UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2023
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _______to_______
Commission File Number: 001-36099

CHERRY HILL MORTGAGE INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	**46-1315605**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1451 Route 34, Suite 303 Farmingdale, New Jersey	**07727**
(Address of principal executive offices)	**(Zip Code)**

(877) 870 – 7005
(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, $0.01 par value	CHMI	New York Stock Exchange
8.20% Series A Cumulative Redeemable Preferred Stock, $0.01 par value	CHMI-PRA	New York Stock Exchange
8.250% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.01 par value	CHMI-PRB	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

The aggregate market value of the registrant's common stock, $0.01 par value per share, at June 30, 2023, held by those persons deemed by the registrant to be non-affiliates (based upon the closing sale price of the common stock on the New York Stock Exchange on June 30, 2023) was approximately $129.6 million. Shares of the registrant's common stock held by each executive officer and director and by each entity or person that, to the registrant's knowledge, owned 10% or more of the registrant's outstanding common stock as of June 30, 2023, have been excluded from this number in that these persons may be deemed affiliates of the registrant. The determination of affiliate status for this purpose is not necessarily a conclusive determination for other purposes.

On March 7, 2024, the registrant had a total of 30,019,969 shares of common stock, $0.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement on Schedule 14A relating to its 2024 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission by no later than April 30, 2024 are incorporated by reference into Part III, Items 10 through 14, inclusive, of this Annual Report on Form 10-K as indicated herein.

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GLOSSARY

This glossary defines some, but not all, of the terms that we use elsewhere in this Annual Report on Form 10-K. In this Annual Report on Form 10-K, unless specifically stated otherwise or the context otherwise indicates, references to "we", "us", "our", the "Company" or "CHMI" refer to Cherry Hill Mortgage Investment Corporation, a Maryland corporation, together with its consolidated subsidiaries; references to the "Manager" refer to Cherry Hill Mortgage Management, LLC, a Delaware limited liability company; and references to the "Operating Partnership" refer to Cherry Hill Operating Partnership, LP, a Delaware limited partnership.

"Agency" means a U.S. Government agency, such as Ginnie Mae, or a GSE.

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

"ASC" means an Accounting Standards Codification.

"ASU" means the Accounting Standards Update issued by the FASB.

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

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

"CMO" means a collateralized mortgage obligation. CMOs are either loss share securities issued by a GSE or structured debt instruments representing interests in specified pools of mortgage loans subdivided into multiple classes, or tranches, of securities, with each tranche having different maturities or risk profiles.

"Code" means the Internal Revenue Code of 1986, as amended.

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

"ESG" means environmental, social, and governance.

"Excess MSR" means an interest in an MSR, representing a portion of the interest payment collected from a pool of mortgage loans, net of a basic servicing fee paid to the mortgage servicer.

"FASB" means the Financial Accounting Standards Board.

"Fannie Mae" means the Federal National Mortgage Association.

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

"GAAP" means U.S. generally accepted accounting principles.

"Ginnie Mae" means the Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States of America within the U.S. Department of Housing and Urban Development.

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

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

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

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

"MBS" means mortgage-backed securities.

"MSR" means a mortgage servicing right. An MSR provides a mortgage servicer with the right to service a mortgage loan or a pool of mortgages in exchange for a portion of the interest payments made on the mortgage or the underlying mortgages. An MSR is made up of two components: a basic servicing fee and an Excess MSR. The basic servicing fee is the amount of compensation for the performance of servicing duties.

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

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

"REIT" means a real estate investment trust under the Code.

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

"RMBS" means a residential Agency RMBS or a non-Agency RMBS.

"Servicing Related Assets" means Excess MSRs and MSRs.

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

"stripped security" is an RMBS structured with two or more classes that receives different distributions of principal or interest on a pool of RMBS. Stripped securities include IOs and inverse IOs.

"TBA" means a forward-settling Agency RMBS where the pool is "to-be-announced." In a TBA, a buyer will agree to purchase, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date.

"TRS" means a taxable REIT subsidiary.

"UPB" means unpaid principal balance.

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

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Cherry Hill Mortgage Investment Corporation (together with its consolidated subsidiaries, the "Company", "we", "our" or "us") makes forward-looking statements in this Annual Report on Form 10-K within the meaning of the Private Securities Litigation Reform Act of 1995 (as set forth in 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")). For these statements, the Company claims the protections of the safe harbor for forward-looking statements contained in such Sections. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond the Company's control. These forward-looking statements include information about possible or assumed future results of the Company's business, financial condition, liquidity, results of operations, plans and objectives. When the Company uses the words "believe", "expect", "anticipate", "estimate", "plan", "continue", "intend", "should", "could", "would", "may", "potential" or the negative of these terms or other comparable terminology, the Company intends to identify forward-looking statements. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ materially from our beliefs, expectations, estimates and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Statements regarding the following subjects, among others, may be forward-looking:

- the Company's investment objectives and business strategy;
- the Company's ability to raise capital through the sale of its equity and debt securities and to invest the net proceeds of any such offering in the target assets, if any, identified at the time of the offering;
- the Company's ability to obtain future financing arrangements and refinance existing financing arrangements as they mature;
- the Company's expected leverage;
- the Company's expected investments and the timing thereof;
- the Company's ability to acquire Servicing Related Assets and mortgage and real estate-related securities;
- the Company's ability to make distributions to holders of the Company's common and preferred stock;
- the Company's ability to compete in the marketplace;
- the Company's ability to hedge interest rate risk and prepayment risk associated with its assets;
- market, industry and economic trends;
- recent market developments and actions taken and to be taken by the U.S. Government, the U.S. Treasury, the Board of Governors of the Federal Reserve System, Fannie Mae, Freddie Mac, Ginnie Mae and the U.S. Securities and Exchange Commission ("SEC");
- mortgage loan modification programs and future legislative actions;
- the Federal Reserve's potential changes in interest rates;
- the Company's ability to qualify and maintain qualification as a REIT under the Code and limitations on the Company's business due to compliance with requirements for maintaining its qualification as a REIT under the Code;
- the Company's ability to maintain an exception from the definitions of "investment company" under the Investment Company Act of 1940, as amended (the "Investment Company Act"), or otherwise not fall within those definitions;

- projected capital and operating expenditures;
- availability of qualified personnel; and
- projected prepayment and/or default rates.

The Company's beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to it or are within its control. If any such change occurs, the Company's business, financial condition, liquidity and results of operations may vary materially from those expressed in, or implied by, the Company's forward-looking statements. Important factors, among others, that may cause the Company's actual results, performance, liquidity or achievements to differ materially from those expressed or implied by the Company's forward-looking statements include:

- the factors referenced in this Annual Report on Form 10-K, including those set forth under "Item 1. Business" and "Item 1A. Risk Factors" of Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part II;
- general volatility of the capital markets;
- inflationary trends could result in further interest rate increases or sustained higher interest rates for longer than expected periods of time, which could lead to increased market volatility;
- changes in the Company's investment objectives and business strategy;
- availability, terms and deployment of capital;
- availability of suitable investment opportunities;
- the Company's ability to operate its licensed mortgage servicing subsidiary and oversee the activities of such subsidiary;
- the Company's ability to manage various operational and regulatory risks associated with its business;
- the Company's dependence on its external manager, Cherry Hill Mortgage Management, LLC, and the Company's ability to find a suitable replacement if the Company or the Manager were to terminate or not renew the management agreement the Company has entered into with the Manager;
- changes in the Company's assets, interest rates or the general economy;
- increased rates of default and/or decreased recovery rates on the Company's investments, including as a result of the effects of more severe weather and changes in traditional weather patterns;
- changes in interest rates, interest rate spreads, the yield curve, prepayment rates or recapture rates;
- limitations on the Company's business due to compliance with requirements for maintaining its qualification as a REIT under the Code and the Company's exception from the definitions of "investment company" under the Investment Company Act (or of otherwise not falling within those definitions);

- the degree and nature of the Company's competition, including competition for the residential mortgage assets in which the Company invests; and

- other risks associated with acquiring, investing in and managing residential mortgage assets.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements. These forward-looking statements apply only as of the date of this Annual Report on Form 10-K. Except as otherwise may be required by law, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. See "Item 1A. Risk Factors" of this Annual Report on Form 10-K.

SUMMARY OF PRINCIPAL RISK FACTORS

Investing in the Company's securities involves risks. The following is a summary of the principal factors that make an investment in the Company speculative or risky, all of which are more fully described below in Item 1A. "Risk Factors" of this Annual Report on Form 10-K. This summary should be read in conjunction with the "Risk Factors" section and should not be relied upon as an exhaustive summary of the material risks facing the Company's business. In addition to the following summary, you should consider the information set forth in the "Risk Factors" section and the other information contained in this Annual Report on Form 10-K.

The Company's business of investing in mortgage related assets involves substantial risks, including:

- The Company uses third-party servicers to directly service the loans underlying its Servicing Related Assets which exposes the Company to the risk that such third-party servicers fail to comply with applicable law, including data protection and privacy laws, and the requirements of the Agencies that own those loans.

- Relatively high rates of prepayments on residential mortgage loans adversely affect the values of the Company's assets.

- The Company relies on financial modeling to value its Servicing Related Assets.

- The Company cannot predict the impact future actions by the U.S. Federal Reserve will have on the Company's business, and any such actions may negatively impact the Company.

- The Company uses leverage to increase returns, but it exposes the Company to margin calls on its investable assets.

The Company is externally managed which creates risks, including:

- The Company is dependent on its Manager to provide qualified personnel.

- The amount of the fee the Company pays to its Manager is not affected by the performance of the Company's investments.

- Certain of the Company's lenders prohibit terminating its Manager without their consent.

The Company's organizational structure creates risks, including:

- Maintenance of certain exceptions from (or otherwise not falling within) the definitions of "investment company" under the Investment Company Act imposes significant limitations on the Company's operations.

- The REIT rules impose ownership limits which may discourage a possible takeover. Certain provisions of Maryland law have the same effect.

Ownership of the Company's common stock or its preferred stock involves risks, including:

- The trading volume and market prices for shares of the Company's equity securities tend to be volatile due to the relatively small market capitalization of our Company.
- The Company's preferred stock has not been rated and is junior to its debt and any additional shares of senior stock that the Company may issue.
- The Company may not be able to pay dividends on its equity securities.
- The Company's preferred stock has very limited voting rights which generally do not include voting for directors.

Qualification as a REIT involves risks, including:

- If the Company fails to satisfy the ongoing REIT qualification tests, it will become subject to taxation which will adversely affect the return on your investment.
- In order to satisfy those requirements, the Company may be required to forgo or liquidate otherwise attractive investments.
- The Company could lose its status as a REIT if the IRS successfully challenges its characterization of investments in internally created excess mortgage servicing rights.
- The REIT rules require that the Company's mortgage servicing rights be held by a taxable REIT subsidiary, and the taxes payable by its taxable REIT subsidiary reduce the returns from that investment.

PART I

Item 1. Business

Cherry Hill Mortgage Investment Corporation is a publicly traded residential real estate finance company focused on acquiring, investing in and managing residential mortgage assets in the United States. We were incorporated in Maryland on October 31, 2012, and we commenced operations on October 9, 2013, following the completion of our initial public offering (“IPO”). Our common stock, our 8.20% Series A Cumulative Redeemable Preferred Stock (our “Series A Preferred Stock”) and our 8.250% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (our “Series B Preferred Stock”) are listed and traded on the New York Stock Exchange (“NYSE”) under the symbols “CHMI”, “CHMI-PRA” and “CHMI-PRB”, respectively. We are externally managed by Cherry Hill Mortgage Management, LLC, an SEC-registered investment adviser established by Stanley Middleman. Our Manager is a party to a services agreement (the “Services Agreement”) with Freedom Mortgage Corporation (“Freedom Mortgage”) (in such capacity, the “Services Provider”), which is owned and controlled by Mr. Middleman. Our Manager is owned by a “blind trust” for the benefit of Mr. Middleman.

We operate so as to continue to qualify to be taxed as a REIT under the Code. To qualify as a REIT, we must distribute annually to our stockholders an amount at least equal to 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain. We currently expect to distribute substantially all of our REIT taxable income to our stockholders. We will be subject to income tax on our taxable income that is not distributed and to an excise tax to the extent that certain percentages of our taxable income are not distributed by specified dates. CHMI Solutions, Inc. (“Solutions”), which is our TRS, and, Aurora Financial Group, Inc. (“Aurora”), which is our licensed mortgage servicing subsidiary and a wholly owned subsidiary of Solutions, are subject to regular corporate U.S. federal, state and local income taxes on their taxable income.

Our principal objective is to generate attractive current yields and risk-adjusted total returns for our stockholders over the long term, primarily through dividend distributions and secondarily through capital appreciation. We attempt to attain this objective by selectively constructing and actively managing a portfolio of Servicing Related Assets and RMBS. Subject to market conditions, we may also invest in other cash flowing residential mortgage assets.

We operate our business through the following segments: (i) investments in RMBS; (ii) investments in Servicing Related Assets; and (iii) “All Other.” For information regarding the segments in which we operate, see “Item 8. Consolidated Financial Statements and Supplementary Data—Note 3—Segment Reporting”.

Our Targeted Asset Classes

Our primary targeted asset classes currently consist of:

- RMBS, including Agency RMBS, residential mortgage pass-through certificates, CMOs and TBAs; and
- Servicing Related Assets consisting of MSRs and Excess MSRs.

Our Strategy

Our strategy, which may change due to the availability and terms of capital and as market conditions warrant, involves:

- allocating a substantial portion of our equity capital to the acquisition of Servicing Related Assets;
- the creation of intercompany Excess MSRs from MSRs acquired by our mortgage servicing subsidiary, Aurora;
- acquiring RMBS on a leveraged basis; and
- opportunistically mitigating our prepayment and interest rate and, to a lesser extent, credit risk by using a variety of hedging instruments and, where applicable and available, recapture agreements.

Servicing Related Asset Strategy. The primary focus of our Servicing Related Asset strategy is the acquisition of MSRs from servicers on a bulk and/or flow purchase basis on terms to be negotiated in the future. We currently expect that our investments in Excess MSRs will be through the creation of intercompany Excess MSRs from the MSRs so acquired.

Our ability to acquire MSRs is subject to the requirements for qualification as a REIT for U.S. federal income tax purposes. We hold our MSRs through Aurora, a wholly owned subsidiary of our TRS. Our TRS and Aurora are subject to corporate income tax. We create Excess MSRs from the MSRs held by Aurora. The Excess MSRs are transferred to one of our subsidiaries which function as qualified REIT subsidiaries. These intercompany transfers are eliminated in consolidation for financial statement purposes. The portion of the interest payments represented by the Excess MSRs are not subject to an entity level tax as long as we comply with the requirements for qualification as a REIT for U.S. federal income tax purposes. The tax liability of Aurora negatively impacts the returns from the MSRs that it holds. In addition, our investments in MSRs expose us to default risk and the potential for credit losses.

We do not directly service the mortgage loans underlying the MSRs we acquire; rather, we contract with third-party subservicers to handle servicing functions for the loans underlying the MSRs.

RMBS Strategy. Our RMBS strategy focuses primarily on the acquisition and ownership of Agency RMBS that are whole-pool, residential mortgage pass-through certificates. However, from time to time, we invest in CMOs, including IOs and inverse IOs, primarily to take advantage of particularly attractive prepayment-related or structural opportunities in the RMBS markets. In addition to investing in specific pools of Agency RMBS, we utilize TBAs. Pursuant to these TBA transactions, we agree to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. Generally, we do not take delivery of the specified pool but instead enter into an offsetting transaction before the date when we would be required to take delivery. From time to time, we enter into TBA dollar rolls which represent transactions where TBA contracts with the same terms but different settlement dates are simultaneously bought and sold. The TBA contract settling in the later month typically prices at a discount to the earlier month contract with the difference in price commonly referred to as the “drop”. The drop is a reflection of the expected net interest income from an investment in similar Agency MBS, net of an implied financing cost, that would be foregone as a result of settling the contract in the later month rather than in the earlier month. The drop between the current settlement month price and the forward settlement month price occurs because in the TBA dollar roll market, the party providing the financing is the party that would retain all principal and interest payments accrued during the financing period. Accordingly, drop income on TBA dollar rolls generally represents the economic equivalent of the net interest income earned on the underlying Agency MBS less an implied financing cost.

Our RMBS strategy includes selective investments in current issue, private label non-Agency RMBS and GSE risk-sharing securities. GSE risk-sharing securities are general obligations of Fannie Mae and Freddie Mac that provide credit protection with respect to defaults on reference pools of loans. The extent of our investments in GSE risk-sharing securities is limited by the gross income and asset tests applicable to REITs. We also may invest opportunistically in legacy non-Agency RMBS issued during or after 2010. Non-Agency RMBS are subject to risk of default, among other risks, and could result in greater losses.

Our overall strategy, and each category of assets within that strategy, is adaptable to changing market environments, subject to compliance with the asset, income and other tests and conditions that we must satisfy to maintain our qualification as a REIT and maintain an exception to the definitions of an "investment company" under the Investment Company Act (or otherwise not fall within those definitions). As a result, our acquisition and management decisions will depend on prevailing market conditions, and our targeted asset classes and strategy may vary over time in response to market conditions and may be limited by such compliance.

Our Manager

We are externally managed by our Manager. With the exception of Aurora, our licensed mortgage servicing subsidiary, which has three leased employees, we have no employees. We have entered into a management agreement with our Manager, pursuant to which our Manager is responsible for our investment strategies and decisions and our day-to-day operations, subject to the supervision and oversight of our board of directors. Our Manager is a Delaware limited liability company originally established by Mr. Middleman. The Manager is party to the Services Agreement with the Services Provider. The sole member of the Manager is a blind trust for the benefit of Mr. Middleman. We rely on our Manager to provide or obtain on our behalf the personnel and services necessary for us to conduct our business. For additional information regarding the management agreement with our Manager, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations—Management Agreement".

The principal office and place of business of our Manager is 1451 Route 34, Suite 303, Farmingdale, New Jersey 07727, and the telephone number of our Manager's executive offices is (877) 870-7005.

Our Manager has a Risk Committee that monitors our investment policies, portfolio holdings, financing and hedging strategies and compliance with our investment guidelines. Our Manager's Risk Committee is made up of personnel provided to the Company through our Manager and those personnel are as follows: Mr. Lown, our President and Chief Executive Officer; Mr. Evans, our Chief Investment Officer; Mr. Hutchby, our Chief Financial Officer, Treasurer and Secretary; and our MSR portfolio manager.

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

Our Investment Guidelines

The investment guidelines for our assets and borrowings are as follows:

- No investment will be made if it causes us to fail to qualify as a REIT under the Code.
- No investment will be made if it causes us to be regulated as an investment company under the Investment Company Act.
- We will not enter into principal transactions or split price executions with Freedom Mortgage or any of its affiliates unless such transaction is otherwise in accordance with our investment guidelines and the management agreement between us and our Manager and the terms of such transaction are at least as favorable to us as to Freedom Mortgage or its affiliate.
- Any proposed material investment that is outside our targeted asset classes must be approved by at least a majority of our independent directors.

Our Manager makes the determinations as to the percentage of assets that are invested in each of our targeted asset classes, consistent with our investment guidelines. Our Manager's acquisition decisions depend on prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments. In addition, our investment guidelines may be changed from time to time by our board of directors without the approval of our stockholders. Changes to our investment guidelines may include, without limitation, modification or expansion of the types of assets which we may acquire.

Our board of directors receives a report of our investments each quarter in conjunction with our board's review of our quarterly results. The nominating and corporate governance committee of our board of directors, which is comprised solely of our independent directors, will review the material terms of any transaction between us and Freedom Mortgage or its affiliates, including the pricing terms, to determine if the terms of those transactions are fair and reasonable.

Our Financing Strategies and Use of Leverage

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

We have entered into repurchase agreements with 35 counterparties as of December 31, 2023. From time to time, we expect to negotiate and enter into additional master repurchase agreements with other counterparties that could produce opportunities to acquire certain RMBS that may not be available from our existing counterparties. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in this Annual Report on Form 10-K.

Aurora has two separate MSR financing facilities: (i) the Freddie Mac MSR Revolver, which is revolving credit facility for up to $100.0 million that is secured by all Freddie Mac MSRs owned by Aurora; and (ii) the Fannie Mae MSR Revolving Facility, which is a revolving credit facility for up to $150.0 million, that is secured by all Fannie Mae MSRs owned by Aurora. See "Item 8. Consolidated Financial Statements and Supplementary Data—Note 12—Notes Payable".

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

Interest and Financing Risk Hedging

Subject to maintaining our qualification as a REIT and maintaining an exception from the definitions of "investment company" under the Investment Company Act (or otherwise not falling within those definitions), we use certain derivative financial instruments and other hedging instruments to mitigate interest rate risk and financing pricing risk we expect to arise from our repurchase agreement financings associated with our RMBS and the MSR financing facilities for our MSRs. We also attempt to mitigate duration and basis risk arising from our RMBS portfolio. The hedging instruments that we currently use include interest rate swaps, TBAs, swaptions and Treasury futures. We may also use financial futures, options, interest rate cap agreements, and forward sales. Our overall hedging strategy reflects the natural but limited hedging effect on our RMBS of our Servicing Related Assets, which tend to increase in value as interest rates rise. See "Item 8. Consolidated Financial Statements and Supplementary Data—Note 2—Basis of Presentation and Significant Accounting Policies—Derivatives and Hedging Activities".

Policies with Respect to Certain Other Activities

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

Competition

We compete with other mortgage REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, financial institutions, governmental bodies and other entities for investment opportunities in general. See “Item 1A. Risk Factors—We operate in a highly competitive market”.

