive unless the Executive has provided an alternative email address for notification purposes.

(g) Voluntary Agreement; No Conflicts. The Executive represents that he is entering into this Agreement voluntarily and that the Executive's employment hereunder and compliance with the terms and conditions of this Agreement shall not conflict with or result in the breach by the Executive of any agreement to which he is a party or by which he or his properties or assets may be bound.

(h) No Construction Against Any Party. This Agreement is the product of informed negotiations between the Executive and the Company. If any part of this Agreement is deemed to be unclear or ambiguous, it shall be construed as if it were drafted jointly by all parties. The Executive and

the Company agree that neither party was in a superior bargaining position regarding the substantive terms of this Agreement.

(i) Counterparts; Electronic Signature. This Agreement may be executed in counterparts (including by electronic signature), each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(j) Headings. The section and other headings contained in this Agreement are for the convenience of the parties only and are not intended to be a part hereof or to affect the meaning or interpretation hereof.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK –
SIGNATURE PAGE FOLLOWS]**

IN WITNESS WHEREOF, the Company has duly executed this Agreement by its authorized representative, and the Executive has hereunto set his hand, in each case effective as of the date first above written.

DYNEX CAPITAL, INC.

By: /s/ Byron L. Boston
Byron L. Boston, Co-Chief Executive Officer

EXECUTIVE

/s/ Robert S. Colligan
Robert S. Colligan

*Signature page to Employment Agreement by and between
Dynex Capital, Inc. and Robert S. Colligan*

RELEASE

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Robert S. Colligan (the “**Executive**”), hereby irrevocably and unconditionally releases, acquits, and forever discharges Dynex Capital, Inc. (the “**Company**”) and its subsidiaries and affiliates (collectively, “**Dynex**”) and each of their agents, directors, members, affiliated entities, officers, employees, former employees, attorneys, and all persons acting by, through, under or in concert with any of them (collectively “**Releasees**”), from any and all charges, complaints, claims, liabilities, grievances, obligations, promises, agreements, controversies, damages, policies, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses of any nature whatsoever, known or unknown, suspected or unsuspected, including, but not limited to, any rights arising out of alleged violations or breaches of any contracts, express or implied, or any tort, or any legal restrictions on Dynex’s right to terminate employees, or any federal, state or other governmental statute, regulation, law or ordinance, including without limitation Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991; the Americans with Disabilities Act; 42 U.S.C. § 1981; the federal Age Discrimination in Employment Act (age discrimination); the Older Workers Benefit Protection Act; the Equal Pay Act; the Family and Medical Leave Act; the Employee Retirement Income Security Act, the Connecticut Fair Employment Practices Act (including age and sexual harassment claims), the Connecticut Human Rights and Opportunities Act (including age and sexual harassment claims), the Connecticut Family and Medical Leave Act, Title 31 of the Connecticut Code including without limitation the Connecticut equal pay law, the Connecticut whistleblower law, the Connecticut maximum hours and overtime laws, the Connecticut minimum wage and wage payments laws, the Connecticut free speech law, the anti-retaliation provision of the Connecticut Workers’ Compensation Act, the Connecticut WARN Act, the Connecticut Paid Sick Leave Law, the Connecticut employment privacy law, the Virginians with Disabilities Act, the Virginia Human Rights Act, the Virginia Equal Pay Act, the Virginia Fraud Against Taxpayers Act, the Virginia Genetic Testing Law, the Virginia Minimum Wage Act, except as prohibited by law, the Virginia Payment of Wage Law (except as prohibited by law), the Virginia Right to Work Law, the Virginia Occupational Safety and Health Act, and, as applicable, the Fairfax Human Rights Ordinance, Code of Fairfax County, the Human Rights Code of the City of Alexandria, Alexandria City Code, the Arlington Human Rights Ordinance, and Arlington County Code (“**Claim**” or “**Claims**”) which Executive now has, owns or holds, or claims to have, own or hold, or which Executive at any time heretofore had owned or held, or claimed to have owned or held, against each or any of the Releasees at any time up to and including the date of the execution of this Release; *provided, however*, that this Release does not release the Releasees from any obligation to pay “Accrued Obligations” (as defined in Section 7(d)(i)(A) of that certain Employment Agreement entered into as of July 19, 2024 by and between the Company and Executive (the “**Employment Agreement**”), any applicable termination obligations of the Company under Section 7(d) of the Employment Agreement shall be paid in exchange for this Release, any accrued, vested benefits under the Company’s benefit plans that the Executive has earned prior to the date hereof, the provisions under Section 15 of the Employment Agreement, or any rights to indemnification or defense under the Company’s charter, bylaws or directors and officers insurance.

