

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

<b>Part I Reporting Issuer</b>	
1 Issuer's name  <b>Anworth Mortgage Asset Corporation</b>	2 Issuer's employer identification number (EIN)  <b>52-2059785</b>
3 Name of contact for additional information  <b>John T. Hillman</b>	4 Telephone No. of contact  <b>(310) 255-4438</b>
5 Email address of contact  <b>jhillman@anworth.com</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact  <b>1299 Ocean Avenue, 2nd Floor</b>	7 City, town, or post office, state, and Zip code of contact  <b>Santa Monica, CA 90401</b>
8 Date of action  <b>April 3, 2017</b>	9 Classification and description  <b>Series B Cumulative Convertible Preferred Stock</b>
10 CUSIP number  <b>037347 30 9</b>	11 Serial number(s)
12 Ticker symbol  <b>ANH.B</b>	13 Account number(s)

**Part II Organizational Action** Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **On March 15, 2017, the board of directors of Anworth Mortgage Asset Corporation (Anworth) declared a quarterly common stock dividend which is payable on April 28, 2017 to holders of record of common stock as of the close of business on March 31, 2017. As a result of this cash dividend to common stockholders, effective April 3, 2017, the Conversion Rate at which each share of Series B Cumulative Convertible Preferred Stock (Series B) can be converted into common shares was increased. The value of the Conversion Rate increase is a deemed distribution for tax purposes.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **The Conversion Rate increased from 4.7932 shares of Anworth's common stock to 4.8469 shares of Anworth's common stock for each Series B share. The value of the increase is \$0.007151 per Series B share. To the extent supported by Earnings & Profits, the \$0.007151 per share is taxable to Series B holders and increases the tax basis in their Series B stock. Anworth currently anticipates having adequate Earnings & Profits to support that the entire \$0.007151 per share is taxable. The amount of actual Earnings & Profits cannot be known until the close of Anworth's 2017 tax year. Should Anworth's Earnings & Profits not be adequate to support the entire \$0.007151 as taxable, this Form 8937 will be revised.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **When Anworth pays a cash dividend during any fiscal period to its common stockholders in an amount that results in an annualized common stock dividend yield greater than 6.25% (the dividend yield on the Series B stock), the Conversion Rate on the Series B stock is adjusted based on a formula specified in "Articles Supplementary Establishing and Fixing Certain Rights and Preferences of the Series B Preferred Stock." This adjustment calculation for April 3, 2017 was published on Anworth's public website and is attached to this Form 8937. The value of the Conversion Rate adjustment was then determined using a Black Scholes model to compute A) the value of the right to convert each Series B share into 4.8469 shares of common stock, using Anworth's financial data at April 3, 2017 as if the common stock dividend was already paid, and B) the value of the right to convert each Series B share into 4.7932 shares of common stock, using Anworth's financial data at April 3, 2017 as if the common stock dividend was already paid. The excess of A over B is the value of the increase in the Conversion Rate.**

**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ **IRC Sections 301, 305(b)(2).**

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**18** Can any resulting loss be recognized? ▶ **This is not a loss transaction.**

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**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ **The reportable tax year is 2017.**

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

**Sign Here**

Signature ▶ Charles J. Siegel Date ▶ 4/3/17

Print your name ▶ **Charles J. Siegel** Title ▶ **Chief Financial Officer**

**Paid Preparer Use Only**

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

**Series B Conversion Ratio (Effective on April 3, 2017)**

The conversion ratio formula is as follows:

$$CR1 = CRo + ((\$25 \times (CSY - 6.25\%)) / 4) / SP$$

CR1 = conversion ratio after the change

CRo = conversion ratio immediately preceding the change

SP = the average of the closing sale price per common share over the 10 consecutive trading day period prior to the trading day immediately preceding the earlier of the record date or the ex-dividend date of such excess cash dividend

CSY = annualized common stock dividend yield, calculated as all cash dividends and cash distributions paid to our common stockholders during the fiscal quarter, multiplied by 4, divided by SP

6.25% = Dividend Threshold Amount

**1st Quarter 2017**

Common stock dividend paid \$ 0.15

Ex-Dividend Date March 29, 2017

Record Date March 31, 2017

Payable Date April 28, 2017

10-day pricing period:

03/14/17	\$	5.40
03/15/17	\$	5.43
03/16/17	\$	5.44
03/17/17	\$	5.54
03/20/17	\$	5.54
03/21/17	\$	5.47
03/22/17	\$	5.46
03/23/17	\$	5.50
03/24/17	\$	5.50
03/27/17	\$	5.49

(CRo) Conversion ratio before the change is: 4.7932

(SP) Average Closing Common stock price over prior 10 days = \$ 5.48

(CSY) Annualized common stock dividend yield = 10.9549%

Based upon the formula and the above inputs:

CR1 = 4.8469