Human Capital Resources

We are externally managed and rely on our Manager to provide the personnel necessary to conduct our investment operations. As of the date of this Annual Report, there are 12 individuals who work in our business. The salary and benefits of three of those individuals are paid by Freedom Mortgage and we reimburse Freedom Mortgage for the cost of those salaries and benefits on a monthly basis. These individuals were hired specifically to manage the operations of Aurora, our licensed mortgage servicing subsidiary. In addition, we reimburse our Manager for the cost of the salary and benefits paid by our Manager to our Chief Financial Officer on a quarterly basis. Prior to January 1, 2022, we also reimbursed our Manager for the cost of the salary and benefits paid by our Manager to our General Counsel on a quarterly basis. Although the management fee we pay to our Manager pursuant to the terms of the management agreement with our Manager is not tied to or calculated based on the salaries and benefits of the other individuals who provide services to us, we believe our Manager uses the base management fee it receives from us for that purpose, among others.

We believe our external management structure imposes some constraints on our ability to use any particular measures or objectives in managing our workforce. The cash compensation of all but three members of our work force is not controlled by us. As a result, we have relied on equity compensation in the form of long-term incentive plan units, which are a special category of limited partnership interests in the Operating Partnership, to incentivize and retain our personnel.

Environmental Considerations

Our environmental strategy is based on simplicity and transparency. Specifically, we endeavor to minimize our environmental impact by (1) reducing waste that is generated by our Company and sent to landfills, (2) purchasing, to the extent practicable, environmentally responsible products, and (3) reducing internal paper usage. We believe that the Company’s corporate footprint and business operations have a relatively modest impact on the environment. Nevertheless, we believe in promoting a sustainable environment by using resources as efficiently and responsibly as practicable. Our commitment to these principles is reflected in our daily activities in a variety of ways:

- To reduce waste and promote a cleaner environment, we recycle paper, glass, plastic and aluminum cans, electronic equipment, batteries and ink cartridges, and we emphasize electronic communications, record storage e-statements and invoices to reduce our office paper usage.

- To reduce our carbon footprint, we utilize video conferencing as an alternative to business travel.

- To reduce energy usage, we use Energy Star ® certified products, printers and televisions.

Although we are unable to predict the rate at which climate change will progress, we recognize that the physical effects of climate change could have a material adverse effect on our operations. To the extent that climate change impacts changes in weather patterns, assets in which we hold a direct or indirect interest could experience severe weather, including hurricanes, severe winter storms, wildfires and flooding due to increases in storm intensity and rising sea levels, among other effects that could impact house prices and housing-related costs and/or disrupt borrowers’ ability to pay their mortgage. Moreover, long term climate change could trigger extreme weather conditions that result in macroeconomic and demographic shifts. Over time, these conditions could result in repricing of the assets that we hold. There can be no assurance that climate change and severe weather will not have a material adverse effect on our financial performance.

Our Tax Status

We have elected to be taxed as a REIT under the Code. Provided that we maintain our qualification as a REIT, we generally will not be subject to U.S. federal income tax on our REIT taxable income that is currently distributed to our stockholders. REITs are subject to a number of organizational and operational requirements, including a requirement that they distribute at least 90% of their annual REIT taxable income excluding net capital gains. We cannot assure you that we will be able to comply with such requirements in the future. Failure to qualify as a REIT in any taxable year would cause us to be subject to U.S. federal income tax on our taxable income at regular corporate rates (and any applicable state and local taxes). Even if we qualify for taxation as a REIT, we may be subject to certain federal, state, local and non-U.S. taxes on our income. For example, the income generated by our TRS and its subsidiary, Aurora, from the ownership of MSRs is subject to U.S. federal, state and local income tax. See "Item 1A. Risk Factors—U.S. Federal Income Tax Risks" for additional tax status information.

The Investment Company Act

We are organized as a holding company and conduct business primarily through our subsidiaries. We believe we have conducted and we intend to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act.

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

We believe neither we nor our Operating Partnership is considered an investment company under Section 3(a)(1)(A) of the Investment Company Act because neither we nor our Operating Partnership engage primarily or hold ourselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, through our Operating Partnership's wholly-owned or majority-owned subsidiaries including CHMI Sub-REIT, Inc., we believe that we and our Operating Partnership are primarily engaged in the non-investment company businesses of these subsidiaries, namely the business of purchasing or otherwise acquiring mortgages and other interests in real estate. We also believe that neither we nor our Operating Partnership is considered an investment company under Section 3(a)(1)(C) of the Investment Company Act because neither we nor our Operating Partnership meets the 40% test under that subsection.

We expect that most of our assets will be held in wholly-owned or majority-owned subsidiaries of our Operating Partnership and that most of these subsidiaries will rely on the exception from the definitions of investment company provided by Section 3(c)(5)(C) of the Investment Company Act, which is available for entities that, among other requirements, are "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate". Section 3(c)(5)(C), as interpreted by the staff of the SEC, generally requires an entity to invest at least 55% of its assets in certain "qualifying real estate interests", and at least 80% of its assets in qualifying real estate interests plus "real estate-related assets" (with no more than 20% comprised of miscellaneous assets). For purposes of the exception provided by Section 3(c)(5)(C), we classify investments and other assets based in large measure on no-action letters issued by the SEC staff and other SEC interpretive guidance and, in the absence of SEC guidance, on our view of what constitutes a qualifying real estate asset and a real estate related asset.

However, certain subsidiaries might rely on Section 3(c)(7) of the Investment Company Act and, therefore, our Operating Partnership's interest in each of these subsidiaries would constitute an "investment security" for purposes of determining whether our Operating Partnership passes the 40% test.

In the event that we or our Operating Partnership were to acquire assets that could make either entity fall within the definition of an investment company under Section 3(a)(1)(A) or Section 3(a)(1)(C) of the Investment Company Act, we believe that we and our Operating Partnership would still qualify for an exception from the definitions of "investment company" provided by Section 3(c)(5)(C), Section 3(c)(6) or both.

Qualification for exceptions from the definitions of "investment company" under the Investment Company Act limits our ability to make certain investments. In addition, complying with the tests for such exceptions could restrict the time at which we can acquire and sell assets, or require us to sell assets when we otherwise would not choose to do so. To the extent that the SEC or its staff provides more specific guidance regarding any of the matters bearing upon such exclusions, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC or its staff could further inhibit our ability to pursue the strategies we have chosen.

Website Access to Reports

We maintain a website at *www.chmireit.com*. We are providing the address to our website solely for the information of investors. The information on our website is not a part of, nor is it incorporated by reference, into this report. Through our website, we make available, free of charge, our annual proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains a website that contains these reports at *www.sec.gov*.

Corporate Information

Our principal executive offices are located at 1451 Route 34, Suite 303, Farmingdale, New Jersey 07727. Our telephone number is (877) 870-7005.

Item 1A. Risk Factors

The Company's business and operations are subject to a number of risks and uncertainties, the occurrence of which could adversely affect its business, financial condition, results of operations and ability to make distributions to stockholders and could cause the value of the Company's capital stock to decline. Please refer to the section entitled "Forward-Looking Information".

Risks Related to Our Business

We may not be able to continue to generate sufficient revenue to make or sustain distributions to our stockholders.

We cannot assure you that we will be able to continue to generate sufficient returns to pay our operating expenses and make satisfactory distributions to our stockholders. The results of our operations depend on several factors, including the availability of opportunities for the acquisition of target assets, the level and volatility of interest rates, the availability of adequate short and long-term financing, conditions in the financial markets and general economic conditions.

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

Our business is materially affected by conditions in the residential mortgage market, the residential real estate market, the financial markets and the economy in general. In particular, the residential mortgage market in the United States has experienced a variety of difficulties and changed economic conditions, including defaults, credit losses and liquidity concerns. Certain commercial banks, investment banks and insurance companies incurred extensive losses from exposure to the residential mortgage market as a result of these difficulties and conditions. These factors have impacted investor perception of the risk associated with RMBS, other real estate-related securities and various other asset classes in which we may invest. As a result, values of our target assets have experienced volatility. Deterioration of the mortgage market and investor perception of the risks associated with RMBS and other residential mortgage assets that we acquire could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

We are dependent on mortgage servicers to service the mortgage loans relating to our Servicing Related Assets, and any failure by these mortgage servicers to service the mortgage loans relating to our Servicing Related Assets could have a material and adverse effect on us.

We do not directly service the mortgage loans underlying our Servicing Related Assets. Instead, we contract with third-party servicers to perform all servicing obligations. As a result, our investments in Servicing Related Assets are dependent on the entity performing the actual servicing of the mortgage loans, called the mortgage servicer, to perform its servicing obligations. As a result, we could be materially and adversely affected if a mortgage servicer is terminated by the applicable Agency. The duties and obligations of mortgage servicers are defined in part through contractual agreements, which generally provide for the possibility for termination of the mortgage servicer in the absolute discretion of the applicable Agency. In addition, the termination of a mortgage servicer could take effect across all mortgages being serviced by that mortgage servicer.

We could also be materially and adversely affected if a mortgage servicer is unable to adequately service the underlying mortgage loans due to the following reasons, among others:

- its failure to comply with applicable laws and regulations;
- its failure to perform its loss mitigation obligations;
- a downgrade in its servicer rating;

- its failure to perform adequately in its external audits;
- a failure in or poor performance of its operational systems or infrastructure;
- a data breach and other cybersecurity incidents impacting a mortgage servicer;
- regulatory or legal scrutiny, enforcement proceedings, consent orders or similar actions regarding any aspect of its operations, including, but not limited to, servicing practices and foreclosure processes lengthening foreclosure timelines; or
- the transfer of servicing to another party.

MSRs are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions imposing various requirements and restrictions on the mortgage servicer's business. If any mortgage servicer that we use actually or allegedly fails to comply with applicable laws, rules or regulations, that mortgage servicer could be exposed to fines, penalties or other costs, or the mortgage servicer could be terminated by the applicable Agency. If these laws, regulations and decisions change, we could be exposed to similar fines, penalties or costs. In addition, if a mortgage servicer that we use experiences any of the failures or regulatory scrutiny described above, then we could become subject to heightened regulatory or legal scrutiny by virtue of being a counterparty of these entities. Such scrutiny could result in our incurring meaningful additional costs or fines or being subject to governmental actions such as denial, suspension or revocation of licenses, or other material operational requirements or restrictions, each of which could adversely affect our business and results of operations.

In addition, a bankruptcy by any mortgage servicer that services for us the mortgage loans underlying our Servicing Related Assets could result in:

- payments made by such mortgage servicer to us, or obligations incurred by it, being voided by a court under federal or state preference laws or federal or state fraudulent conveyance laws; or
- any agreement between us and the mortgage servicer being rejected in a bankruptcy proceeding.

Because we do not and in the future may not have the employees, servicing platforms, or technical resources necessary to service mortgage loans, upon a discontinuance or bankruptcy of any mortgage servicer that we use, we would need to engage an alternate mortgage servicer, which may not be readily available on acceptable terms or at all.

Any of the foregoing events could have a material and adverse effect on us.

Our ability to own and manage MSRs is subject to terms and conditions established by the GSEs, which are subject to change.

Our continued approval from the GSEs to own and manage MSRs is subject to compliance with each of their respective selling and servicing guidelines, minimum capital requirements and other conditions they may impose from time to time at their discretion. Failure to meet such guidelines and conditions could result in the unilateral termination of our approved status by one or more GSEs or result in the acceleration and termination of our MSR financing facilities. In addition, the implementation of more restrictive or operationally intensive guidance may increase the costs associated with owning and managing MSRs as well as our ability to finance MSRs.

We may be subject to representation and warranty risk in our capacity as an owner of MSRs and our sales of MSRs and other assets.

The MSRs we acquire may be subject to existing representations and warranties made to the applicable investor (including, without limitation, the GSEs) regarding, among other things, the origination and prior servicing of those mortgage loans, as well as future servicing practices following our acquisition of such MSRs. If such representations and warranties are inaccurate, we may be obligated to repurchase certain mortgage loans or indemnify the applicable investor for any losses suffered as a result of the origination or prior servicing of the mortgage loans. As such, the applicable investor will have direct recourse to us for such origination and/or prior servicing issues.

In connection with sales of our MSRs and other assets from time to time, we may have been or may be required to make representations and warranties to the purchasers of the assets regarding certain characteristics of those assets. If our representations and warranties are inaccurate, we may be obligated to repurchase the assets or indemnify the applicable purchaser, which may result in a loss. Even if we obtain representations and warranties from the parties from whom we acquired the asset, as applicable, they may not correspond with the representations and warranties we make or may otherwise not protect us from losses. Additionally, the loan originator or other parties from whom we acquired the MSRs may be insolvent or otherwise unable to honor their respective indemnification or repurchase obligations for breaches of representation and warranties.

The performance of loans underlying our MSRs may be adversely affected by the performance of the related mortgage servicer.

The performance of the loans underlying our MSRs is subject to risks associated with inadequate or untimely servicing. If our mortgage servicers commit a material breach of their obligations as a servicer, we may be subject to damages if the breach is not cured within a specified period of time following notice. In addition, poor performance by a mortgage servicer may result in greater than expected delinquencies and foreclosures and losses on the mortgage loans underlying our MSRs. A substantial increase in our delinquency or foreclosure rate or the inability to process claims could adversely affect our ability to access the capital and secondary markets for our financing needs.

Our ability to invest in, and dispose of, our investments in Servicing Related Assets is subject to the receipt of third-party consents.

Our acquisition of Servicing Related Assets on underlying loans or securitized by an Agency requires the prior consent of that Agency. The Agencies may require that we submit ourselves to costly or burdensome conditions as a prerequisite to their consent to our investments in Servicing Related Assets. These conditions may diminish or eliminate the investment potential of certain of those assets by making such investments too expensive for us or by severely limiting the potential returns available or otherwise imposing unacceptable conditions. The potential costs, issues or restrictions associated with receiving any such Agency's consent for any such acquisitions or dispositions by us cannot be determined with any certainty. To the extent we are unable to acquire or dispose of Servicing Related Assets when we determine it would be beneficial to do so, our results of operations may be adversely impacted.

We cannot predict the impact future actions by the U.S. Federal Reserve ("Federal Reserve") will have on our business, and any such actions may negatively impact us.

Actions taken by the Federal Reserve, including decisions relating to changes in its federal funds rate target or the size and composition of its balance sheet (such as the purchase or sale of MBS), could have a material and adverse impact on the value of our assets, our cost of funds, the amount of our net interest income and our earnings available for distribution and the market price of our securities. We cannot predict or control the impact future actions by the Federal Reserve will have on the overall economy or on our business. Accordingly, future actions by the Federal Reserve could have a material and adverse effect on our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

The value of our Servicing Related Assets may vary substantially with changes in interest rates.

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

If delinquencies on mortgage loans increase, the value of our Servicing Related Assets may decline significantly.

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

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

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

We record our Servicing Related Assets on our balance sheet at fair value, and changes in their fair value are reflected in our consolidated results of operations. The determination of the fair value of Servicing Related Assets requires our management to make numerous estimates and assumptions that could materially differ from actual results. Such estimates and assumptions include, among other things, prepayment rates, as well as estimates of the future cash flows from the Servicing Related Assets, interest rates, delinquencies and foreclosure rates of the underlying mortgage loans. The ultimate realization of the value of the Servicing Related Assets, which are measured at fair value on a recurring basis, may be materially different than the fair values of such assets as may be reflected in our consolidated financial statements as of any particular date. The use of different estimates or assumptions in connection with the valuation of these assets could produce materially different fair values for such assets. Our failure to make accurate assumptions regarding prepayment rates or the other factors examined in determining fair value could cause the fair value of our Servicing Related Assets to vary materially, which could have a material adverse effect on our financial position, results of operations and cash flows. If the fair value of our Servicing Related Assets decreases, we would be required to record a non-cash charge, which would have a negative impact on our financial results. Furthermore, a significant increase in prepayment speeds could materially reduce the ultimate cash flows we receive from the Servicing Related Assets, and we could ultimately receive substantially less than what we paid for such assets.

Prepayment rates also affect the fair values of our RMBS. Voluntary prepayment rates generally increase when interest rates fall and decrease when interest rates rise, but changes in prepayment rates are difficult to predict as changes may occur faster or slower than changes in the market interest rates. Prepayments can also occur when borrowers sell the property and use the sale proceeds to prepay the mortgage as part of a physical relocation or when borrowers default on their mortgages and the mortgages are prepaid from the proceeds of a foreclosure sale of the property. Fannie Mae and Freddie Mac will generally purchase mortgages that are 120 days or more delinquent from mortgage-backed securities trusts when the cost of guaranteed payments to security holders, including advances of interest at the security coupon rate, exceeds the cost of holding the nonperforming loans in their portfolios. Changes in the GSEs decisions as to when to repurchase delinquent loans can materially impact prepayment rates.

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

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

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

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

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

Our Manager relies on analytical models and other data to analyze potential asset acquisition and disposition opportunities and to manage our portfolio. These models are based on assumptions and actual results may differ significantly from the modeled expectations.

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

Some models, such as prepayment models or mortgage default models, may be predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses. In addition, the predictive models used by our Manager on our behalf may differ substantially from those models used by other market participants, with the result that valuations based on these predictive models may be substantially higher or lower for certain assets than actual market prices. Furthermore, because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data, and, in the case of predicting performance in scenarios with little or no historical precedent (such as extreme broad-based declines in home prices, or deep economic recessions or depressions), such models must employ greater degrees of extrapolation, and are therefore more speculative and of more limited reliability.

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

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

While in many cases our determination of the fair value of our assets is based on valuations provided by third-party dealers and pricing services, we value assets based upon our judgment, and such valuations may differ from those provided by third-party dealers and pricing services. Valuations of certain assets are often difficult to obtain or unreliable. Depending on the complexity and illiquidity of an asset, valuations of the same asset can vary substantially from one dealer or pricing service to another. In the past, the valuation process for certain of our assets has been particularly difficult due to market events resulting from the COVID-19 pandemic, the valuation of such assets was unpredictable, and the disparity of valuations provided to by third-party dealers has widened. We expect these factors and others that are beyond our control to continue having an impact on the valuation process for certain of our assets. Our business, financial condition and results of operations and our ability to make distributions to our stockholders could be materially adversely affected if our fair value determinations of these assets are materially higher than actual market values.

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

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

We are highly dependent on information systems and third parties, and systems failures or cybersecurity incidents could disrupt our business.

Our business is highly dependent on information technology. In the ordinary course of our business, we may store sensitive data, including our proprietary business information and that of our business partners, and personally identifiable information of mortgage borrowers, on our networks. The secure maintenance and transmission of this information is critical to our operations. Computer malware, viruses, ransomware and phishing attacks remain widespread and are increasingly sophisticated. We are from time to time the target of attempted cyber threats. We continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact. Despite these security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations, or disruption to our trading activities or damage our reputation, which could have a material adverse effect on our financial results and negatively affect the market price of our securities and our ability to make distributions to stockholders.

The resources required to protect our information technology and infrastructure, and to comply with the laws and regulations related to data and privacy protection, are subject to uncertainty. Even in circumstances where we are able to successfully protect such technology and infrastructure from attacks, we may incur significant expenses in connection with our responses to such attacks. Government and regulatory scrutiny of the measures taken by companies to protect against cybersecurity attacks has resulted in heightened cybersecurity requirements and additional regulatory oversight. Any of the foregoing may adversely impact our results of operations and financial condition.

In addition, in connection with our ownership of Servicing Related Assets, we possess personally identifiable information that is shared with third-party service providers, including our mortgage servicers, as required or permitted by law. In the event the information technology networks and infrastructure of our third-party service providers, including our mortgage servicers, is breached, we may be liable for losses suffered by individuals whose personal information is stolen as a result of such breach and any such liability could be material. Even if we are not liable for such losses, any breach of these third-party systems could expose us to material costs related to notifying affected individuals or other parties and providing credit monitoring services, as well as to regulatory fines or penalties.

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

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

We use leverage in executing our business strategy, which may adversely affect the return on our assets and may reduce cash available for distribution to our stockholders, as well as increase losses when economic conditions are unfavorable. A sudden, precipitous drop in value of our financed assets could quickly and seriously reduce our available cash due to margin calls.

We use leverage to finance our investments in certain of our target assets and to enhance our financial returns. Our primary source of leverage is short-term borrowings under master repurchase agreements collateralized by our RMBS assets (“repo financing”). Other sources of leverage include MSR financings and, in the future, may include other credit facilities.

Through the use of leverage, we acquire positions with market exposure significantly greater than the amount of capital committed to the transaction. Although we generally are not required to maintain any particular minimum or maximum target debt-to-equity leverage ratio with respect to our RMBS assets, the amount of leverage we may employ for this asset class will depend upon the availability of particular types of financing and our Manager’s assessment of the credit, liquidity, price volatility, financing counterparty risk and other factors. Our Manager has discretion, without the need for further approval by our board of directors, to change the amount of leverage we utilize for our RMBS. A change in our leverage strategy may increase our exposure to interest rate and real estate market fluctuations or require us to sell a portion of our existing investments, which could result in gains or losses and therefore increase our earnings volatility. Decisions to employ additional leverage in executing our RMBS investment strategies could increase the risk inherent in our RMBS acquisition strategy.

Although we do not have a targeted debt-to-equity ratio for our RMBS, we are subject to margin calls as a result of our repo financing activity. We use leverage for the primary purpose of financing our RMBS portfolio and not for the purpose of speculating on changes in interest rates. We are restricted in the amount of leverage we may employ by the terms and provisions of some of our financing agreements and the terms of agreements that we may enter into in the future may include limits on leverage.