Nothing in this Release shall restrict or prohibit the Executive or the Executive’s counsel from filing a charge or complaint with, initiating communications directly with, responding to any inquiry from, volunteering information to, or providing testimony before a self-regulatory authority or a governmental, law enforcement or other regulatory authority, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the

Congress, and any Office of Inspector General (collectively, the “**Regulators**”), from participating in any reporting of, investigation into, or proceeding regarding suspected violations of law, or from making other disclosures that are protected under or from receiving an award for information provided under the whistleblower provisions of state or federal law or regulation. Executive does not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide Confidential Information (as defined in the Employment Agreement) or documents containing Confidential Information to the Regulators, or make any such reports or disclosures to the Regulators. The Executive is not required to notify the Company that the Executive has engaged in such communications with the Regulators. The Executive recognizes and agrees that, in connection with any such activity outlined above, the Executive must inform the Regulators that the information the Executive is providing is confidential. To the extent, that any such charge or complaint is made against the Releasees, the Executive expressly waives any claim or right to any form of monetary relief or other damages, or any form of individual recovery or relief in connection with any such charge or complaint, except that the Executive does not waive his right with respect to an award for information provided under the whistleblower provisions of state or federal law or regulation.

The Executive hereby acknowledges and agrees that the execution of this Release and the cessation of Executive’s employment and all actions taken in connection therewith are in compliance with the federal Age Discrimination in Employment Act and the Older Workers Benefit Protection Act and that the releases set forth above shall be applicable, without limitation, to any claims brought under these Acts. The Executive further acknowledges and agrees that:

- a. The Release given by the Executive is given solely in exchange for the severance payments set forth in the Employment Agreement between Dynex and the Executive to which this Release was initially attached and such consideration is in addition to anything of value which Executive was entitled to receive prior to entering into this Release;
- b. By entering into this Release, the Executive does not waive rights or claims that may arise after the date this Release is executed;
- c. The Executive is hereby advised to consult an attorney prior to entering into this Release, and this provision of the Release satisfies the requirements of the Older Workers Benefit Protection Act that the Executive be so advised in writing;
- d. Executive has been offered 21 days [or 45 days in the event of a group termination] from receipt of this Release within which to consider whether to sign this Release; and
- e. For a period of seven (7) days following the Executive’s execution of this Release, the Executive may revoke this Release by delivering the revocation to an authorized officer of Dynex, and it shall not become effective or enforceable until such seven (7) day period has expired.

This release shall be binding upon the heirs and personal representatives of the Executive and shall inure to the benefit of the successors and assigns of Dynex.

Robert S. Colligan

Dated: _____, 20__

Current Boards of Directors or Advisor Roles

The Executive currently serves as a consultant to X-Caliber Funding LLC, pursuant to the terms and conditions of a Consulting Agreement, dated February 15, 2022, a copy of which the Executive has provided to the Company.

CERTIFICATIONS

I, Byron L. Boston, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dynex Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2024

/s/ Byron L. Boston

Byron L. Boston

Co-Principal Executive Officer

CERTIFICATIONS

I, Smriti L. Popenoe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dynex Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2024

/s/ Smriti L. Popenoe
Smriti L. Popenoe
Co-Principal Executive Officer

CERTIFICATIONS

I, Robert S. Colligan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dynex Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2024

/s/ Robert S. Colligan
Robert S. Colligan
Principal Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906**

In connection with the Quarterly Report on Form 10-Q of Dynex Capital, Inc. (the "Company") for the three months ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as the Principal Executive Officers of the Company and the Principal Financial Officer of the Company, respectively, certify, pursuant to and for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 26, 2024

/s/ Byron L. Boston
Byron L. Boston
Co-Principal Executive Officer

Date: July 26, 2024

/s/ Smriti L. Popenoe
Co-Principal Executive Officer

Date: July 26, 2024

/s/ Robert S. Colligan
Robert S. Colligan
Principal Financial Officer