Our ability to achieve our investment and leverage objectives depends on our ability to borrow money in sufficient amounts and on favorable terms. In particular, our ability to build a significant servicing portfolio is dependent on obtaining sufficient financing on attractive terms. In addition, we must be able to renew or replace our maturing borrowings on a continuous basis. In recent years, investors and financial institutions that lend in the securities repurchase market have tightened lending standards in response to the difficulties and changed economic conditions that have materially adversely affected the RMBS market. These market disruptions have been most pronounced in the non-Agency RMBS market, but the impact has also extended to Agency RMBS, which has made the value of these assets unstable and relatively illiquid compared to prior periods. More recently, at the beginning of the COVID-19 pandemic, the repo financing market experienced a severe liquidity issue resulting in the infusion of additional liquidity by the U.S. Federal Reserve. Similar market disruptions and liquidity issues in the future would increase our financing costs and reduce our liquidity. In addition, because we rely on short-term financing, we are exposed to changes in the availability of financing which may make it more difficult for us to secure continued financing.

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

We are required to post large amounts of cash as collateral or margin to secure our leveraged RMBS positions. In the event of a sudden, precipitous drop in value of our financed assets, we might not be able to liquidate assets quickly enough to repay our borrowings, further magnifying losses. Even a small decrease in the value of a leveraged asset may require us to post additional margin or cash collateral. Our debt service payments and posting of margin or cash collateral will reduce cash flow available for distribution to stockholders. We may not be able to meet our debt service obligations. To the extent that we cannot meet our debt service obligations, we risk the loss of some or all of our assets to sale to satisfy our debt obligations.

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

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

Adverse market developments, including a sharp or prolonged rise in interest rates, a change in prepayment rates or increasing market concern about the value or liquidity of one or more types of our target assets, might reduce the market value of our portfolio, which generally will cause our lenders to initiate margin calls. A margin call means that the lender requires us to pledge cash as additional collateral to re-establish the ratio of the value of the collateral to the amount of the borrowing. If we are unable to satisfy margin calls, our lenders may foreclose on our collateral. The liquidation of collateral may jeopardize our ability to qualify as a REIT. Our failure to qualify as a REIT would cause us to be subject to U.S. federal income tax (and any applicable state and local taxes) on all of our income and decrease profitability and cash available for distribution to our stockholders.

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

Our borrowings under master repurchase agreements are intended to qualify for special treatment under the bankruptcy code, giving our lenders the ability to void the automatic stay provisions of the bankruptcy code and take possession of and liquidate collateral pledged in our repurchase transactions without delay if we file for bankruptcy. Furthermore, the special treatment of repurchase agreements under the bankruptcy code may make it difficult for us to recover our pledged assets in the event that any of our lenders files for bankruptcy. Thus, the use of repurchase transactions exposes our pledged assets to risk in the event of a bankruptcy filing by either our lenders or us. Any resulting loss of our pledged assets could have a material adverse effect on our business, financial condition and results of operations.

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

When we engage in a repurchase transaction, we initially sell securities to the financial institution in exchange for cash, and our counterparty is obligated to resell the securities to us at the end of the term of the transaction, which is typically from 30 to 180 days, but which may be up to 364 days or more. The cash we receive when we initially sell the securities is less than the value of those securities. This difference is referred to as the haircut. If these haircuts are increased, we will be required to post additional cash collateral for our RMBS. If our counterparty defaults on its obligation to resell the securities to us, we would incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" for information regarding borrowings under the Company's repurchase agreements.

If we default on one of our obligations under a repurchase transaction, the counterparty can terminate the transaction and cease entering into any other repurchase transactions with us. Such a default also would constitute a default under many of our financing agreements with other counterparties. In that case, there is no assurance we would be able to establish a suitable replacement facility on acceptable terms or at all.

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

Subject to maintaining our qualification as a REIT and applicable exceptions from the definition of "investment company" under the Investment Company Act (as applicable) and satisfying the criteria for no-action relief from the CFTC's commodity pool operator registration rules, we pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates. Our hedging activity varies in scope based on the level and volatility of interest rates, the types of liabilities and assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us because, among other things:

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

- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

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

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

Our board of directors has the authority to change our investment strategy or asset allocation at any time without notice to or consent from our stockholders. To the extent that our investment strategy changes in the future, we may make investments that are different from, and possibly riskier than, the investments described in this Annual Report on Form 10-K and the other documents we file with the SEC from time to time. A change in our investments may increase our exposure to interest rate and real estate market fluctuations or require us to sell a portion of our existing investments, which could result in gains or losses and therefore increase our earnings volatility. Furthermore, a change in our asset allocation could result in our allocating assets in a different manner than as described in this Annual Report on Form 10-K.

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

We operate in a highly competitive market.

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

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

We intend to continue to distribute to our stockholders all or substantially all of our REIT taxable income in each year (subject to certain adjustments) and may distribute more than our REIT taxable income. This distribution policy enables us to avoid being subject to U.S. federal income tax on our taxable income that we distribute to our stockholders. However, our ability to make distributions will depend on our earnings, applicable law, our financial condition and such other factors as our board of directors may deem relevant from time to time. We will declare and make distributions to our stockholders only to the extent approved by our board of directors.

We face possible risks associated with the effects of climate change and severe weather.

To the extent that climate change impacts changes in weather patterns, assets in which we hold a direct or indirect interest could experience severe weather, including hurricanes, severe winter storms, wildfires and flooding due to increases in storm intensity and rising sea levels, among other effects that could impact house prices and housing-related costs and/or disrupt borrowers' ability to pay their mortgage. Moreover, long term climate change could trigger extreme weather conditions that result in macroeconomic and demographic shifts. Over time, these conditions could result in repricing of the assets that we hold. There can be no assurance that climate change and severe weather will not have a material adverse effect on our financial performance.

Increasing attention to ESG matters may impact our business.

Increasing attention to, and social expectations on businesses to address, climate change and other environmental and social impacts, alongside investor and societal explanations regarding voluntary ESG disclosures, may result in increased costs in order for us to comply and decreased access to capital. Moreover, increasing attention to climate change and its associated risks may also lead to the expectation of voluntary ESG disclosures from our industry, which may cause a reduction in the production or origination of certain of our targeted assets or changes that make the returns on these assets less attractive and could negatively impact our portfolio and our results of operations, financial condition and our ability to pay dividends to our stockholders.

Additionally, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to increased negative sentiment toward us or the assets in which we invest and to the diversion of investments more in line with environmental sustainability, which could have a negative impact on our access to and costs of capital.

Risks Related to Our Relationship with our Manager

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

We do not have any employees of our own other than three leased employees of our licensed mortgage servicing subsidiary, Aurora. We are completely reliant on our Manager, which has significant discretion as to the implementation of our operating policies and execution of our business strategies and risk management practices. The departure of any of our senior officers could have a material adverse effect on our ability to achieve our objectives.

We can offer no assurance that our Manager will remain our manager or that we will continue to have access to our senior management. We are subject to the risk that our Manager may terminate or elect not to renew the management agreement or that we may deem it necessary to terminate or elect not to renew the management agreement or that our Manager may prevent certain individuals from performing services for us and that no suitable replacement will be found to manage us.

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

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

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

Our investment guidelines are very broad, and our board of directors will not approve each decision to acquire, dispose of, or otherwise manage an asset.

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

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

Our Manager is a Delaware limited liability company established by Mr. Middleman. The Manager is a party to the Services Agreement with the Services Provider, which is wholly owned and controlled by Mr. Middleman. The Manager is owned by a "blind trust" for the benefit of Mr. Middleman.

We are dependent on our Manager for our day-to-day management and operations. In turn, the Manager is dependent on the performance of Freedom Mortgage under the services agreement. Various potential and actual conflicts of interest may arise from the activities of Freedom Mortgage and its affiliates by virtue of this relationship. The ability of our Manager's officers and personnel, with the exception of any officers that are dedicated to us, to engage in other business activities may reduce the time our Manager and certain of its officers and personnel spend managing us.

We may choose not to enforce, or to enforce less vigorously, our rights under our management agreement or our rights as a third party beneficiary to the Services Agreement between our Manager and Freedom Mortgage because of our desire to maintain ongoing relationships with our Manager and Freedom Mortgage. Freedom Mortgage invests in Servicing Related Assets, prime loans or other residential mortgage assets, and there are situations where we compete with Freedom Mortgage or its affiliates for opportunities to acquire Servicing Related Assets or other residential mortgage assets. Freedom Mortgage is a separate and distinct company with its own business interests and will be under no obligation to maintain its current business strategy. Freedom Mortgage will be under no obligation to offer Servicing Related Assets or any other residential mortgage assets to us, and Freedom Mortgage may offer those assets to third parties without offering such assets to us.

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

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

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

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

The management agreement with our Manager was negotiated between related parties, and its terms, including fees payable, may not be as favorable to us as if it had been negotiated on an arm's-length basis with an unrelated third party. Various potential and actual conflicts of interest may arise from the activities of Freedom Mortgage and its affiliates.

Termination of our management agreement without cause or an election not to renew the term of the management agreement will result in a significant termination fee payable by us unless the management agreement is terminated or not renewed in connection with an internalization event (as defined in the management agreement). The termination fee, if one is payable, will increase the effective cost to us of terminating or electing not to renew the management agreement, thereby adversely affecting our ability to terminate our Manager without cause.

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

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

If our Manager ceases to be our external manager without the consent of certain of our counterparties, it would constitute an event of default or early termination event under the applicable financing or hedging environment, upon which those counterparties would have the right to terminate their agreements with us. If our Manager ceases to be our external manager for any reason, including upon the non-renewal of the management agreement between us and our Manager, and we are unable to obtain financing or enter into or maintain derivative transactions, our business, financial condition and results of operations and our ability to make distributions to our stockholders may be materially adversely affected.

Risks Related to Our Organizational Structure

Maintenance of certain exceptions from (or otherwise not falling within) the definitions of "investment company" under the Investment Company Act imposes significant limitations on our operations.

We intend to continue to conduct our operations so that neither we nor any of our subsidiaries is required to register as an investment company under the Investment Company Act. This limits the types of businesses in which we may engage and the assets we may hold and the manner in which we hold them. Certain of our subsidiaries rely on the exception provided by Section 3(c)(5)(C) under the Investment Company Act which is designed for entities primarily engaged in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate". This exception generally requires that at least 55% of the entity's assets consist of qualifying real estate interests and at least 80% of the entity's assets consist of qualifying real estate interests or real estate-related assets (with no more than 20% in miscellaneous assets). These requirements limit the types of assets those subsidiaries can own and the timing of sales and purchases of those assets.

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

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

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

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

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

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

Certain provisions of the Maryland General Corporation Law, or the MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or impeding a change of control under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of our common stock, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock or an affiliate or associate of ours who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then-outstanding stock) or an affiliate of an interested stockholder for five years after the most recent date on which the stockholder became an interested stockholder, and thereafter require two supermajority stockholder votes to approve any such combination; and

- "control share" provisions that provide that a holder of "control shares" of the Company (defined as voting shares of stock which, when aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), entitle the acquiror to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares," subject to certain exceptions) generally has no voting rights with respect to the control shares except to the extent approved by our stockholders by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

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

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

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

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

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

- actual receipt of an improper benefit or profit in money, property or services; or

- active and deliberate dishonesty by the director or officer that was established by a final judgment and is material to the cause of action.

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

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

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

Risks Related to Our Common Stock

The market price and trading volume of our common stock may be volatile.

The market price of our common stock may be highly volatile and subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. The stock market has experienced price and volume fluctuations that have affected the market price of many companies in industries similar or related to ours and that have been unrelated to these companies’ operating performances. These broad market fluctuations could reduce the market price of our common stock. Furthermore, our operating results and prospects may be below the expectations of public market analysts and investors or may be lower than those of companies with comparable market capitalizations, which could lead to a material decline in the market price of our common stock. If the market price of our common stock declines significantly, you may be unable to resell your shares at a gain. Further, fluctuations in the trading price of our common stock may adversely affect the liquidity of the trading market for our common stock and, in the event that we seek to raise capital through future equity financings, our ability to raise such equity capital.

We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- the uncertainty and economic impact of global pandemics, including the COVID-19 pandemic and the resulting impact on market liquidity, the value of assets and availability of financing;
- actual or anticipated variations in our quarterly operating results;
- increases in market interest rates that lead purchasers of our common stock to demand a higher yield or to seek alternative investments;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key personnel;

- actions by stockholders;
- speculation in the press or investment community;
- general market, economic and political conditions and the impact of these conditions on the global credit markets;
- the operating performance of other similar companies;
- changes in accounting principles; and
- passage of legislation, changes in monetary policy or other regulatory developments that adversely affect us or our industry.

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

Sales of substantial amounts of shares of our common stock or securities convertible into our common stock could cause the market price of our common stock to decrease significantly. We cannot predict the effect, if any, of future sales of our common stock or securities convertible into our common stock, or the availability of shares of our common stock for future sales, on the value of our common stock. Sales of substantial amounts of shares of our common stock or securities convertible into our common stock, or the perception that such sales could occur, may adversely affect prevailing market values for our common stock.

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

In the future, we may attempt to increase our capital resources by making offerings of debt or additional offerings of equity securities, including commercial paper, medium-term notes, senior or subordinated notes and classes of preferred stock or common stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Our preferred stock could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to make a dividend distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us.

We have not established a minimum distribution payment level with respect to our common stock, and we cannot assure you of our ability to make distributions in the future.

We expect to make regular distributions to holders of our common stock and preferred stock in amounts such that we distribute all or substantially all of our REIT taxable income in each year. We have not established a minimum distribution payment level with respect to our common stock, and our ability to make distributions may be adversely affected by a number of factors, including the risk factors described in this Annual Report on Form 10-K. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, debt covenants, maintenance of our REIT qualification, applicable law and other factors as our board of directors may deem relevant from time to time.

No assurance can be given that the level of any distributions we make to our stockholders will achieve a market yield or increase or even be maintained over time, any of which could materially and adversely affect the market price of our common stock. In addition, some of our distributions may include a return of capital, which would reduce the amount of capital available to operate our business.

Distributions that we make to our stockholders will generally be taxable to our stockholders as ordinary income. However, a portion of our distributions may be designated by us as long-term capital gains to the extent that they are attributable to capital gain income recognized by us or may constitute a return of capital to the extent that they exceed our earnings and profits as determined for U.S. federal income tax purposes. A return of capital is not taxable, but has the effect of reducing the tax basis of a stockholder's investment in our common stock.

Risks Related to Our Preferred Stock

Our 8.20% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock") and our 8.250% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock", and together with the Series A Preferred Stock, the "Preferred Stock") ranks junior to our existing and future indebtedness and will rank junior to any other class or series of stock we may issue in the future with terms specifically providing that such stock ranks senior to the Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up ("Senior Stock"), and your interests could be diluted by the issuance of additional shares of preferred stock and by other transactions.

Our Preferred Stock ranks junior to all of our existing and future indebtedness and any Senior Stock we may issue in the future and to other non-equity claims on us and our assets available to satisfy claims against us, including claims in bankruptcy, liquidation or similar proceedings. In the event of our bankruptcy, liquidation or dissolution or the winding-up of our affairs, our assets will be available to pay obligations on our Preferred Stock only after all of our indebtedness and other liabilities have been paid. In addition, our Preferred Stock would effectively rank junior to all indebtedness and other liabilities of any existing or future subsidiaries. Such subsidiaries are or would be separate legal entities and have or will have no legal obligation to pay any amounts to us in respect of dividends due on our Preferred Stock. If we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets to pay amounts due on any or all of our Preferred Stock then outstanding. We may in the future incur substantial amounts of debt and other obligations that will rank senior to our Preferred Stock.

Our charter currently authorizes the issuance of up to 100,000,000 shares of preferred stock in one or more classes or series. As of December 31, 2023, we have 4,781,635 shares of preferred stock outstanding, including 2,781,635 shares of Series A Preferred Stock and 2,000,000 shares of Series B Preferred Stock. Subject to limitations prescribed by Maryland law and our charter, our board of directors is authorized to issue, from our authorized but unissued shares of stock, preferred stock in such classes or series as our board of directors may determine and to establish from time to time the number of shares of preferred stock to be included in any such class or series. The issuance of additional shares of either series of Preferred Stock or any class or series of stock we may issue in the future with terms specifically providing that such stock ranks on parity with our Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up ("Parity Stock") would dilute the interests of the holders of our Preferred Stock, and the issuance of any Senior Stock or the incurrence of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on our Preferred Stock. Other than the limited conversion rights afforded to holders of our Preferred Stock that may become exercisable in connection with certain changes of control, none of the provisions relating to our Preferred Stock contain any terms relating to or limiting our indebtedness or affording the holders of our Preferred Stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets, so long as the rights of the holders of our Preferred Stock are not materially and adversely affected. In December 2023, our Board authorized a repurchase program for the Preferred Stock that authorizes us to repurchase up to an aggregate of $50 million in shares of our Preferred Stock. The manner, price, number and timing of share repurchases pursuant to the $50 million Preferred Stock repurchase program is subject to a variety of factors, including market conditions and applicable SEC rules, and the authorization does not have an expiration date and repurchases may be commenced or suspended at any time without prior notice.

The Preferred Stock has not been rated.

We have not sought to obtain a rating for our Preferred Stock, and the Preferred Stock may never be rated. It is possible, however, that one or more rating agencies might independently determine to assign a rating to either series of our Preferred Stock or that we may elect to obtain a rating of one or both series of our Preferred Stock in the future. Furthermore, we may elect to issue other securities for which we may seek to obtain a rating. If any ratings are assigned to our Preferred Stock in the future or if we issue other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, could adversely affect the market for or the market value of the Preferred Stock.

Ratings only reflect the views of the issuing rating agency or agencies, and such ratings could at any time be revised downward or withdrawn entirely at the discretion of the issuing rating agency. Further, a rating is not a recommendation to purchase, sell or hold any particular security, including our Preferred Stock. In addition, ratings do not reflect market prices or suitability of a security for a particular investor, and any future rating of our Preferred Stock may not reflect all risks related to the Company and its business, or the structure or market value of our Preferred Stock.

We may not be able to pay dividends or other distributions on the Preferred Stock.

Under Maryland law, no distributions on stock may be made if, after giving effect to the distribution, (i) the corporation would not be able to pay the indebtedness of the corporation as such indebtedness becomes due in the usual course of business or (ii) except in certain limited circumstances when distributions are made from net earnings, the corporation’s total assets would be less than the sum of the corporation’s total liabilities plus, unless the charter provides otherwise (which our charter does, with respect to our Preferred Stock), the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights on dissolution are superior to those receiving the distribution. There can be no guarantee that we will have sufficient cash to pay dividends on our Preferred Stock. Our ability to pay dividends may be impaired if any of the risks described in this Annual Report on Form 10-K were to occur. In addition, our ability to pay dividends depends upon our earnings, our financial condition, maintenance of our REIT qualification and other factors as our board of directors may deem relevant from time to time. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our Preferred Stock and on our common stock, to pay our indebtedness or to fund our other liquidity needs.

Holders of our Preferred Stock may not be able to exercise conversion rights upon a change of control. If exercisable, the change of control conversion rights applicable to our Preferred Stock may not adequately compensate holders of our Preferred Stock. These change of control conversion rights may also make it more difficult for a party to acquire us or discourage a party from acquiring us.

Upon the occurrence of certain changes of control, each holder of our Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date (as defined below), we have provided notice of our election to redeem some or all of the shares of Preferred Stock held by such holder, in which case such holder will have the right only with respect to shares of Preferred Stock that are not called for redemption) to convert some or all of such holder’s Preferred Stock into shares of our common stock (or, under specified circumstances, certain alternative consideration). Notwithstanding that we could not have redeemed our Series A Preferred Stock prior to August 17, 2022 and cannot redeem our Series B Preferred Stock prior to April 15, 2024, we have a special optional redemption right to redeem our Preferred Stock in the event of certain changes of control, and holders of our Preferred Stock will not have the right to convert any shares that we have elected to redeem prior to the date the Preferred Stock is to be converted, which will be a business day selected by us that is no fewer than 20 days nor more than 35 days after the date on which we provide notice to the holders of Preferred Stock (the “Change of Control Conversion Date”). We did not redeem any Series A Preferred Stock during the year ended December 31, 2023.

If we do not elect to redeem the Preferred Stock prior to the Change of Control Conversion Date, then upon an exercise of the conversion rights provided to the holders of our Preferred Stock, the holders of Preferred Stock will be limited to a maximum number of shares of our common stock (or, if applicable, certain alternative conversion consideration) which may result in a holder receiving shares of common stock (or alternative conversion consideration, as applicable) with a value that is less than the liquidation preference of our Preferred Stock.

In addition, the change of control conversion feature of the Preferred Stock may have the effect of discouraging a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change of control transaction under circumstances that otherwise could provide the holders of Preferred Stock with the opportunity to realize a premium over the then-current market price of such stock or that stockholders may otherwise believe is in their best interests.

Our charter, including the articles supplementary designating the Preferred Stock, contains restrictions upon transfer and ownership of our stock, which may impair the ability of holders to acquire the Preferred Stock or convert Preferred Stock into our common stock.

Our charter, including the articles supplementary designating each series of our Preferred Stock, contains restrictions on transfer and ownership of our stock intended to, among other purposes, assist us in maintaining our qualification as a REIT for U.S. federal income tax purposes. Our charter provides that generally no person, other than certain exempted holders, may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.0% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock. No holder of our Preferred Stock will be entitled to convert such stock into our common stock to the extent that receipt of shares of our common stock would cause the holder to exceed any of the limitations on ownership and transfer contained in our charter. In addition, these restrictions could have anti-takeover effects and could reduce the possibility that a third party will attempt to acquire control of us, which could adversely affect the market price of our Preferred Stock.

Holders of our Preferred Stock have limited voting rights.

Our common stock is the only class of our securities that carries full voting rights. Holders of our Preferred Stock may vote only (i) to elect two additional directors to our board of directors in the event that six full quarterly dividends (whether or not consecutive) payable on the applicable series of Preferred Stock are in arrears, (ii) on amendments to our charter, including the articles supplementary designating the applicable series of Preferred Stock, that materially and adversely affect the rights of the holders of that series of Preferred Stock or (iii) to authorize, increase or create additional classes or series of Senior Stock. Other than these limited circumstances, holders of our Preferred Stock generally do not have any voting rights.

The market price of our Preferred Stock could be substantially affected by various factors.

The market price of our Preferred Stock will depend on many factors, which may change from time to time, including:

- prevailing interest rates, increases in which may have an adverse effect on the market price of the Preferred Stock;
- trading prices of common and preferred equity securities issued by REITs and other similar companies;
- the annual yield from distributions on the Preferred Stock as compared to yields on other financial instruments;
- general economic and financial market conditions;
- government action or regulation;
- our financial condition, performance and prospects and those of our competitors;
- changes in financial estimates or recommendations by securities analysts with respect to us, our competitors or our industry;
- our issuance of additional preferred equity securities or the incurrence of debt; and
- actual or anticipated variations in our quarterly operating results and those of our competitors.

As a result of these and other factors, holders of our Preferred Stock may experience a decrease, which could be substantial and rapid, in the market price of the Preferred Stock, including decreases unrelated to our operating performance or prospects.

Future offerings of debt or equity securities may adversely affect the market price of our Preferred Stock.

Future issuances and sales of Parity Stock, or the perception that such issuances and sales could occur, may cause prevailing market prices for either series of our Preferred Stock and our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us.

If we decide to issue debt or Senior Stock in the future, it is possible that these securities will be governed by an indenture or other instrument containing covenants or other provisions that will restrict our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our Preferred Stock and may result in dilution to owners of our Preferred Stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our Preferred Stock bear the risk of our future offerings reducing the market price of our Preferred Stock and diluting the value of their holdings in us.

If our common stock is delisted, the ability to transfer or sell shares of our Preferred Stock may be limited and the market value of our Preferred Stock will likely be materially adversely affected.

Other than in connection with certain changes of control, our Preferred Stock does not contain provisions that are intended to protect holders of our Preferred Stock if our common stock is delisted from the NYSE. Since our Preferred Stock has no stated maturity date, holders of our Preferred Stock may be forced to hold their shares of Preferred Stock and receive stated dividends on the Preferred Stock when, as and if authorized by our board of directors and declared and paid by us with no assurance as to ever receiving the liquidation value thereof. In addition, if our common stock is delisted from the NYSE, it is likely that our Preferred Stock will be delisted from the NYSE as well. Accordingly, if our common stock is delisted from the NYSE, the ability to transfer or sell shares of our Preferred Stock may be limited and the market value of our Preferred Stock will likely be materially adversely affected.

The discontinuance of U.S. dollar LIBOR might adversely affect the value of investments in the Series B Preferred Stock.

All tenors of U.S. dollar LIBOR (“USD LIBOR”) ceased publication immediately after June 30, 2023.

Holders of the Series B Preferred Stock should be aware that the dividend rate on the Series B Preferred Stock will be determined for the relevant period by the fallback provisions applicable to such stock. From and including April 15, 2024 (the “floating rate period”), and because USD LIBOR has ceased publication, under the terms of the Series B Preferred Stock, we will appoint a calculation agent and the calculation agent will consult with an investment bank of national standing to determine whether there is an industry accepted substitute or successor base rate to USD LIBOR. If, after such consultation, the calculation agent determines that there is an industry accepted substitute or successor base rate, the calculation agent shall use such substitute or successor base rate. In such case, the calculation agent in its sole discretion may also implement other technical changes to the Series B Preferred Stock in a manner that is consistent with industry accepted practices for such substitute or successor base rate.

It is currently anticipated that the successor rate to be chosen by the calculation agent during the floating rate period will be 3-month CME Term SOFR plus a tenor spread adjustment of 0.26161%. CME Term SOFR is an indicative, forward-looking measurement of the daily overnight secured overnight financing rate (“SOFR”). CME Term SOFR is published by CME Group Inc.

The selection of a successor rate, and any decisions, determinations or elections made by us or the calculation agent in connection with implementing a successor rate with respect to the Series B Preferred Stock in accordance with its terms during the floating rate period, could result in adverse consequences to the applicable dividend rate on the Series B Preferred Stock, which could adversely affect the return on, value of and market for the Series B Preferred Stock. Further, there is no assurance that the characteristics of any successor rate will be similar to USD LIBOR, or that any successor rate will produce the economic equivalent of USD LIBOR.

Potential conflicts of interest in connection with replacing USD LIBOR.

During the floating rate period, the calculation agent will make certain determinations in its own discretion, as described above and in the terms of the Series B Preferred Stock, in connection with choosing and implementing a replacement dividend rate. These determinations do not require the consent of the holders and, once made, may negatively affect the value of the Series B Preferred Stock and will be conclusive and binding on the holders of the Series B Preferred Stock.

The composition and characteristics of CME Term SOFR are not the same as were those of USD LIBOR and there is no guarantee that CME Term SOFR is a comparable substitute for USD LIBOR.

The composition and characteristics of CME Term SOFR are not the same as were those of USD LIBOR. CME Term SOFR is derived from daily SOFR, which is a broad U.S. Treasury repo financing rate that represents overnight secured funding transactions. This means that CME Term SOFR is fundamentally different from USD LIBOR for two key reasons. Daily SOFR is a secured rate, while USD LIBOR was an unsecured rate. As a result, there can be no assurance that CME Term SOFR will perform in the same way as USD LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, regulatory, judicial or other events. For example, since publication of daily SOFR began in April 2018, daily changes in daily SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

Because daily SOFR is published by the Federal Reserve Bank of New York based on data received from other sources, we have no control over its determination, calculation or publication. There can be no guarantee that daily SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of holders of the Series B Preferred Stock.

During the floating rate period, under the terms of the Series B Preferred Stock, we will appoint a calculation agent and the calculation agent will consult with an investment bank of national standing to determine whether there is an industry accepted substitute or successor base rate to USD LIBOR. If, after such consultation, the calculation agent determines that there is an industry accepted substitute or successor base rate, the calculation agent shall use such substitute or successor base rate. It is currently anticipated that the successor rate to be chosen by the calculation agent for dividend periods during the floating rate period will be 3-month CME Term SOFR plus a tenor spread adjustment of 0.26161 per cent., and we assume that the successor rate will be CME Term SOFR for purposes of the following discussion. CME Term SOFR is an indicative, forward-looking measurement of daily SOFR, published by CME Group Inc. In the following discussion of daily SOFR, when we refer to SOFR-linked securities, we mean the Series B Preferred Stock from and including April 15, 2024, and when we refer to “SOFR,” we mean daily SOFR.

SOFR is published by the Federal Reserve Bank of New York (“FRBNY”) and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. FRBNY reports that SOFR includes all trades in the Broad General Collateral Rate, plus bilateral Treasury repurchase agreement (“repo”) transactions cleared through the delivery-versus-payment service offered by the Fixed Income Clearing Corporation (the “FICC”), a subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). SOFR is filtered by FRBNY to remove a portion of the foregoing transactions considered to be “specials”. According to FRBNY, “specials” are repos for specific-issue collateral which take place at cash-lending rates below those for general collateral repos because cash providers are willing to accept a lesser return on their cash in order to obtain a particular security.

FRBNY reports that SOFR is calculated as a volume-weighted median of transaction-level tri-party repo data collected from The Bank of New York Mellon, which currently acts as the clearing bank for the tri-party repo market, as well as General Collateral Finance Repo transaction data and data on bilateral Treasury repo transactions cleared through the FICC’s delivery-versus-payment service. FRBNY notes that it obtains information from DTCC Solutions LLC, an affiliate of DTCC.

FRBNY publishes SOFR daily on its website at https://apps.newyorkfed.org/markets/autorates/sofr. FRBNY states on its publication page for SOFR that use of SOFR is subject to important disclaimers, limitations and indemnification obligations, including that FRBNY may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice.

Because SOFR is published by FRBNY based on data received from other sources, we have no control over its determination, calculation or publication. There can be no assurance that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in SOFR-linked securities. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of dividends payable on SOFR-linked securities, which may adversely affect the trading prices of SOFR-linked securities. If SOFR were to be discontinued or the rate of calculation were to be changed, there can be no assurance that CME Term SOFR would not be negatively affected. If the rate at which dividends accrue on the Series B Preferred Stock on any day or for any dividend period during the floating rate period declines to zero or becomes negative, no dividends will accrue on the Series B Preferred Stock with respect to that day or dividend period.

FRBNY started publishing SOFR in April 2018. FRBNY has also started publishing historical indicative SOFRs dating back to 2014, although such historical indicative data inherently involves assumptions, estimates and approximations. Holders of the Series B Preferred Stock should not rely on such historical indicative data or on any historical changes or trends in SOFR as an indicator of the future performance of SOFR or CME Term SOFR. Since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in comparable benchmark or market rates, and SOFR during the floating rate period may bear little or no relation to the historical actual or historical indicative data. In addition, the return on and value of SOFR-linked securities may fluctuate more than floating rate preferred stock that is linked to less volatile rates. An established trading market for the SOFR-linked securities may never develop or may not be very liquid. Market terms for preferred stock that is linked to SOFR may evolve over time, and as a result, trading prices of SOFR-linked securities may be lower than those of later-issued preferred stock that is linked to SOFR. Similarly, if SOFR does not prove to be widely used in SOFR-linked securities that are similar or comparable to the Series B Preferred Stock, the trading price of the SOFR-linked securities may be lower than those of preferred stock that is linked to rates that are more widely used. Investors in the SOFR-linked securities may not be able to sell the SOFR-linked securities at all or may not be able to sell the SOFR-linked securities at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Risks Related to U.S. Federal Income Tax

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

We operate in a manner that is intended to cause us to qualify as a REIT for U.S. federal income tax purposes. However, the U.S. federal income tax laws governing REITs are complex, and interpretations of the U.S. federal income tax laws governing qualification as a REIT are limited. Moreover, our qualification and taxation as a REIT depend upon our ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the U.S. federal income tax laws. Although we intend to operate so that we continue to qualify as a REIT, given the complex nature of the rules governing REITs, the ongoing importance of factual determinations, including the potential tax treatment of the investments we make, and the possibility of future changes in our circumstances, no assurance can be given that our actual results of operations for any particular taxable year will satisfy such requirements.

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

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

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

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

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

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

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

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

We may satisfy the 90% distribution test with taxable distributions of our stock or debt securities. The IRS has issued Revenue Procedure 2017-45 authorizing elective cash/stock dividends to be made by publicly held REITs (i.e., REITs that are required to file annual and periodic reports with the SEC under the Exchange Act). Pursuant to Revenue Procedure 2017-45, the IRS will treat the distribution of stock pursuant to an elective cash/stock dividend as a distribution of property under Section 301 of the Code (i.e., a dividend), as long as at least 20% of the total dividend is available in cash and certain other parameters detailed in the Revenue Procedure are satisfied. We have paid dividends in our own stock in the past and may pay dividends in our own stock in the future. If in the future we choose to pay dividends in our own stock, our stockholders may be required to pay tax in excess of the cash that they receive.

Despite qualification as a REIT, we may face other tax liabilities that reduce our cash flows.

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

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

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

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

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

Uncertainty exists with respect to the treatment of our TBAs for purposes of the REIT asset and income tests.

We may utilize TBAs as a means of investing in and financing Agency RMBS. While there is no direct authority with respect to the qualification of TBAs as real estate assets or U.S. Government securities for purposes of the 75% asset test or the qualification of gains from dispositions of TBAs as gains from the sale of real property (including interests in real property and interests in mortgages on real property) or other qualifying income for purposes of the 75% gross income test, we treat our TBAs as qualifying assets for purposes of the REIT asset tests, and we treat income and gains from our TBAs as qualifying income for purposes of the 75% gross income test, based on an opinion of counsel substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a TBA should be treated as ownership of real estate assets, and (ii) any gain recognized by us in connection with the settlement of our TBAs should be treated as qualifying income for purposes of the 75% REIT gross income test. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that the opinion of counsel is based on various assumptions relating to our TBAs and is conditioned upon fact-based representations and covenants made by our management regarding our TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge the opinion of counsel, we could be subject to a penalty tax or we could fail to remain qualified as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs.

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

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

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

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation (other than a REIT) of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of a REIT's total assets may consist of stock or securities of one or more TRSs. A domestic TRS will pay U.S. federal, state and local income tax at regular corporate rates on any income that it earns. In addition, if a TRS borrows funds either from us or a third party, it may be unable to deduct all or a portion of the interest paid, resulting in a higher corporate level tax liability. Further, the REIT rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

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

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

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

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

The maximum tax rate applicable to "qualified dividend income" payable to U.S. stockholders that are taxed at individual rates is 20% (plus the 3.8% surtax on net investment income, if applicable). Dividends payable by REITs, however, are generally not eligible for the reduced rates on qualified dividend income. However, REIT dividends constitute "qualified business income" and thus a 20% deduction is available to individual taxpayers with respect to such dividends, resulting in a 29.6% maximum federal tax rate (plus the 3.8% surtax on net investment income, if applicable) for individual U.S. stockholders. Unless Congress takes action, the 20% deduction applicable to REIT dividends will expire on January 1, 2026. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our stock.

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

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

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

We may recognize taxable income in excess of our economic income, or "phantom income", in the first years that we hold certain investments, and experience an offsetting excess of economic income over our taxable income in later years. As a result, stockholders at times may be required to pay U.S. federal income tax on distributions that economically represent a return of capital rather than a dividend. These distributions would be offset in later years by distributions representing economic income that would be treated as returns of capital for U.S. federal income tax purposes. Taking into account the time value of money, this acceleration of U.S. federal income tax liabilities may reduce a stockholder's after-tax return on his or her investment to an amount less than the after-tax return on an investment with an identical before-tax rate of return that did not generate phantom income.

Liquidation of our assets may jeopardize our REIT qualification.

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

The Company's information security program is designed to protect the security, confidentiality, integrity and availability of the Company's sensitive and personal information and client information. Employing a risk-based approach, the program systematically identifies, assesses and implements safeguards that seek to mitigate cybersecurity threats and secure the Company's information assets, including those of our sub-servicers. The program is informed by the National Institute of Standards and Technology Cybersecurity Framework and is shaped by the legal requirements derived from authoritative sources such as the Gramm-Leach-Bliley Act and its implementing regulations and guidelines, as well as Freddie Mac's mandates from the office of Federal Housing Enterprise Oversight. Additionally, the program is guided by relevant state laws and regulations.

Periodically, the Company, as it reasonably deems necessary, will identify and categorize potential cybersecurity threats and vulnerabilities, determine acceptable risk tolerance for each such threat and vulnerability and implement adequate mitigation controls. At the senior executive level, the Chief Financial Officer ("CFO") is entrusted with the day-to-day oversight of the program's development, implementation, and maintenance. To help facilitate Company-wide compliance with the plan, the Company, as well as its subservicers, provide ongoing training to the appropriate employees.

The CFO is responsible for ensuring that the board of directors comprehends the Company's risk profile and receives periodic updates on the program and its policies. Our current CFO is Michael Hutchby. Mr. Hutchby has a B.A. in Economics from The Johns Hopkins University and an M.B.A. from the Stern School of Business at New York University. Mr. Hutchby was appointed the Company's CFO, Treasurer and Secretary in June 2019 and previously served as the Company's Controller from October 2013 to June 2019.

As mentioned above, the CFO is responsible for the initial assessment and management of potential incidents. Furthermore, the Company has established a response plan that serves as the foundation for addressing unauthorized cybersecurity occurrences from both a technical and regulatory perspective. The Cybersecurity Response Team ("CRT"), comprised of the CFO, Manager of Information Technology ("MIT") and other personnel, as each may designate, are responsible for leading all incident management and response activities. The MIT assumes a crucial role in overseeing and managing the technical facets of the CRT while the CFO provides strategic direction and decision-making, facilitating communication with other members of senior management, and disseminating pertinent information to the board of directors.

In conjunction with the aforementioned plans, the Company conducts an annual business impact analysis to identify the critical business functions that are required by the Company to sustain business operations and potential impacts to the Company if any those critical functions are disrupted. Deriving from the analysis, the Company maintains a business continuity and disaster recovery plan to coordinate business recovery to resume any disrupted critical business operations. In the event of a critical cybersecurity business disruption, the President of the Company may activate the business continuity plan to implement risk-based strategies devised to maintain business continuity against distributed denial of service attacks or malware.

To date, no risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect the Company. Please refer to "Item 1A. Risk Factors – Risks Related to Our Business – We are highly dependent on information systems and third parties, and systems failures or cybersecurity incidents could disrupt our business".

Item 2. Properties

Our business is operated from space provided through our Manager located at 1451 Route 34, Suite 303, Farmingdale, New Jersey 07727, telephone (877) 870-7005, and 1270 Avenue of the Americas, Suite 920, New York, New York 10020, telephone (877) 870-7005.

Item 3. Legal Proceedings

From time to time, the Company may be involved in various claims and legal actions in the ordinary course of business. As of December 31, 2023, the Company is not aware of any material legal or regulatory claims or proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Market Information

Our common stock has been listed and traded on the NYSE under the symbol “CHMI” since October 4, 2013. Prior to October 4, 2013, our common stock was not listed on any exchange or over-the-counter market.

Holders

As of March 7, 2024, we had six holders of record of our common stock. The six holders of record include Cede & Co., which holds shares as nominee for The Depository Trust Company, which itself holds shares on behalf of the beneficial owners of our common stock. Such information was obtained from our registrar and transfer agent.

Dividends

U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. We intend to make regular quarterly distributions of all or substantially all of our REIT taxable income to holders of our common and preferred stock out of assets legally available for this purpose, if and to the extent authorized by our board of directors. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our repurchase agreements and other debt payable. If our cash available for distribution is less than our REIT taxable income, we could be required to sell assets or borrow funds to make cash distributions, or, with respect to our common stock, we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. We will make distributions only upon the authorization of our board of directors. The amount, timing and frequency of distributions will be authorized by our board of directors based upon a variety of factors, including:

- actual results of operations;
- our level of retained cash flows;
- our ability to make additional investments in our target assets;
- restrictions under Maryland law;
- the terms of our preferred stock;
- any debt service requirements;
- our taxable income;
- the annual distribution requirements under the REIT provisions of the Code; and
- other factors that our board of directors may deem relevant.

Our ability to make distributions to our stockholders will depend upon the performance of our investment portfolio, and, in turn, upon our Manager’s management of our business. Distributions will be made quarterly in cash to the extent that cash is available for distribution. We may not be able to generate sufficient cash available for distribution to pay distributions to our stockholders. In addition, our board of directors may change our distribution policy with respect to our common stock in the future. No assurance can be given that we will be able to make any other distributions to our stockholders at any time in the future or that the level of any distributions we do make to our stockholders will achieve a market yield or increase or even be maintained over time.

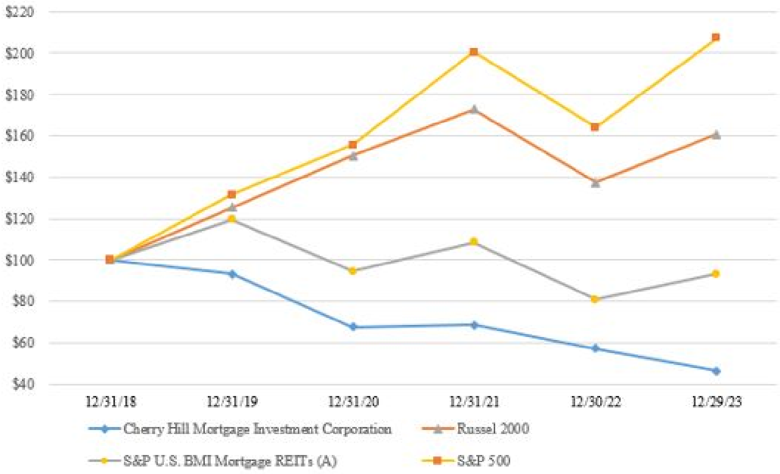
We make distributions based on a number of factors, including an estimate of taxable earnings. Dividends distributed and taxable income will typically differ from GAAP earnings due to items such as fair value adjustments, differences in premium amortization and discount accretion, and nondeductible general and administrative expenses. Our common dividend per share may be substantially different than our taxable earnings and GAAP earnings per share.

The following table sets forth the dividends declared on our common stock during each calendar quarter for 2023 and 2022:

	Declaration Date	Record Date	Payment Date	Amount per Share
2023				
Fourth Quarter	12/8/2023	12/29/2023	1/31/2024	$ 0.15
Third Quarter	9/14/2023	9/29/2023	10/31/2023	$ 0.15
Second Quarter	6/15/2023	6/30/2023	7/31/2023	$ 0.15
First Quarter	3/16/2023	3/31/2023	4/25/2023	$ 0.27
2022				
Fourth Quarter	12/16/2022	12/30/2022	1/31/2023	$ 0.27
Third Quarter	9/15/2022	9/30/2022	10/25/2022	$ 0.27
Second Quarter	6/17/2022	6/30/2022	7/26/2022	$ 0.27
First Quarter	3/11/2022	3/31/2022	4/26/2022	$ 0.27

Stockholder Return Performance

The following graph is a comparison of the cumulative total stockholder return on our common stock, the S&P 500 Index, the Russell 2000 Index and the S&P U.S. BMI Mortgage REITs Index, a peer group index, from December 31, 2018 to December 31, 2023. The graph assumes that $100 was invested on December 31, 2017 in our common stock, the S&P 500 Index, the Russell 2000 Index and the S&P U.S. BMI Mortgage REITs Index and that all dividends were reinvested without the payment of any commissions. There can be no assurance that the performance of our common stock will continue in line with the same or similar trends depicted in the graph below:



	December 31, 2019	December 31, 2020	December 31, 2021	December 30, 2022	December 29, 2023
Cherry Hill Mortgage Investment Corporation	$ 93.27	$ 67.61	$ 68.70	$ 57.29	$ 46.48
Russel 2000	$ 125.52	$ 150.58	$ 172.90	$ 137.56	$ 160.85
S&P U.S. BMI Mortgage REITs (A)	$ 119.61	$ 94.68	$ 108.65	$ 80.83	$ 93.30
S&P 500	$ 131.49	$ 155.68	$ 200.37	$ 164.08	$ 207.21

Source: S&P Capital IQ Pro

(A) In addition to the Company, as of December 31, 2023, the S&P U.S. BMI Mortgage REITs Index comprised the following companies: AFC Gamma Inc., AG Mortgage Investment Trust, Inc., AGNC Investment Corp., Angel Oak Mortgage, Inc., Apollo Commercial Real Estate Finance, Inc., Arbor Realty Trust, Inc., Ares Commercial RE Corporation, Arlington Asset Invt Corp., ARMOUR Residential REIT, Inc., Blackstone Mortgage Trust, Inc., BrightSpire Capital, Inc., Broadmark Realty Capital Inc., Chimera Investment Corporation, Claros Mortgage Trust, Inc., Dynex Capital, Inc., Ellington Financial Inc., Ellington Residential Mortgage REIT, Franklin BSP Realty Trust, Inc., Granite Point Mortgage Trust, Inc., Great Ajax Corp., Hannon Armstrong Sustainable Infrastructure Capital, Inc., Invesco Mortgage Capital Inc., KKR Real Estate Finance Trust Inc., Ladder Capital Corp, Lument Finance Trust, Inc., MFA Financial, Inc., New York Mortgage Trust, Inc., NexPoint Real Estate Finance, Inc., Orchid Island Capital, Inc., PennyMac Mortgage Investment Trust, Ready Capital Corporation, Redwood Trust, Inc., Rithm Capital Corp., Sachem Capital Corp., Seven Hills Realty Trust, Starwood Property Trust, Inc., TPG RE Finance Trust, Inc, and Western Asset Mortgage Capital Corporation.

Securities Authorized For Issuance Under Equity Compensation Plans

During 2013, the board of directors approved and the Company adopted the Cherry Hill Mortgage Investment Corporation 2013 Equity Incentive Plan (the "2013 Plan"). The 2013 Plan, which expired by its terms in October 2023, provided for the grant of options to purchase shares of the Company's common stock, stock awards, stock appreciation rights ("SARs"), performance units, incentive awards and other equity-based awards, including long term incentive plan units ("LTIP-OP Units") of the Operating Partnership.

In April 2023, the Company's board of directors adopted the Cherry Hill Mortgage Investment Corporation 2023 Equity Incentive Plan (the "2023 Plan"). In June 2023, at the Company's annual meeting of stockholders, the 2023 Plan was approved. The 2023 Plan, which expires by its term in April 2033, permits the Company to provide equity-based compensation in the form of options to purchase shares of the Company's common stock, stock awards, SARs, performance units, incentive awards and other equity-based awards (including LTIP-OP Units). Each LTIP-OP Unit awarded is deemed equivalent to an award of one share of our common stock under the 2023 Plan and reduces the 2023 Plan's share authorization for other awards on a one-for-one basis. The 2023 Plan replaced the 2013 Plan upon the 2023 Plan's approval by stockholders and no further awards will be made by the Company under the 2013 Plan. Currently outstanding awards granted under the 2013 Plan will remain effective in accordance with their terms.

The following table presents information with respect to the Company's equity compensation plans as of December 31, 2023:

Equity Incentive Plan Information
As of December 31, 2023

	Number of Securities Issued or to be Issued Upon Exercise	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans
Equity compensation Plans Approved By Shareholders		2,788,165
LTIP-OP Units	552,097	
Forfeited LTIP-OP Units	(5,832)	
Converted LTIP-OP Units	(44,795)	
Redeemed LTIP-OP Units	(9,054)	
Shares of Common Stock	220,256	
Forfeited Shares of Common Stock	(3,155)	
Equity Compensation Plans Not Approved By Shareholders		-

LTIP-OP Units are a special class of partnership interest in the Operating Partnership. LTIP-OP Units may be issued to eligible participants for the performance of services to or for the benefit of the Operating Partnership. Initially, LTIP-OP Units do not have full parity with the Operating Partnership's common units of limited partnership interest ("OP Units") with respect to liquidating distributions; however, LTIP-OP Units receive, whether vested or not, the same per-unit distributions as OP Units and are allocated their pro-rata share of the Operating Partnership's net income or loss. Under the terms of the LTIP-OP Units, the Operating Partnership will revalue its assets upon the occurrence of certain specified events, and any increase in the Operating Partnership's valuation from the time of grant of the LTIP-OP Units until such event will be allocated first to the holders of LTIP-OP Units to equalize the capital accounts of such holders with the capital accounts of the holders of OP Units. Upon equalization of the capital accounts of the holders of LTIP-OP Units with the other holders of OP Units, the LTIP-OP Units will achieve full parity with OP Units for all purposes, including with respect to liquidating distributions. If such parity is reached, vested LTIP-OP Units may be converted into an equal number of OP Units at any time and, thereafter, enjoy all the rights of OP Units, including redemption rights.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and the accompanying notes included in "Item 8. Consolidated Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. All currency amounts are presented in thousands, except per share amounts or as otherwise noted.

General

We are a public residential real estate finance company focused on acquiring, investing in and managing residential mortgage assets in the United States. We were incorporated in Maryland on October 31, 2012, and we commenced operations on or about October 9, 2013 following the completion of our initial public offering and a concurrent private placement. Our common stock, our Series A Preferred Stock and our Series B Preferred Stock are listed and traded on the NYSE under the symbols "CHMI", "CHMI-PRA" and "CHMI-PRB", respectively. We are externally managed by our Manager, Cherry Hill Mortgage Management, LLC, an SEC-registered investment adviser.

Our principal objective is to generate attractive current yields and risk-adjusted total returns for our stockholders over the long term, primarily through dividend distributions and secondarily through capital appreciation. We attempt to attain this objective by selectively constructing and actively managing a portfolio of Servicing Related Assets and RMBS and, subject to market conditions, other cash flowing residential mortgage assets.

We are subject to the risks involved with real estate and real estate-related debt instruments. These include, among others, the risks normally associated with changes in the general economic climate, changes in the mortgage market, changes in tax laws, interest rate levels, and the availability of financing.

We elected to be taxed as a REIT for U.S. federal income tax purposes commencing with our short taxable year ended December 31, 2013. We operate so as to continue to qualify to be taxed as a REIT. Our asset acquisition strategy focuses on acquiring a diversified portfolio of residential mortgage assets that balances the risk and reward opportunities our Manager observes in the marketplace. Aurora has or is in the process of obtaining the licenses necessary to invest in MSRs on a nationwide basis and is an approved seller/servicer for Fannie Mae and Freddie Mac.

In addition to Servicing Related Assets, we invest in RMBS, primarily those backed by 30-, 20- and 15-year fixed rate mortgages that offer what we believe to be favorable prepayment and duration characteristics. Our RMBS consist solely of Agency RMBS on which the payments of principal and interest are guaranteed by an Agency. In the past, we have invested in Agency CMOs consisting of interest only securities ("IOs") as well as non-Agency RMBS and may do so in the future subject to market conditions and availability of capital. We finance our RMBS with an amount of leverage, that varies from time to time depending on the particular characteristics of our portfolio, the availability of financing and market conditions. We do not have a targeted leverage ratio for our RMBS. Our borrowings for RMBS consist of short-term borrowings under master repurchase agreements.

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

We also seek to operate our business in a manner that does not require us to register as an investment company under the Investment Company Act.

We conduct substantially all of our operations and own substantially all of our assets through our Operating Partnership. We are the sole general partner of our Operating Partnership. As of December 31, 2023, we owned 98.1% of our Operating Partnership. Our Operating Partnership, in turn, owns all of the outstanding common stock of CHMI Sub-REIT, Inc. (the "Sub-REIT"). The Sub-REIT has elected to be taxed as a REIT under the Code commencing with its taxable year ended December 31, 2020.

From time to time, we may issue and sell shares of our common stock or preferred stock, including additional shares of our Series A Preferred Stock or Series B Preferred Stock. See "Item 8. Consolidated Financial Statements and Supplementary Data—Note 6. Equity and Earnings per Common Share—Common and Preferred Stock".

The Company has an at-the-market offering program for its common stock (the "Common Stock ATM Program") pursuant to which it may offer and sell through one or more sales agents, up to $100.0 million in shares of its common stock at prices prevailing at the time, subject to volume and other regulatory limitations. As of December 31, 2023, approximately $4.8 million was remaining pursuant to the Common Stock ATM Program. During the year ended December 31, 2023, the Company issued and sold 6,470,004 shares of common stock under the Common Stock ATM Program. The shares were sold at a weighted average price of $4.87 per share for aggregate gross proceeds of approximately $31.5 million before fees of approximately $631,000. During the year ended December 31, 2022, the Company issued and sold 5,212,841 shares of common stock pursuant to the Common Stock ATM Program. The shares were sold at a weighted average price of $6.50 per share for aggregate gross proceeds of approximately $33.9 million before fees of approximately $677,000.

Prior to January 29, 2024, the Company had an at-the-market offering program for its Series A Preferred Stock (the "Preferred Series A ATM Program") pursuant to which it could offer and sell through one or more sales agents up to $35.0 million in shares of its Series A Preferred Stock at prices prevailing at the time, subject to volume and other regulatory limitations. During the years ended December 31, 2023 and December 31, 2022, the Company did not issue and sell any shares of Series A Preferred Stock pursuant to the Preferred Series A ATM Program. The Company terminated the Preferred Series A ATM Program effective as of January 29, 2024.

In September 2019, the Company initiated a share repurchase program that allows for the repurchase of up to an aggregate of $10.0 million of its common stock. As of December 31, 2023, approximately $4.7 million was remaining under the share repurchase program. Shares may be repurchased from time to time through privately negotiated transactions or open market transactions, pursuant to a trading plan in accordance with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or by any combination of such methods. The manner, price, number and timing of share repurchases are subject to a variety of factors, including market conditions and applicable SEC rules. The share repurchase program does not require the purchase of any minimum number of shares, and, subject to SEC rules, purchases may be commenced or suspended at any time without prior notice. During the years ended December 31, 2023 and December 31, 2022, the Company did not repurchase any common stock pursuant to the repurchase program.

In December 2023, the Company initiated a Preferred Stock repurchase program that allows for the repurchase of up to an aggregate of $50.0 million of its Preferred Stock. Shares may be repurchased from time to time through privately negotiated transactions or open market transactions, pursuant to a trading plan in accordance with Rules 10b5-1 under the Exchange Act. The manner, price, number and timing of share repurchases are subject to a variety of factors, including market conditions and applicable SEC rules. The Preferred Stock repurchase program does not require the purchase of any minimum number of shares, and, subject to SEC rules, purchases may be commenced or suspended at any time without prior notice. During the year ended December 31, 2023, the Company did not repurchase any Preferred Stock pursuant to the repurchase program.

Effects of Federal Reserve Policy on the Company

Over the past two years, the Federal Reserve has substantially tightened monetary policy to combat an increase in U.S. inflation. Since March 2022, the Federal Reserve has increased its federal funds rate target from 0.0% - 0.25% to the current target of 5.25 – 5.50%. In March 2022, the Federal Reserve also ended its net purchases of Treasury and agency securities (a policy known as quantitative easing) and then in June 2022 began reducing the size of its balance sheet by no longer reinvesting proceeds of up to $60.0 billion (initially $30.0 billion) of maturing Treasury securities and up to $35.0 billion (initially $17.5 billion) in maturing agency debt and mortgage-backed securities per month. Inflation peaked in June of 2022 with consumer prices rising at a rate of 9.0% on a year-over-year basis, but has since declined with consumer prices rising 3.4% on a year-over-year basis in December of 2023. Although inflation has eased over the past few months, it is still unclear how long the Federal Reserve will keep interest rates at elevated levels to bring inflation down to its 2% percent target.

The Federal Reserve's federal funds rate increases over the past two years and reductions in the size of its balance sheet have resulted in higher interest rates across asset classes, including for Agency RMBS. These actions also may reduce economic activity in the United States, as well as decrease spreads on interest rates, reducing our net interest income. They may also negatively impact our results as we have certain assets and liabilities that are sensitive to changes in interest rates. In addition, lower net interest income resulting from higher rates is expected to be partially offset by lower prepayments which extends the length of cash flows from the MSRs and slows the premium amortization on the RMBS portfolio. Any benefit we expect to receive from lower prepayments on the mortgages underlying our MSRs and RMBS could be offset by increased volatility in the market and increased hedging costs attributable to such volatility and by increased funding costs. The impact on our operating results of future actions by the Federal Reserve that change market interest rates is discussed further below. See "Factors Impacting our Operating Results".

Factors Impacting our Operating Results

Our income is generated primarily by the net spread between the income we earn on our assets and the cost of our financing and hedging activities as well as the amortization of any purchase premiums or the accretion of discounts. Our net income includes the actual interest payments we receive on our RMBS, the net servicing fees we receive on our MSRs and the accretion/amortization of any purchase discounts/premiums. Changes in various factors such as market interest rates, prepayment speeds, estimated future cash flows, servicing costs and credit quality could affect the amount of premium to be amortized or discount to be accreted into interest income for a given period. Prepayment speeds vary according to the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty. Our operating results may also be affected by credit losses in excess of initial anticipations or unanticipated credit events experienced by borrowers whose mortgage loans underlie the MSRs held by Aurora.

Set forth below is the positive net spread between the yield on RMBS and our costs of funding those assets at the end of each of the quarters indicated below:

Average Net Yield Spread at Period End

Quarter Ended	Average Asset Yield	Average Cost of Funds (A)	Average Net Interest Rate Spread
December 31, 2023	4.77%	0.96%	3.81%
September 30, 2023	4.66%	0.87%	3.79%
June 30, 2023	4.49%	0.53%	3.96%
March 31, 2023	4.40%	0.73%	3.68%
December 31, 2022	4.29%	0.69%	3.60%
September 30, 2022	3.90%	0.77%	3.13%
June 30, 2022	3.56%	0.32%	3.25%
March 31, 2022	2.98%	0.49%	2.49%

(A) Average Cost of Funds also includes the benefits of related swaps.

Changes in the Market Value of Our Assets

We hold our Servicing Related Assets as long-term investments. Our MSRs are carried at their fair value with changes in their fair value recorded in other income (loss) in our consolidated statements of income (loss). Those values may be affected by events or headlines that are outside of our control, such as events impacting the U.S. or global economy generally or the U.S. residential market specifically, and events or headlines impacting the parties with which we do business. See "Item 1A. Risk Factors – Risks Related to Our Business".

All of our investments in RMBS are reported at their fair value. At the time of purchase, ASC 320, *Investments – Debt and Equity Securities* requires us to designate a security as held-to-maturity, available-for-sale or trading, depending on our ability to hold such security to maturity. Alternatively, we may elect the fair value option of accounting for securities pursuant to ASC 825, *Financial Instruments.* Prior to January 1, 2023, we designated all our investments in RMBS as available-for-sale. On January 1, 2023, we began electing the fair value option of accounting for all RMBS acquired after such date. Unrealized gains and losses on RMBS classified as available-for-sale are reported in accumulated other comprehensive income, whereas unrealized gains and losses on RMBS for which we elected the fair value option are reported in the consolidated statements of income (loss).

We evaluate the cost basis of our available-for-sale RMBS on a quarterly basis under ASC 326-30, *Financial Instruments-Credit Losses: Available-for-Sale Debt Securities.* When the fair value of a security is less than its amortized cost basis as of the balance sheet date, the security's cost basis is considered impaired. If we determine that we intend to sell the security or it is more likely than not that we will be required to sell before recovery, we recognize the difference between the fair value and amortized cost as a loss in the consolidated statements of income (loss). If we determine we do not intend to sell the security or it is not more likely than not we will be required to sell the security before recovery, we must evaluate the decline in the fair value of the impaired security and determine whether such decline resulted from a credit loss or non-credit related factors. In our assessment of whether a credit loss exists, we perform a qualitative assessment around whether a credit loss exists and if necessary, we compare the present value of estimated future cash flows of the impaired security with the amortized cost basis of such security. The estimated future cash flows reflect those that a "market participant" would use and typically include assumptions related to fluctuations in interest rates, prepayment speeds, default rates, collateral performance, and the timing and amount of projected credit losses, as well as incorporating observations of current market developments and events. Cash flows are discounted at an interest rate equal to the current yield used to accrete interest income. If the present value of estimated future cash flows is less than the amortized cost basis of the security, an expected credit loss exists and is included in provision for (reversal of) credit losses on securities in the consolidated statements of income (loss). If it is determined as of the financial reporting date that all or a portion of a security's cost basis is not collectible, then we will recognize a realized loss to the extent of the adjustment to the security's cost basis. This adjustment to the amortized cost basis of the security is reflected in realized gain (loss) on RMBS, net in the consolidated statements of income (loss).

Impact of Changes in Market Interest Rates on Our Assets

The value of our assets may be affected by prepayment speeds on mortgage loans. Prepayment speed is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise liquidated or charged off. Generally, in a declining interest rate environment, prepayment speeds tend to increase. Conversely, in an increasing interest rate environment, prepayment speeds tend to decrease. When we acquire Servicing Related Assets or RMBS, we anticipate that the underlying mortgage loans will prepay at a projected rate generating an expected cash flow (in the case of Servicing Related Assets) and yield. If we purchase assets at a premium to par value and borrowers prepay their mortgage loans faster than expected, the corresponding prepayments on our assets may reduce the expected yield on such assets because we will have to amortize the related premium on an accelerated basis. In addition, we will have to reinvest the greater amounts of prepayments in that lower rate environment, thereby affecting future yields on our assets. If we purchase assets at a discount to par value, and borrowers prepay their mortgage loans slower than expected, the decrease in corresponding prepayments may reduce the expected yield on assets because we will not be able to accrete the related discount as quickly as originally anticipated.

If prepayment speeds are significantly greater than expected, the fair value of the Servicing Related Assets could be less than their fair value as previously reported on our consolidated balance sheets. Such a reduction in the fair value of the Servicing Related Assets would have a negative impact on our book value. Furthermore, a significant increase in prepayment speeds could materially reduce the ultimate cash flows we receive from the Servicing Related Assets, and we could receive substantially less than what we paid for such assets. Our balance sheet, results of operations and cash flows are susceptible to significant volatility due to changes in the fair value of, or cash flows from, the Servicing Related Assets as interest rates change.

A slower than anticipated rate of prepayment due to an increase in market interest rates also will cause the life of the related RMBS to extend beyond that which was projected. As a result, we would have an asset with a lower yield than current investments for a longer period of time. In addition, if we have hedged our interest rate risk, extension may cause the security to be outstanding longer than the related hedge, thereby reducing the protection intended to be provided by the hedge.

Voluntary and involuntary prepayment rates may be affected by a number of factors including, but not limited to, the availability of mortgage credit, the relative economic vitality of, or natural disasters affecting, the area in which the related properties are located, the servicing of the mortgage loans, possible changes in tax laws, other opportunities for investment, homeowner mobility and other economic, social, geographic, demographic and legal factors, none of which can be predicted with any certainty.

We attempt to reduce the exposure of our MSRs to voluntary prepayments through the structuring of recapture agreements with Aurora’s subservicers. Under these agreements, the subservicer attempts to refinance specified mortgage loans. The subservicer sells the new mortgage loan to the applicable Agency, transfers the related MSR to Aurora and then subservices the new mortgage loan on behalf of Aurora. See “Item 8. Consolidated Financial Statements and Supplementary Data—Note 7. Transactions with Related Parties” for information regarding Aurora’s recapture agreements.

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

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

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

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

Regardless, we cannot predict the impact future actions by the Federal Reserve will have on our business, and any such actions may negatively impact us.

Effects of Spreads on our Assets

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

Credit Risk

We are subject to varying degrees of credit risk in connection with our assets. Although we expect relatively low credit risk with respect to our portfolios of Agency RMBS, we may become subject to the credit risk of borrowers under the loans backing any CMOs that we may own and to the credit enhancements built into the CMO structure. We also are subject to the credit risk of the borrowers under the mortgage loans underlying the MSRs that Aurora owns. Through loan level due diligence, we attempt to mitigate this risk by seeking to acquire high quality assets at appropriate prices given anticipated and unanticipated losses. We also conduct ongoing monitoring of acquired MSRs. Nevertheless, unanticipated credit losses could occur which could adversely impact our operating results.

Critical Accounting Policies and Use of Estimates

Our financial statements are prepared in accordance with US GAAP, which requires the use of estimates that involve the exercise of judgment and the use of assumptions as to future uncertainties. Our most critical accounting policies involve decisions and assessments that could affect our reported amounts of assets and liabilities, as well as our reported amounts of revenues and expenses. We believe that the decisions and assessments upon which our financial statements are based were reasonable at the time made and based upon information available to us at that time. Our critical accounting policies and accounting estimates may change over time as we diversify our portfolio. The material accounting policies and estimates that we expect to be most critical to an investor’s understanding of our financial results and condition and require complex management judgment are discussed below. For additional information on our material accounting policies and estimates, see “Item 8. Consolidated Financial Statements and Supplementary Data—Note 2. Basis of Presentation and Significant Accounting Policies”.

Investments in MSRs

We have elected the fair value option to record our investments in MSRs in order to provide users of our consolidated financial statements with better information regarding the effects of prepayment risk and other market factors on the MSRs. Under this election, we record a valuation adjustment on our investments in MSRs on a quarterly basis to recognize the changes in fair value of our MSRs in net income as described below. Although transactions in MSRs are observable in the marketplace, the valuation includes unobservable market data inputs (prepayment speeds, delinquency levels, costs to service and discount rates). The change in fair value of MSRs is recorded within “Unrealized gain (loss) on investments in Servicing Related Assets” on the consolidated statements of income (loss). Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the MSRs and, therefore, may differ from their effective yields. In determining the valuation of MSRs, management uses internally developed pricing models that are based on certain unobservable market-based inputs. The Company classifies these valuations as Level 3 in the fair value hierarchy. For additional information on our fair value methodology, see “Item 8. Consolidated Financial Statements and Supplementary Data—Note 9. Fair Value”.

Revenue Recognition on Investments in MSRs

Mortgage servicing fee income represents revenue earned from the ownership of MSRs. The servicing fees are based on a contractual percentage of the outstanding principal balance and are recognized as revenue as the related mortgage payments are collected. Corresponding costs to service are charged to expense as incurred. Servicing fee income received and servicing expenses incurred are reported on the consolidated statements of income (loss).

Income Taxes

We elected to be taxed as a REIT under the Code commencing with our short taxable year ended December 31, 2013. We expect to continue to qualify to be treated as a REIT. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate income tax rates to the extent that it annually distributes less than 100% of its taxable income. Our taxable REIT subsidiary, Solutions, and its wholly-owned subsidiary, Aurora, are subject to U.S. federal income taxes on their taxable income.

We account for income taxes in accordance with ASC 740, *Income Taxes*. ASC 740 requires the recording of deferred income taxes that reflect the net tax effect of temporary differences between the carrying amounts of our assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, including operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings in the period that includes the enactment date. For information on our assessment of the realizability of deferred tax assets, see "Item 8. Consolidated Financial Statements and Supplementary Data—Note 15. Income Taxes". We assess our tax positions for all open tax years and determine if we have any material unrecognized liabilities in accordance with ASC 740. We record these liabilities to the extent we deem them more-likely-than-not to be incurred. We record interest and penalties related to income taxes within the provision for income taxes in the consolidated statements of income (loss). We have not incurred any interest or penalties.

Investments in Securities

Prior to fiscal year 2023, we designated all our investments in RMBS as available-for-sale pursuant to ASC 320, *Investments – Debt and Equity Securities*. Although we may hold most of our securities until maturity, we may, from time to time, sell any of our securities as part of our overall management of our asset portfolio. All assets classified as available-for-sale are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity. On January 1, 2023, we began electing the fair value option of accounting pursuant to ASC 825, *Financial Instruments*, for all RMBS acquired after such date. Unrealized gains and losses on RMBS for which we elected the fair value option are reported in the consolidated statements of income (loss). Fair value of our investments in RMBS is determined based upon prices obtained from third-party pricing providers. Changes in underlying assumptions used in estimating fair value impact the carrying value of the investments in RMBS as well as their yield. For additional information on our assessment of credit-related impairment and our fair value methodology, see "Item 8. Consolidated Financial Statements and Supplementary Data—Note 4. Investments in RMBS and Note 9. Fair Value".

Revenue Recognition on Securities

Interest income from coupon payments is accrued based on the outstanding principal amount of the RMBS and their contractual terms. Premiums and discounts associated with the purchase of the RMBS are amortized or accreted into interest income over the projected lives of the securities using the effective interest method. Our policy for estimating prepayment speeds for calculating the effective yield is to evaluate historical performance, consensus prepayment speeds, and current market conditions. Adjustments are made for actual prepayment activity. For information on how interest rates affect net interest income, see "Item 7A. Quantitative and Qualitative Disclosures about Market Risk—Interest Rate Effect on Net Interest Income".

Repurchase Transactions

We finance the acquisition of our RMBS for our portfolio through repurchase transactions under master repurchase agreements. Repurchase transactions are treated as collateralized financing transactions and are carried at their contractual amounts as specified in the respective transactions. Accrued interest payable is included in "Accrued expenses and other liabilities" on the consolidated balance sheets. Securities financed through repurchase transactions remain on our consolidated balance sheet as an asset and cash received from the purchaser is recorded on our consolidated balance sheet as a liability. Interest paid in accordance with repurchase transactions is recorded in interest expense on the consolidated statements of income (loss).

Results of Operations

Presented below is a comparison of the Company's results of operations for the periods indicated (dollars in thousands):

Results of Operations

	Year Ended December 31,	
	2023	**2022**
Income		
Interest income	$ 49,985	$ 29,642
Interest expense	51,642	17,563
Net interest income (expense)	(1,657)	12,079
Servicing fee income	53,427	53,430
Servicing costs	11,248	11,837
Net servicing income	42,179	41,593
Other income (loss)		
Realized loss on RMBS, net	(36,315)	(99,694)
Realized gain on derivatives, net	33,821	1,363
Realized gain on acquired assets, net	23	12
Unrealized gain on RMBS, measured at fair value through earnings, net	9,755	-
Unrealized gain (loss) on derivatives, net	(43,071)	61,864
Unrealized gain (loss) on investments in Servicing Related Assets	(25,937)	22,976
Total Income (Loss)	**(21,202)**	**40,193**
Expenses		
General and administrative expense	6,900	6,305
Management fee to affiliate	6,830	6,629
Total Expenses	**13,730**	**12,934**
Income (Loss) Before Income Taxes	**(34,932)**	**27,259**
Provision for corporate business taxes	523	5,070
Net Income (Loss)	**(35,455)**	**22,189**
Net (income) loss allocated to noncontrolling interests in Operating Partnership	661	(450)
Dividends on preferred stock	9,853	9,853
Net Income (Loss) Applicable to Common Stockholders	**$ (44,647)**	**$ 11,886**

Presented below is summary financial data on our segments together with the data for the Company as a whole, for the periods indicated (dollars in thousands):

Segment Summary Data

	Servicing Related Assets	RMBS	All Other	Total
Income Statement				
Year Ended December 31, 2023				
Interest income	$ -	$ 49,985	$ -	$ 49,985
Interest expense	1,572	50,070	-	51,642
Net interest expense	(1,572)	(85)	-	(1,657)
Servicing fee income	53,427	-	-	53,427
Servicing costs	11,248	-	-	11,248
Net servicing income	42,179	-	-	42,179
Other expense	(29,443)	(32,281)	-	(61,724)
Other operating expenses	(2,231)	(664)	(10,835)	(13,730)
Provision for corporate business taxes	(523)	-	-	(523)
Net Income (Loss)	$ 8,410	$ (33,030)	$ (10,835)	$ (35,455)
Year Ended December 31, 2022				
Interest income	$ -	$ 29,642	$ -	$ 29,642
Interest expense	3,837	13,726	-	17,563
Net interest income (expense)	(3,837)	15,916	-	12,079
Servicing fee income	53,430	-	-	53,430
Servicing costs	11,837	-	-	11,837
Net servicing income	41,593	-	-	41,593
Other income (expense)	(26,655)	13,176	-	(13,479)
Other operating expenses	(2,099)	(692)	(10,143)	(12,934)
Provision for corporate business taxes	(5,070)	-	-	(5,070)
Net Income (Loss)	$ 3,932	$ 28,400	$ (10,143)	$ 22,189

	Servicing Related Assets	RMBS	All Other	Total
Balance Sheet				
December 31, 2023				
Investments	$ 253,629	$ 1,012,130	$ -	$ 1,265,759
Other assets	33,785	39,939	53,509	127,233
Total assets	287,414	1,052,069	53,509	1,392,992
Debt	169,314	903,489	-	1,072,803
Other liabilities	4,240	47,990	9,584	61,814
Total liabilities	173,554	951,479	9,584	1,134,617
Net Assets	$ 113,860	$ 100,590	$ 43,925	$ 258,375
December 31, 2022				
Investments	$ 279,739	$ 931,431	$ -	$ 1,211,170
Other assets	32,849	106,885	57,921	197,655
Total assets	312,588	1,038,316	57,921	1,408,825
Debt	183,888	825,962	-	1,009,850
Other liabilities	29,047	92,875	11,537	133,459
Total liabilities	212,935	918,837	11,537	1,143,309
Net Assets	$ 99,653	$ 119,479	$ 46,384	$ 265,516

Interest Income

Interest income for the year ended December 31, 2023 was $50.0 million as compared to $29.6 million for the year ended December 31, 2022. The $20.4 million increase in interest income for the year ended December 31, 2023 as compared to the year ended December 31, 2022 was due to purchases of new securities, as well as replacing lower yielding securities with higher yielding securities coupled with portfolio positioning, which resulted in a decrease in price premium amortization driven by lower prepayment speeds.

Interest Expense

Interest expense for the year ended December 31, 2023 was $51.6 million as compared to $17.6 million for the year ended December 31, 2022. The $34.0 million increase in interest expense for the year ended December 31, 2023 as compared to the year ended December 31, 2022, was due to a rise in financing rates of all assets. The rise in RMBS financing costs was the primary driver.

Servicing Fee Income

Servicing fee income for each of the years ended December 31, 2023 and December 31, 2022 was $53.4 million because the Company did not make any substantial MSR purchases during the year ended December 31, 2023.

Servicing Costs

Servicing costs for the year ended December 31, 2023 were $11.2 million as compared to $11.8 million for the year ended December 31, 2022. The $589,000 decrease in servicing costs for the year ended December 31, 2023 as compared to the year ended December 31, 2022 was primarily due to changes in the delinquency profile.

Realized Loss on RMBS, Net

Realized loss on RMBS for the year ended December 31, 2023 was $36.3 million as compared to $99.7 million for the year ended December 31, 2022. The $63.4 million decrease in realized loss on RMBS for the year ended December 31, 2023 as compared to the year ended December 31, 2022 was due to a decline in the number of RMBS securities sold during the year ended December 31, 2023.

Realized Gain on Derivatives, Net

Realized gain on derivatives for the year ended December 31, 2023 was $33.8 million as compared to $1.4 million for the year ended December 31, 2022. The $32.4 million increase in realized gain on derivatives for the year ended December 31, 2023 as compared to December 31, 2022 was substantially comprised of an increase of $40.8 million in gains on TBAs and an increase of $23.9 million in interest income on interest rate swaps, offset by an increase of $32.7 million in losses on U.S. treasury futures.

Unrealized Gain on RMBS, Measured at Fair Value through Earnings, Net

Unrealized gain on RMBS measured at fair value through earnings for the year ended December 31, 2023 was $9.8 million as compared to $0 for the year ended December 31, 2022. The increase of $9.8 million in unrealized gain on RMBS measured at fair value through earnings was because there were no RMBS measured at fair value through earnings during the year ended December 31, 2022. On January 1, 2023, the Company elected the fair value option of accounting for all RMBS acquired after such date.

Unrealized Gain (Loss) on Derivatives

Unrealized loss on derivatives for the year ended December 31, 2023 was $43.1 million as compared to a gain of $61.9 million for the year ended December 31, 2022. The $105.0 million increase in unrealized loss on derivatives for the year ended December 31, 2023 as compared to December 31, 2022 was primarily due to changes in interest rates and the composition of our derivatives relative to the prior year.

Unrealized Gain (Loss) on Investments in Servicing Related Assets

Unrealized loss on our investments in Servicing Related Assets for the year ended December 31, 2023 was $25.9 million as compared to a gain of $23.0 million for the year ended December 31, 2022. The $48.9 million increase in unrealized loss on our investments in Servicing Related Assets for December 31, 2023 as compared to December 31, 2022 was primarily due to changes in valuation inputs or assumptions.

General and Administrative Expense

General and administrative expense for the year ended December 31, 2023 was $6.9 million as compared to $6.3 million for the year ended December 31, 2022. The $595,000 increase in general and administrative expense for the year ended December 31, 2023 as compared to the year ended December 31, 2022 was primarily due to an increase in professional fees.

Net Income Allocated to Noncontrolling Interests in Operating Partnership

Net income allocated to noncontrolling interests in the Operating Partnership, which are LTIP-OP Units owned by our directors and officers and by certain other individuals who provide services to us through the Manager, represented approximately 1.9% and 2.0% of net income for the years ended December 31, 2023 and December 31, 2022, respectively.

For the period indicated below, our accumulated other comprehensive income (loss) changed as a result of the indicated gains and losses (dollars in thousands):

Accumulated Other Comprehensive Income (Loss)

	Year Ended December 31, 2023
Accumulated other comprehensive loss, December 31, 2022	$ (29,104)
Other comprehensive income	26,559
Accumulated other comprehensive loss, December 31, 2023	$ (2,545)

	Year Ended December 31, 2022
Accumulated other comprehensive income, December 31, 2021	$ 7,527
Other comprehensive loss	(36,631)
Accumulated other comprehensive loss, December 31, 2022	$ (29,104)

Our GAAP equity changes as the values of our RMBS are marked to market each quarter, among other factors. The primary causes of mark to market changes are changes in interest rates and nominal spreads. During the year ended December 31, 2023, volatility in the 10 Year U.S. Treasury rate and tightening of credit spreads caused a net unrealized gain on our available-for-sale RMBS, which was chiefly driven by the interest and mortgage rate rally that occurred in the fourth quarter of the year and positioning of securities. During the year ended December 31, 2022, increases in the 10 Year U.S. Treasury rate and widening of credit spreads caused a net unrealized loss on our available-for-sale RMBS. Unrealized gain (loss) on available-for-sale RMBS is recorded in accumulated other comprehensive income (loss).

Non-GAAP Financial Measures

This Management's Discussion and Analysis of Financial Condition and Results of Operations section contains analysis and discussion of non-GAAP financial measures, including:

- earnings available for distribution; and
- earnings available for distribution per average common share.

Earnings available for distribution ("EAD") is a non-GAAP financial measure that we define as GAAP net income (loss), excluding realized gain (loss) on RMBS, unrealized gain (loss) on RMBS measured at fair value through earnings, realized and unrealized gain (loss) on derivatives, realized gain (loss) on acquired assets, realized and unrealized gain (loss) on investments in MSRs (net of any estimated MSR amortization) and any tax expense (benefit) on realized and unrealized gain (loss) on MSRs. MSR amortization refers to the portion of the change in fair value of the MSR that is primarily due to the realization of cashflows, runoff resulting from prepayments and an adjustment for any gain or loss on the capital used to purchase the MSR. EAD also includes interest rate swap periodic interest income (expense) and drop income on TBA dollar roll transactions, which are included in "Realized gain (loss) on derivatives, net" on the consolidated statements of income (loss). EAD is adjusted to exclude outstanding LTIP-OP Units in our Operating Partnership and dividends paid on our preferred stock.

EAD is provided for purposes of potential comparability to other issuers that invest in residential mortgage-related assets. We believe providing investors with EAD, in addition to related GAAP financial measures, may provide investors some insight into our ongoing operational performance. However, the concept of EAD does have significant limitations, including the exclusion of realized and unrealized gains (losses), and given the apparent lack of a consistent methodology among issuers for defining EAD, it may not be comparable to similarly titled measures of other issuers, which define EAD differently from us and each other. As a result, EAD should not be considered a substitute for our GAAP net income (loss) or as a measure of our liquidity. While EAD is one indicia of the Company's earnings capacity, it is not the only factor considered in setting a dividend and is not the same as REIT taxable income which is calculated in accordance with the rules of the IRS.

Earnings Available for Distribution

EAD for the year ended December 31, 2023 as compared to the year ended December 31, 2022, decreased by approximately $3.4 million or $0.40 per average common share primarily due to changes in interest rates.

The following table reconciles the GAAP measure of net income (loss) to EAD and related per average common share amounts, for the periods indicated (dollars in thousands):

	Year Ended December 31,	
	2023	2022
Net Income (Loss)	$ (35,455)	$ 22,189
Realized loss on RMBS, net	36,315	99,694
Realized loss on derivatives, net (A)	4,377	16,051
Realized gain on acquired assets, net	(23)	(12)
Unrealized gain on RMBS measured at fair value through earnings, net	(9,755)	-
Unrealized loss (gain) on derivatives, net	43,071	(61,864)
Unrealized gain on investments in MSRs, net of estimated MSR amortization	(12,593)	(53,182)
Tax expense on realized and unrealized gain on MSRs	2,876	9,460
Total EAD:	$ 28,813	$ 32,336
EAD attributable to noncontrolling interests in Operating Partnership	(537)	(656)
Dividends on preferred stock	9,853	9,853
EAD Attributable to Common Stockholders	**$ 18,423**	**$ 21,827**
EAD Attributable to Common Stockholders, per Diluted Share	**$ 0.70**	**$ 1.10**
GAAP Net Income (Loss) Per Share of Common Stock, per Diluted Share	**$ (1.70)**	**$ 0.60**

(A) Excludes drop income on TBA dollar rolls of $3.2 million and $6.3 million and interest rate swap periodic interest income of $35.0 million and $11.1 million for the years ended December 31, 2023 and December 31, 2022, respectively.

Our Portfolio

MSRs

Aurora's MSR portfolio of Fannie Mae and Freddie Mac MSRs have an aggregate UPB of approximately $20.0 billion as of December 31, 2023.

The following tables set forth certain characteristics of the mortgage loans underlying those MSRs as of the dates indicated (dollars in thousands):

MSR Collateral Characteristics

As of December 31, 2023

		Collateral Characteristics					
	Current Carrying Amount	Current Principal Balance	WA Coupon(A)	WA Servicing Fee(A)	WA Maturity (months) (A)	WA Loan Age (months) (A)	ARMs %(B)
MSRs	$ 253,629	$ 19,972,994	3.48%	0.25%	300	42	0.1%
MSR Total/Weighted Average	**$ 253,629**	**$ 19,972,994**	**3.48%**	**0.25%**	**300**	**42**	**0.1%**

As of December 31, 2022

		Collateral Characteristics					
	Current Carrying Amount	Current Principal Balance	WA Coupon(A)	WA Servicing Fee(A)	WA Maturity (months) (A)	WA Loan Age (months) (A)	ARMs %(B)
MSRs	$ 279,739	$ 21,688,353	3.49%	0.25%	310	31	0.1%
MSR Total/Weighted Average	**$ 279,739**	**$ 21,688,353**	**3.49%**	**0.25%**	**310**	**31**	**0.1%**

(A) Weighted average coupon, servicing fee, maturity and loan age of the underlying residential mortgage loans in the pool are based on the unpaid principal balance.

(B) ARMs % represents the percentage of the total principal balance of the pool that corresponds to ARMs and hybrid ARMs.

RMBS

The following tables summarize the characteristics of our RMBS portfolio and certain characteristics of the collateral underlying our RMBS as of the dates indicated (dollars in thousands):

RMBS Characteristics

As of December 31, 2023

			Gross Unrealized				Weighted Average			
Asset Type	**Original Face Value**	**Book Value**	**Gains**	**Losses**	**Carrying Value(A)**	**Number of Securities**	**Rating**	**Coupon**	**Yield(C)**	**Maturity (Years)**
RMBS, available-for-sale, measured at fair value through OCI										
Fannie Mae	$ 211,773	$ 187,746	$ 2,970	$ (1,607)	$ 189,109	15	(B)	4.55%	4.70%	28
Freddie Mac	262,695	235,260	1,075	(4,865)	231,470	19	(B)	4.45%	4.50%	28
RMBS, measured at fair value through earnings										
Fannie Mae	221,965	208,487	4,606	(1,076)	212,017	17	(B)	4.78%	4.94%	28
Freddie Mac	401,287	373,310	7,515	(1,291)	379,534	29	(B)	4.72%	4.88%	29
Total/weighted average RMBS	**$ 1,097,720**	**$ 1,004,803**	**$ 16,166**	**$ (8,839)**	**$ 1,012,130**	**80**		**4.64%**	**4.77%**	**28**

As of December 31, 2022

			Gross Unrealized				Weighted Average			
Asset Type	**Original Face Value**	**Book Value**	**Gains**	**Losses**	**Carrying Value(A)**	**Number of Securities**	**Rating**	**Coupon**	**Yield(C)**	**Maturity (Years)**
RMBS, available-for-sale, measured at fair value through OCI										
Fannie Mae	$ 550,740	$ 497,038	$ 2,843	$ (16,484)	$ 483,397	45	(B)	4.27%	4.34%	29
Freddie Mac	500,873	463,380	1,384	(16,730)	448,034	38	(B)	4.18%	4.24%	29
Total/weighted average RMBS	**$ 1,051,613**	**$ 960,418**	**$ 4,227**	**$ (33,214)**	**$ 931,431**	**83**		**4.23%**	**4.29%**	**29**

(A) See “Item 8. Consolidated Financial Statements and Supplementary Data—Note 9. Fair Value” regarding the estimation of fair value, which approximates carrying value for all securities.

(B) The Company used an implied AAA rating for the Agency RMBS.

(C) The weighted average yield is based on the most recent gross monthly interest income, which is then annualized and divided by the book value of settled securities.

The following table summarizes the net interest spread of our RMBS portfolio as of the dates indicated:

Net Interest Spread

	December 31, 2023	**December 31, 2022**
Weighted Average Asset Yield	5.33%	4.44%
Weighted Average Interest Expense (A)	1.51%	0.67%
Net Interest Spread	**3.82%**	**3.77%**

(A) Weighted average interest expense includes the benefits of related swaps.

Liquidity and Capital Resources

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments and other general business needs. Additionally, to maintain our status as a REIT under the Code, we must distribute annually at least 90% of our REIT taxable income. In 2017, the Internal Revenue Service issued a revenue procedure permitting “publicly offered” REITs to make elective stock dividends (i.e., dividends paid in a mixture of stock and cash), with at least 20% of the total distribution being paid in cash, to satisfy their REIT distribution requirements. In December 2021, the Internal Revenue Service issued a revenue procedure that temporarily reduces the minimum amount of the total distribution that must be paid in cash to 10% for distributions declared on or after November 1, 2021, and on or before June 30, 2022, provided certain other parameters detailed in the Revenue Procedure are satisfied. Pursuant to these revenue procedures, the Company has in the past elected to make distributions of its taxable income in a mixture of stock and cash.

Our primary sources of funds for liquidity consist of cash provided by operating activities (primarily income from our investments in RMBS and net servicing income from our MSRs), sales or repayments of RMBS and borrowings under repurchase agreements and our MSR financing arrangements.

In the future, sources of funds for liquidity may include additional MSR financing, warehouse agreements, securitizations and the issuance of equity or debt securities, when feasible, including, without limitation, the issuance of shares of our common stock pursuant to our Common Stock ATM program or any other ATM program we have in place. For more information regarding issuances of our securities pursuant to our ATM programs, including our Common Stock ATM Program, please refer to “—General” above. In the past we have used, and we anticipate that in the future we will use a significant portion of the paydowns of the RMBS to purchase MSRs. We may also sell certain RMBS and deploy the net proceeds from such sales to the extent necessary to fund the purchase price of MSRs.

Our primary uses of funds are the payment of interest, management fees, outstanding commitments, other operating expenses, investments in new or replacement assets, margin calls and the repayment of borrowings, as well as dividends. Although we continue to maintain a higher level of unrestricted cash than prior to the pandemic, we expect to invest more of that unrestricted cash in our targeted assets if normalization of the economy continues. We may also use capital resources to repurchase additional shares of common stock under our stock repurchase program when we believe such repurchases are appropriate and/or the stock is trading at a significant discount to net asset value. We seek to maintain adequate cash reserves and other sources of available liquidity to meet any margin calls resulting from decreases in value related to a reasonably possible (in the opinion of management) change in interest rates.

As of the date of this filing, we believe we have sufficient liquid assets to satisfy all of our short-term recourse liabilities and to satisfy covenants in our financing documents. With respect to the next twelve months, we expect that our cash on hand combined with the cash flow provided by our operations will be sufficient to satisfy our anticipated liquidity needs with respect to our current investment portfolio, including related financings, potential margin calls and operating expenses. While it is inherently more difficult to forecast beyond the next twelve months, we currently expect to meet our long-term liquidity requirements through our cash on hand and, if needed, additional borrowings, proceeds received from repurchase agreements and similar financings, proceeds from equity offerings and the liquidation or refinancing of our assets.

Our operating cash flow differs from our net income due primarily to: (i) accretion of discount or premium on our RMBS, (ii) unrealized gains or losses on our RMBS and Servicing Related Assets, and (iii) impairment on our securities, if any.

Repurchase Agreements

As of December 31, 2023, we had repurchase agreements with 35 counterparties and approximately $903.5 million of outstanding repurchase agreement borrowings from 14 of those counterparties, which were used to finance RMBS. As of December 31, 2023, our exposure (defined as the amount of cash and securities pledged as collateral, less the borrowing under the repurchase agreement) to any of the counterparties under the repurchase agreements did not exceed five percent of the Company's equity. Under these agreements, which are uncommitted facilities, we sell a security to a counterparty and concurrently agree to repurchase the same security at a later date at the same price that we initially sold the security plus the interest charged. The sale price represents financing proceeds and the difference between the sale and repurchase prices represents interest on the financing. The price at which the security is sold generally represents the market value of the security less a discount or "haircut." The weighted average haircut on our repurchase debt at December 31, 2023 was approximately 4.3%. During the term of the repurchase transaction, which can be as short as a few days, the counterparty holds the security and posts margin as collateral. The counterparty monitors and calculates what it estimates to be the value of the collateral during the term of the transaction. If this value declines by more than a de minimis threshold, the counterparty requires us to post additional collateral (or "margin") in order to maintain the initial haircut on the collateral. This margin is typically required to be posted in the form of cash and cash equivalents. Furthermore, we are, from time to time, a party to derivative agreements or financing arrangements that may be subject to margin calls based on the value of such instruments.

Set forth below is the average aggregate balance of borrowings under the Company's repurchase agreements for each of the periods shown and the aggregate balance as of the end of each such period (dollars in thousands):

Repurchase Agreement Average and Maximum Amounts

Quarter Ended	Average Monthly Amount	Maximum Month-End Amount	Quarter Ending Amount
December 31, 2023	$ 897,547	$ 903,489	$ 903,489
September 30, 2023	$ 972,935	$ 984,931	$ 967,289
June 30, 2023	$ 992,631	$ 1,010,934	$ 979,907
March 31, 2023	$ 972,138	$ 991,618	$ 991,618
December 31, 2022	$ 808,623	$ 825,962	$ 825,962
September 30, 2022	$ 776,544	$ 865,414	$ 865,414
June 30, 2022	$ 679,702	$ 702,130	$ 683,173
March 31, 2022	$ 820,270	$ 859,726	$ 764,885

The increase in the Company's borrowings under its repurchase agreements for the year ended December 31, 2023 as compared to the year ended December 31, 2022 was due to the Company financing new security purchases during the year.

These short-term borrowings were used to finance certain of our investments in RMBS. The RMBS repurchase agreements are guaranteed by the Company. The weighted average difference between the market value of the assets and the face amount of available financing for the RMBS repurchase agreements, or the haircut, was 4.3% as of December 31, 2023 and December 31, 2022. The following tables provide additional information regarding borrowings under our repurchase agreements (dollars in thousands):

Repurchase Agreement Characteristics

As of December 31, 2023

	RMBS Market Value	Repurchase Agreements	Weighted Average Rate
Less than one month	$ 833,443	$ 772,466	5.55%
One to three months	139,778	131,023	5.55%
Total/Weighted Average	**$ 973,221**	**$ 903,489**	**5.55%**

As of December 31, 2022

	RMBS Market Value	Repurchase Agreements	Weighted Average Rate
Less than one month	$ 750,218	$ 715,899	4.39%
One to three months	114,418	110,063	4.53%
Total/Weighted Average	**$ 864,636**	**$ 825,962**	**4.41%**

The amount of collateral as of December 31, 2023 and December 31, 2022, including cash, was $984.2 million and $869.0 million, respectively.

The weighted average term to maturity of our borrowings under repurchase agreements as of December 31, 2023 and December 31, 2022 was 21 days and 18 days, respectively.

MSR Financing

As of December 31, 2023, the Company had two separate MSR financing facilities: (i) the Freddie Mac MSR Revolver, which is a revolving credit facility for up to $100.0 million that is secured by all Freddie Mac MSRs owned by Aurora; and (ii) the Fannie Mae MSR Revolving Facility, which is a revolving credit facility for up to $150.0 million, that is secured by all Fannie Mae MSRs owned by Aurora. Both financing facilities are available for MSRs as well as certain servicing related advances associated with MSRs.

Freddie Mac MSR Revolver. In July 2018, the Company, Aurora and QRS V (collectively with Aurora and the Company, the “Borrowers”) entered into a $25.0 million revolving credit facility (the “Freddie Mac MSR Revolver”) pursuant to which Aurora pledged all of its existing and future MSRs on loans owned or securitized by Freddie Mac. The term of the Freddie Mac MSR Revolver is 364 days with the Borrowers’ option for two renewals for similar terms followed by a one-year term out feature with a 24-month amortization schedule. The Freddie Mac MSR Revolver was upsized to $45.0 million in September 2018. The Company also has the ability to request up to an additional $5.0 million of borrowings. On April 2, 2019, Aurora and QRS V entered into an amendment that increased the maximum amount of the Freddie Mac MSR Revolver to $100.0 million. In July 2023, the Borrowers entered into an amendment to the Freddie Mac MSR Revolver that extended the revolving period for an additional 364 days with the option for one more renewal of 364 days. At the end of the revolving period, the outstanding amount will be converted to a one-year term loan. Amounts borrowed bear interest at a weighted average borrowing rate of 7.7%. At December 31, 2023 and December 31, 2022, approximately $64.5 million and $68.5 million, respectively, was outstanding under the Freddie Mac MSR Revolver.

Fannie Mae MSR Revolving Facility. In October 2021, Aurora and QRS III entered into a loan and security agreement (the “Fannie Mae MSR Revolving Facility”), pursuant to which Aurora and QRS III pledged their respective rights in all existing and future MSRs for loans owned or securitized by Fannie Mae to secure borrowings outstanding from time to time. The maximum credit amount outstanding at any one time under the Fannie Mae MSR Revolving Facility is $150.0 million. The revolving period is 24 months which may be extended by agreement with the lender. In October 2023, Aurora and QRS III entered into an amendment to the Fannie Mae MSR Revolving Facility that extended the revolving period for an additional 24 months. Amounts borrowed bear interest at a weighted average borrowing rate of 7.8%. At the end of the revolving period, the outstanding amount will be converted to a three-year term loan that will bear interest at a rate calculated at a spread over the rate for one-year interest rate swaps. The Company has guaranteed repayment of all indebtedness under the Fannie Mae MSR Revolving Facility. At December 31, 2023 and December 31, 2022, approximately $106.0 million and $116.0 million, respectively, was outstanding under the Fannie Mae MSR Revolving Facility.

Cash Flows

Operating and Investing Activities

Our operating activities provided cash of approximately $40.7 million and $59.9 million for the years ended December 31, 2023 and December 31, 2022, respectively. Our investing activities used cash of approximately $104.1 million and $128.2 million for the years ended December 31, 2023 and December 31, 2022, respectively. The cash used by our investing activities during the years ended December 31, 2023 and December 31, 2022 resulted from RMBS purchases offset by RMBS sales and principal paydowns of RMBS.

Dividends

U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. We intend to make regular quarterly distributions of all or substantially all of our REIT taxable income to holders of our common and preferred stock out of assets legally available for this purpose, if and to the extent authorized by our board of directors. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our repurchase agreements and other debt payable. If our cash available for distribution is less than our REIT taxable income, we could be required to sell assets or borrow funds to make cash distributions, or, with respect to our common stock, we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. We will make distributions only upon the authorization of our board of directors. The amount, timing and frequency of distributions will be authorized by our board of directors based upon a variety of factors, including:

- actual results of operations;
- our level of retained cash flows;
- our ability to make additional investments in our target assets;
- restrictions under Maryland law;
- the terms of our preferred stock;
- any debt service requirements;
- our taxable income;
- the annual distribution requirements under the REIT provisions of the Code; and
- other factors that our board of directors may deem relevant.

Our ability to make distributions to our stockholders will depend upon the performance of our investment portfolio, and, in turn, upon our Manager’s management of our business. Distributions will be made quarterly in cash to the extent that cash is available for distribution. We may not be able to generate sufficient cash available for distribution to pay distributions to our stockholders. In addition, our board of directors may change our distribution policy with respect to our common stock in the future. No assurance can be given that we will be able to make any other distributions to our stockholders at any time in the future or that the level of any distributions we do make to our stockholders will achieve a market yield or increase or even be maintained over time.

We make distributions based on a number of factors, including an estimate of taxable earnings. Dividends distributed and taxable income will typically differ from GAAP earnings due to items such as fair value adjustments, differences in premium amortization and discount accretion, and nondeductible general and administrative expenses. Our common dividend per share may be substantially different than our taxable earnings and GAAP earnings per share. Our GAAP loss per share for the year ended December 31, 2023 was $1.70 and our GAAP earnings per share for the year ended December 31, 2022 were $0.60.

Contractual Obligations

Our contractual obligations as of December 31, 2023 and December 31, 2022 included repurchase agreements, borrowings under our MSR financing arrangements, our Management Agreement with our Manager, and our subservicing agreements.

The following table summarizes our contractual obligations for borrowed money as of the dates indicated (dollars in thousands):

Contractual Obligations Characteristics

As of December 31, 2023

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Repurchase agreements					
Borrowings under repurchase agreements	$ 903,489	$ -	$ -	$ -	$ 903,489
Interest on repurchase agreement borrowings(A)	$ 3,930	$ -	$ -	$ -	$ 3,930
Freddie Mac MSR Revolver					
Borrowings under Freddie Mac MSR Revolver	$ 64,500	$ -	$ -	$ -	$ 64,500
Interest on Freddie Mac MSR Revolver borrowings	$ 1,329	$ -	$ -	$ -	$ 1,329
Fannie Mae MSR Revolving Facility					
Borrowings under Fannie Mae MSR Revolving Facility	$ -	$ 8,679	$ 97,321	$ -	$ 106,000
Interest on Fannie Mae MSR Revolving Facility	$ 747	$ -	$ -	$ -	$ 747

As of December 31, 2022

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Repurchase agreements					
Borrowings under repurchase agreements	$ 825,962	$ -	$ -	$ -	$ 825,962
Interest on repurchase agreement borrowings(A)	$ 2,797	$ -	$ -	$ -	$ 2,797
Freddie Mac MSR Revolver					
Borrowings under Freddie Mac MSR Revolver	$ 68,500	$ -	$ -	$ -	$ 68,500
Interest on Freddie Mac MSR Revolver borrowings	$ 1,010	$ -	$ -	$ -	$ 1,010
Fannie Mae MSR Revolving Facility					
Borrowings under Fannie Mae MSR Revolving Facility	$ 627	$ 16,406	$ 98,967	$ -	$ 116,000
Interest on Fannie Mae MSR Revolving Facility	$ 700	$ -	$ -	$ -	$ 700

(A) Interest expense is calculated based on the interest rate in effect at December 31, 2023 and December 31, 2022, respectively, and includes all interest expense incurred through those dates.

Management Agreement

The Management Agreement with our Manager provides that our Manager is entitled to receive a management fee, the reimbursement of certain expenses and, in certain circumstances, a termination fee. The management fee is an amount equal to 1.5% per annum of our stockholders' equity, adjusted as set forth in the Management Agreement, and calculated and payable quarterly in arrears. We will also be required to pay a termination fee equal to three times the average annual management fee earned by our Manager during the two four-quarter periods ending as of the end of the most recently completed fiscal quarter prior to the effective date of the termination. Such termination fee will be payable upon termination or non-renewal of the Management Agreement by us without cause or by our Manager if we materially breach the Management Agreement. The Management Agreement requires the Company and the Manager to terminate the Management Agreement without payment of any termination fee in connection with the consummation of an internalization event (as defined in the Management Agreement).

We pay all of our direct operating expenses, except those specifically required to be borne by our Manager under the Management Agreement. Our Manager is responsible for all costs incident to the performance of its duties under the Management Agreement. We believe that our Manager uses the proceeds from its management fee in part to pay the Services Provider for services provided under the Services Agreement. Our officers receive no cash compensation directly from us. Our Manager provides us with our officers. Our Manager is entitled to be reimbursed for an agreed upon portion of the costs of the wages, salary and other benefits with respect to our chief financial officer, and, prior to January 1, 2022, our general counsel, originally based on the percentages of their working time and efforts spent on matters related to the Company. The amount of the wages, salary and benefits reimbursed with respect to the officers our Manager provides to us is subject to the approval of the compensation committee of our board of directors.

The term of the Management Agreement expires on October 22, 2024 and will be automatically renewed for a one-year term on each anniversary of such date thereafter unless terminated or not renewed as described below. Either we or our Manager may elect not to renew the Management Agreement upon expiration of its initial term or any renewal term by providing written notice of non-renewal at least 180 days, but not more than 270 days, before expiration. In the event we elect not to renew the term, we will be required to pay our Manager the termination fee described above unless such non-renewal occurs in connection with the consummation of an internalization event. We may terminate the Management Agreement at any time for cause effective upon 30 days prior written notice of termination from us to our Manager, in which case no termination fee would be due. Our board of directors will review our Manager's performance prior to the automatic renewal of the Management Agreement and, as a result of such review, upon the affirmative vote of at least two-thirds of the members of our board of directors or of the holders of a majority of our outstanding common stock, we may terminate the Management Agreement based upon unsatisfactory performance by our Manager that is materially detrimental to us or a determination by our independent directors that the management fees payable to our Manager are not fair, subject to the right of our Manager to prevent such a termination by agreeing to a reduction of the management fees payable to our Manager. Upon any termination of the Management Agreement based on unsatisfactory performance or unfair management fees, we are required to pay our Manager the termination fee described above. Our Manager may terminate the Management Agreement, without payment of the termination fee, in the event we become regulated as an investment company under the Investment Company Act. Our Manager may also terminate the Management Agreement upon 60 days' written notice if we default in the performance of any material term of the Management Agreement and the default continues for a period of 30 days after written notice to us, whereupon we would be required to pay our Manager the termination fee described above.

Subservicing Agreements

As of December 31, 2023, Aurora had four subservicing agreements in place, one of which is with Freedom Mortgage. Following the sale of the Ginnie Mae MSRs to Freedom Mortgage in June 2020, Freedom Mortgage continued to subservice certain loans that had been purchased from Ginnie Mae pools due to delinquency or default. Freedom Mortgage ceased subservicing these loans during 2021 because these loans and any related advance claims had been rehabilitated or liquidated. One of the other subservicing agreements is with RoundPoint Mortgage Servicing Corporation (“RoundPoint”). Freedom Mortgage acquired RoundPoint and it became a wholly-owned subsidiary of Freedom Mortgage in August 2020. On September 30, 2023, RoundPoint ceased being a wholly owned subsidiary of Freedom Mortgage when it was acquired by Matrix Financial Services Corporation. The agreements have varying initial terms (three years, for Freedom Mortgage, and two years for the other three sub-servicers) and are subject to automatic renewal for additional terms equal to the applicable initial term unless either party chooses not to renew. Each agreement may be terminated without cause by either party by giving notice as specified in the agreement. If an agreement is not renewed by the Company or terminated by the Company without cause, de-boarding fees will be due to the subservicer. Under each agreement, the subservicer agrees to service the applicable mortgage loans in accordance with applicable law and the requirements of the applicable Agency and the Company pays customary fees to the applicable subservicer for specified services. All expiring agreements to date have been automatically renewed for the extended terms.

Joint Marketing Recapture Agreement

We attempt to reduce the exposure of our MSRs to voluntary prepayments through the structuring of recapture agreements with Aurora’s subservicers.

In May 2018, Aurora entered into a recapture purchase and sale agreement with RoundPoint, one of Aurora’s subservicers and from August 2020 to September 2023, a wholly-owned subsidiary of Freedom Mortgage. Pursuant to this agreement, RoundPoint attempts to refinance certain mortgage loans underlying Aurora’s MSR portfolio subserviced by RoundPoint as directed by Aurora. If a loan is refinanced, RoundPoint will sell the loan to Fannie Mae or Freddie Mac, as applicable, retain the sale proceeds and transfer the related MSR to Aurora. During the period where RoundPoint was a wholly-owned subsidiary of Freedom Mortgage, RoundPoint outsourced such recapture services to Freedom Mortgage on RoundPoint’s behalf.

Inflation

Substantially all of our assets and liabilities are financial in nature. As a result, interest rates and other factors affect our performance more so than inflation, although inflation rates can often have a meaningful influence over the direction of interest rates. As discussed above under “—Effects of Federal Reserve Policy on the Company”, the Federal Reserve has raised its federal funds rate over the past two years in response to the increase in inflation. The higher interest rates imposed by the Federal Reserve to address inflation may increase our interest expense, which expense may not be fully offset by any resulting increase in our interest income. Furthermore, our financial statements are prepared in accordance with GAAP and our distributions are determined by our board of directors primarily based on our REIT taxable income, and, in each case, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk

Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control. We are subject to interest rate risk in connection with our assets and our related financing obligations. In general, we finance the acquisition of certain of our assets through financings in the form of repurchase agreements and bank facilities. We expect to make use of additional MSR financing, as well as possibly warehouse facilities, securitizations, re-securitizations, and public and private equity and debt issuances in addition to transaction or asset specific funding arrangements. In addition, the values of our Servicing Related Assets are highly sensitive to changes in interest rates, historically increasing when rates rise and decreasing when rates decline. Subject to maintaining our qualification as a REIT, we attempt to mitigate interest rate risk and financing pricing risk through utilization of hedging instruments, primarily interest rate swap agreements and U.S. treasury futures, respectively. We may also use financial futures, options, interest rate cap agreements, and forward sales. These instruments are intended to serve as a hedge against future interest rate or pricing changes on our borrowings.

Interest Rate Effect on Net Interest Income

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

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

Interest Rate Cap Risk

Any adjustable-rate RMBS that we acquire will generally be subject to interest rate caps, which potentially could cause such RMBS to acquire many of the characteristics of fixed-rate securities if interest rates were to rise above the cap levels. This issue will be magnified to the extent we acquire adjustable-rate and hybrid adjustable-rate RMBS that are not based on mortgages which are fully indexed. In addition, adjustable-rate and hybrid adjustable-rate RMBS may be subject to periodic payment caps that result in some portion of the interest being deferred and added to the principal outstanding. This could result in our receipt of less cash income on such assets than we would need to pay the interest cost on our related borrowings. To mitigate interest rate mismatches, we may utilize the hedging strategies discussed above under "—Interest Rate Risk". Actual economic conditions or implementation of decisions by our Manager may produce results that differ significantly from the estimates and assumptions used in our models.

Prepayment Risk; Extension Risk

The following tables summarize the estimated change in fair value of our MSRs as of the dates indicated given several parallel shifts in the discount rate, voluntary prepayment rate and servicing cost (dollars in thousands):

MSR Fair Value Changes

As of December 31, 2023

	(20)%	(10)%	-%	10%	20%
Discount Rate Shift in %					
Estimated FV	$ 278,018	$ 265,310	$ 253,629	$ 242,863	$ 232,917
Change in FV	$ 24,389	$ 11,682	$ -	$ (10,766)	$ (20,712)
% Change in FV	10%	5%	-	(4)%	(8)%
Voluntary Prepayment Rate Shift in %					
Estimated FV	$ 265,422	$ 259,981	$ 253,629	$ 246,972	$ 240,306
Change in FV	$ 11,793	$ 6,352	$ -	$ (6,657)	$ (13,322)
% Change in FV	5%	3%	-	(3)%	(5)%
Servicing Cost Shift in %					
Estimated FV	$ 262,597	$ 258,113	$ 253,629	$ 249,144	$ 244,660
Change in FV	$ 8,968	$ 4,484	$ -	$ (4,484)	$ (8,968)
% Change in FV	4%	2%	-	(2)%	(4)%

As of December 31, 2022

	(20)%	(10)%	-%	10%	20%
Discount Rate Shift in %					
Estimated FV	$ 305,821	$ 292,241	$ 279,739	$ 268,201	$ 257,526
Change in FV	$ 26,082	$ 12,502	$ -	$ (11,538)	$ (22,213)
% Change in FV	9%	4%	-	(4)%	(8)%
Voluntary Prepayment Rate Shift in %					
Estimated FV	$ 296,237	$ 288,025	$ 279,739	$ 271,707	$ 264,005
Change in FV	$ 16,498	$ 8,286	$ -	$ (8,032)	$ (15,734)
% Change in FV	6%	3%	-	(3)%	(6)%
Servicing Cost Shift in %					
Estimated FV	$ 288,345	$ 284,042	$ 279,739	$ 275,436	$ 271,133
Change in FV	$ 8,606	$ 4,303	$ -	$ (4,303)	$ (8,606)
% Change in FV	3%	2%	-	(2)%	(3)%

The following tables summarize the estimated change in fair value of our RMBS as of the dates indicated given several parallel shifts in interest rates (dollars in thousands):

RMBS Fair Value Changes

As of December 31, 2023

	December 31, 2023	(0.75)%	(0.50)%	(0.25)%	0.25%	0.50%	0.75%
RMBS Portfolio							
RMBS, net of swaps	$ 749,491						
Estimated FV		$ 753,297	$ 752,391	$ 751,103	$ 747,569	$ 745,369	$ 742,833
Change in FV		$ 3,806	$ 2,900	$ 1,612	$ (1,922)	$ (4,122)	$ (6,658)
% Change in FV		0.51%	0.39%	0.22%	(0.26)%	(0.55)%	(0.89)%

As of December 31, 2022

	December 31, 2022	(0.75)%	(0.50)%	(0.25)%	0.25%	0.50%	0.75%
RMBS Portfolio							
RMBS, net of swaps	$ 785,308						
Estimated FV		$ 781,962	$ 783,468	$ 784,625	$ 785,583	$ 785,537	$ 785,188
Change in FV		$ (3,346)	$ (1,840)	$ (683)	$ 275	$ 229	$ (120)
% Change in FV		(0.43)%	(0.23)%	(0.09)%	0.04%	0.03%	(0.02)%

The sensitivity analysis is hypothetical and is presented solely to assist an analysis of the possible effects on the fair value under various scenarios. It is not a prediction of the amount or likelihood of a change in any particular scenario. In particular, the results are calculated by stressing a particular economic assumption independent of changes in any other assumption. In practice, changes in one factor may result in changes in another, which might counteract or amplify the sensitivities. In addition, changes in the fair value based on a 10% variation in an assumption generally may not be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear.

Counterparty Risk

When we engage in repurchase transactions, we generally sell securities to lenders (i.e., the repurchase agreement counterparties) and receive cash from the lenders. The lenders are obligated to resell the same securities back to us at the end of the term of the transaction. Because the cash we receive from the lender when we initially sell the securities to the lender is less than the value of those securities (this difference is the haircut), if the lender defaults on its obligation to resell the same securities back to us we would incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). As of December 31, 2023, the Company's exposure (defined as the amount of cash and securities pledged as collateral, less the borrowing under the repurchase agreement) to any of the counterparties under the repurchase agreements did not exceed five percent of the Company's equity.

Our interest rate swaps and U.S. treasury futures contracts are required to be cleared on an exchange which greatly mitigates, but does not entirely eliminate, counterparty risk.

Our investments in Servicing Related Assets are dependent on the applicable mortgage sub-servicer to perform its sub-servicing obligations. If our sub-servicer fails to perform its obligations and is terminated by one or more Agencies as an approved servicer, the value of the MSRs being subserviced by that sub-servicer may be adversely affected. In addition, when we purchase MSRs from third parties, we rely, to a certain extent, on the ability and willingness of the sellers to perform their contractual obligations to remedy breaches of representations and warranties or to repurchase the affected loan and indemnify us for any losses.

Funding Risk

To the extent available on desirable terms, we expect to continue to finance our RMBS with repurchase agreement financing. We also anticipate continuing to finance our MSRs with bank loans secured by a pledge of those MSRs. Over time, as market conditions change, in addition to these financings, we may use other forms of leverage. Weakness in the financial markets, the residential mortgage markets and the economy generally could adversely affect one or more of our potential lenders and could cause one or more of our potential lenders to be unwilling or unable to provide us with financing or to increase the costs of that financing.

Liquidity Risk

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

Credit Risk

Although we expect relatively low credit risk with respect to our portfolio of Agency RMBS, our investments in MSRs and any CMOs we may acquire expose us to the credit risk of borrowers.

Inflation Risk

Almost all of our assets and liabilities are financial in nature. As a result, changes in interest rates and other factors drive our performance more directly than does inflation. However, changes in interest rates generally correlate with inflation rates or changes in inflation rates, and therefore adverse changes in inflation or changes in inflation expectations can lead to lower returns on our investments than originally anticipated. Our consolidated financial statements are prepared in accordance with GAAP. Our activities and consolidated balance sheets are measured primarily with reference to fair value without considering inflation.

Item 8. Consolidated Financial Statements and Supplementary Data.

Consolidated Financial Statements

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Cherry Hill Mortgage Investment Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Cherry Hill Mortgage Investment Corporation and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income (loss), comprehensive income (loss), changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 7, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

	Valuation of servicing related assets at fair value
Description of the Matter	The Company invests in servicing related assets comprising mortgage servicing rights (MSRs) which have a fair value of $254 million as of December 31, 2023 as included in Notes 5 and 9 to the consolidated financial statements. The Company records servicing related assets at fair value on a recurring basis with changes in fair value recognized in the income statement. These fair value estimates are based on valuation techniques used to estimate future cash flows that incorporate significant unobservable inputs and assumptions which include prepayment speeds, discount rates and cost to service. Auditing the valuation of servicing related assets is complex and required the use of specialists due to the high degree of judgment in management's assumptions which are unobservable in nature. Additionally, selecting and applying audit procedures to address the estimation uncertainty involves auditor subjectivity and industry-specific knowledge of servicing related assets including the current market conditions considered by a market participant.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated and tested the Company's processes and the design and operating effectiveness of internal controls addressing the valuation of servicing related assets including management's review of the completeness and accuracy of the key inputs and data used in the valuation, management's comparison of assumptions to independent third party data and the internal fair value mark to third party independent valuation firms ranges to evaluate the reasonableness of the fair values developed by the Company. To test the valuation of servicing related assets, our audit procedures included, among others, evaluating the Company's use of the discounted cash flow valuation technique, validating the accuracy of model objective inputs to underlying records, and evaluating significant subjective assumptions by comparing to current industry, market and economic trends. We involved our valuation specialists to assist in our evaluation of the Company's model, valuation methodology, significant assumptions and to independently develop a range of fair values for the MSRs. We evaluated the knowledge, skill and ability, and objectivity of management's independent valuation firms engaged to evaluate the reasonableness of the fair values developed by the Company. We compared management's assumptions and fair value estimates to the assumptions and fair value ranges developed by management's valuation specialists and our independent range to assess management's estimate of fair value and identify potential sources of contrary information. We evaluated the Company's fair value disclosures included in Note 9 for consistency with US GAAP.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

New York, NY

March 7, 2024

Cherry Hill Mortgage Investment Corporation and Subsidiaries
Consolidated Balance Sheets
(in thousands — except share data)

	December 31, 2023	December 31, 2022
Assets		
RMBS, at fair value (including pledged assets of $973,221 and $815,171, respectively)	$ 1,012,130	$ 931,431
Investments in Servicing Related Assets, at fair value (including pledged assets of $253,629 and $279,739, respectively)	253,629	279,739
Cash and cash equivalents	52,886	57,320
Restricted cash	16,441	8,234
Derivative assets	19,504	45,533
Receivables from unsettled trades	-	49,803
Receivables and other assets	38,402	36,765
Total Assets	**$ 1,392,992**	**$ 1,408,825**
Liabilities and Stockholders' Equity		
Liabilities		
Repurchase agreements	$ 903,489	$ 825,962
Derivative liabilities	16,617	24,718
Notes payable	169,314	183,888
Dividends payable	6,650	8,483
Due to manager	1,789	1,870
Payables for unsettled trades	-	78,881
Accrued expenses and other liabilities	36,758	19,507
Total Liabilities	**$ 1,134,617**	**$ 1,143,309**
Stockholders' Equity		
Series A Preferred stock, $0.01 par value per share, 100,000,000 shares authorized and 2,781,635 shares issued and outstanding as of December 31, 2023 and 100,000,000 shares authorized and 2,781,635 shares issued and outstanding as of December 31, 2022, liquidation preference of $69,541 as of December 31, 2023 and liquidation preference of $69,541 as of December 31, 2022	$ 67,311	$ 67,311
Series B Preferred stock, $0.01 par value per share, 100,000,000 shares authorized and 2,000,000 shares issued and outstanding as of December 31, 2023 and 100,000,000 shares authorized and 2,000,000 shares issued and outstanding as of December 31, 2022, liquidation preference of $50,000 as of December 31, 2023 and liquidation preference of $50,000 as of December 31, 2022	48,068	48,068
Common stock, $0.01 par value per share, 500,000,000 shares authorized and 30,019,969 shares issued and outstanding as of December 31, 2023 and 500,000,000 shares authorized and 23,508,130 shares issued and outstanding as of December 31, 2022	305	239
Additional paid-in capital	375,498	344,510
Accumulated Deficit	(233,161)	(168,989)
Accumulated other comprehensive loss	(2,545)	(29,104)
Total Cherry Hill Mortgage Investment Corporation Stockholders' Equity	**$ 255,476**	**$ 262,035**
Non-controlling interests in Operating Partnership	2,899	3,481
Total Stockholders' Equity	**$ 258,375**	**$ 265,516**
Total Liabilities and Stockholders' Equity	**$ 1,392,992**	**$ 1,408,825**

See notes to consolidated financial statements.

Cherry Hill Mortgage Investment Corporation and Subsidiaries
Consolidated Statements of Income (Loss)
(in thousands — except per share data)

	Year Ended December 31,		
	2023	**2022**	**2021**
Income			
Interest income	$ 49,985	$ 29,642	$ 14,956
Interest expense	51,642	17,563	5,768
Net interest income (expense)	(1,657)	12,079	9,188
Servicing fee income	53,427	53,430	54,157
Servicing costs	11,248	11,837	13,624
Net servicing income	42,179	41,593	40,533
Other income (loss)			
Realized gain (loss) on RMBS, net	(36,315)	(99,694)	548
Realized gain (loss) on derivatives, net	33,821	1,363	(9,339)
Realized gain on acquired assets, net	23	12	15
Unrealized gain on RMBS, measured at fair value through earnings, net	9,755	-	-
Unrealized gain (loss) on derivatives, net	(43,071)	61,864	(1,745)
Unrealized gain (loss) on investments in Servicing Related Assets	(25,937)	22,976	(11,062)
Total Income (Loss)	**(21,202)**	**40,193**	**28,138**
Expenses			
General and administrative expense	6,900	6,305	6,983
Management fee to affiliate	6,830	6,629	7,844
Total Expenses	**13,730**	**12,934**	**14,827**
Income (Loss) Before Income Taxes	**(34,932)**	**27,259**	**13,311**
Provision for corporate business taxes	523	5,070	781
Net Income (Loss)	**(35,455)**	**22,189**	**12,530**
Net (income) loss allocated to noncontrolling interests in Operating Partnership	661	(450)	(247)
Dividends on preferred stock	9,853	9,853	9,853
Net Income (Loss) Applicable to Common Stockholders	**$ (44,647)**	**$ 11,886**	**$ 2,430**
Net Income (Loss) Per Share of Common Stock			
Basic	$ (1.70)	$ 0.60	$ 0.14
Diluted	$ (1.70)	$ 0.60	$ 0.14
Weighted Average Number of Shares of Common Stock Outstanding			
Basic	26,262,407	19,768,286	17,324,362
Diluted	26,293,903	19,795,639	17,345,562

See notes to consolidated financial statements.

Cherry Hill Mortgage Investment Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Year Ended December 31,		
	2023	**2022**	**2021**
Net income (loss)	$ (35,455)	$ 22,189	$ 12,530
Other comprehensive income (loss):			
Unrealized gain (loss) on RMBS, available-for-sale, net	26,559	(36,631)	(28,067)
Net other comprehensive income (loss)	26,559	(36,631)	(28,067)
Comprehensive loss	**$ (8,896)**	**$ (14,442)**	**$ (15,537)**
Comprehensive loss attributable to noncontrolling interests in Operating Partnership	(166)	(293)	(306)
Dividends on preferred stock	9,853	9,853	9,853
Comprehensive loss attributable to common stockholders	$ (18,583)	$ (24,002)	$ (25,084)

See notes to consolidated financial statements.

Cherry Hill Mortgage Investment Corporation and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
(in thousands — except share data)

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Non-Controlling Interest in Operating Partnership	Total Stockholders' Equity
Balance, December 31, 2020	**17,076,858**	**$ 175**	**4,781,635**	**$ 115,379**	**$ 300,997**	**$ 35,594**	**$ (141,980)**	**$ 2,401**	**$ 312,566**
Issuance of common stock	1,184,990	12	-	-	10,258	-	-	-	10,270
Conversion of OP units	-	-	-	-	-	-	-	(147)	(147)
Redemption of OP units for cash	-	-	-	-	-	-	-	(89)	(89)
Net Income before dividends on preferred stock	-	-	-	-	-	-	12,283	247	12,530
Other Comprehensive Loss	-	-	-	-	-	(28,067)	-	-	(28,067)
LTIP-OP Unit awards	-	-	-	-	-	-	-	900	900
Distribution paid on LTIP-OP Units	-	-	-	-	-	-	-	(361)	(361)
Common dividends declared, $1.08 per share	-	-	-	-	-	-	(18,930)	-	(18,930)
Preferred Series A dividends declared, $2.05 per share	-	-	-	-	-	-	(5,732)	-	(5,732)
Preferred Series B dividends declared, $2.06 per share	-	-	-	-	-	-	(4,124)	-	(4,124)
Balance, December 31, 2021	**18,261,848**	**$ 187**	**4,781,635**	**$ 115,379**	**$ 311,255**	**$ 7,527**	**$ (158,483)**	**$ 2,951**	**$ 278,816**
Issuance of common stock	5,246,282	52	-	-	33,255	-	-	-	33,307
Net Income before dividends on preferred stock	-	-	-	-	-	-	21,739	450	22,189
Other Comprehensive Loss	-	-	-	-	-	(36,631)	-	-	(36,631)
LTIP-OP Unit awards	-	-	-	-	-	-	-	496	496
Distribution paid on LTIP-OP Units	-	-	-	-	-	-	-	(416)	(416)
Common dividends declared, $1.08 per share	-	-	-	-	-	-	(22,393)	-	(22,393)
Preferred Series A dividends declared, $2.05 per share	-	-	-	-	-	-	(5,728)	-	(5,728)
Preferred Series B dividends declared, $2.06 per share	-	-	-	-	-	-	(4,124)	-	(4,124)
Balance, December 31, 2022	**23,508,130**	**$ 239**	**4,781,635**	**$ 115,379**	**$ 344,510**	**$ (29,104)**	**$ (168,989)**	**$ 3,481**	**$ 265,516**
Issuance of common stock	6,511,839	66	-	-	30,988	-	-	-	31,054
Net Loss before dividends on preferred stock	-	-	-	-	-	-	(34,794)	(661)	(35,455)
Other Comprehensive Income	-	-	-	-	-	26,559	-	-	26,559
LTIP-OP Unit awards	-	-	-	-	-	-	-	468	468
Distribution paid on LTIP-OP Units	-	-	-	-	-	-	-	(389)	(389)
Common dividends declared, $0.72 per share	-	-	-	-	-	-	(19,527)	-	(19,527)
Preferred Series A dividends declared, $2.05 per share	-	-	-	-	-	-	(5,728)	-	(5,728)
Preferred Series B dividends declared, $2.06 per share	-	-	-	-	-	-	(4,123)	-	(4,123)
Balance, December 31, 2023	**30,019,969**	**$ 305**	**4,781,635**	**$ 115,379**	**$ 375,498**	**$ (2,545)**	**$ (233,161)**	**$ 2,899**	**$ 258,375**

See notes to consolidated financial statements.

Cherry Hill Mortgage Investment Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2023	**2022**	**2021**
Cash Flows From Operating Activities			
Net income (loss)	$ (35,455)	$ 22,189	$ 12,530
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Realized (gain) loss on RMBS, net	36,315	99,694	(548)
Unrealized (gain) loss on investments in Servicing Related Assets	25,937	(22,976)	11,062
Realized gain on acquired assets, net	(23)	(12)	(15)
Realized (gain) loss on derivatives, net	(33,821)	(1,363)	9,339
Unrealized gain on RMBS, measured at fair value through earnings, net	(9,755)	-	-
Unrealized (gain) loss on derivatives, net	43,071	(61,864)	1,745
Amortization (accretion) of premiums on RMBS	(1,820)	613	13,514
Amortization of deferred financing costs	185	120	188
LTIP-OP Unit awards	468	496	900
Changes in:			
Receivables and other assets, net	(1,613)	6,589	1,304
Due to affiliates	(81)	(19)	(1,328)
Accrued expenses and other liabilities, net	17,251	16,446	(684)
Net cash provided by operating activities	**$ 40,659**	**$ 59,913**	**$ 48,007**
Cash Flows From Investing Activities			
Purchase of RMBS	(761,946)	(1,080,180)	(583,617)
Principal paydown of RMBS	68,371	92,598	246,973
Proceeds from sale of RMBS	585,617	901,788	570,366
Acquisition of MSRs	174	(38,036)	(55,375)
Payments for settlement of derivatives	(9,329)	(27,774)	(11,826)
Proceeds from settlement of derivatives	13,059	23,402	-
Net cash provided by (used in) investing activities	**$ (104,054)**	**$ (128,202)**	**$ 166,521**
Cash Flows From Financing Activities			
Borrowings under repurchase agreements	9,300,725	6,081,968	5,323,587
Repayments of repurchase agreements	(9,223,198)	(6,121,500)	(5,608,071)
Proceeds from derivative financing	4,946	56,025	1,595
Proceeds from bank loans	(759)	41,500	105,702
Principal paydown of bank loans	(14,000)	(3,000)	(72,000)
Dividends paid	(31,211)	(30,818)	(28,455)
LTIP-OP Units distributions paid	(389)	(416)	(361)
Conversion of OP units	-	-	(147)
Redemption of OP units for cash	-	-	(89)
Issuance of common stock, net of offering costs	31,054	33,307	10,270
Net cash provided by (used in) financing activities	**$ 67,168**	**$ 57,066**	**$ (267,969)**
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	**$ 3,773**	**$ (11,223)**	**$ (53,441)**
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	**65,554**	**76,777**	**130,218**
Cash, Cash Equivalents and Restricted Cash, End of Period	**$ 69,327**	**$ 65,554**	**$ 76,777**
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period for interest expense	$ 28,885	$ 10,806	$ 2,272
Cash paid during the period for income taxes	56	44	58
Supplemental Schedule of Non-Cash Investing and Financing Activities			
Dividends declared but not paid	$ 6,650	$ 8,483	$ 7,056
Sale of RMBS, settled after period end		(49,803)	-
Purchase of RMBS, settled after period end		78,881	-

See notes to consolidated financial statements.

Cherry Hill Mortgage Investment Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 1 — Organization and Operations

Cherry Hill Mortgage Investment Corporation (together with its consolidated subsidiaries, the "Company") was incorporated in Maryland on October 31, 2012 and was organized to invest in residential mortgage assets in the United States. Under the Company's charter, the Company is authorized to issue up to 500,000,000 shares of common stock and 100,000,000 shares of preferred stock, each with a par value of $0.01 per share.

The accompanying consolidated financial statements include the accounts of the Company's subsidiaries, Cherry Hill Operating Partnership, LP (the "Operating Partnership"), CHMI Sub-REIT, Inc. (the "Sub-REIT"), Cherry Hill QRS I, LLC, Cherry Hill QRS II, LLC, Cherry Hill QRS III, LLC ("QRS III"), Cherry Hill QRS IV, LLC ("QRS IV"), Cherry Hill QRS V, LLC ("QRS V"), CHMI Solutions, Inc. ("CHMI Solutions") and Aurora Financial Group, Inc. ("Aurora").

The Company is party to a management agreement (the "Management Agreement") with Cherry Hill Mortgage Management, LLC (the "Manager"), a Delaware limited liability company established by Mr. Stanley Middleman. The Manager is a party to a services agreement (the "Services Agreement") with Freedom Mortgage Corporation ("Freedom Mortgage") (in such capacity, the "Services Provider"), which is owned and controlled by Mr. Middleman. The Manager is owned by a "blind trust" for the benefit of Mr. Middleman. For a further discussion of the Management Agreement, see Note 7.

The Company has elected to be taxed as a real estate investment trust ("REIT"), as defined under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its short taxable year ended December 31, 2013. As long as the Company continues to comply with a number of requirements under federal tax law and maintains its qualification as a REIT, the Company generally will not be subject to U.S. federal income taxes to the extent that the Company distributes its taxable income to its stockholders on an annual basis and does not engage in prohibited transactions. However, certain activities that the Company may perform may cause it to earn income that will not be qualifying income for REIT purposes.

We conduct substantially all of our operations and own substantially all of our assets through our Operating Partnership. We are the sole general partner of our Operating Partnership. As of December 31, 2023, we owned 98.1% of our Operating Partnership. Our Operating Partnership, in turn, owns all of the outstanding common stock of the Sub-REIT. The Sub-REIT elected to be taxed as a REIT under the Code commencing with the taxable year ended December 31, 2020.

Note 2 — Basis of Presentation and Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for financial information and pursuant to the requirements for reporting on Form 10-K. The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All significant intercompany transactions and balances have been eliminated. The Company consolidates those entities in which it has an investment of 50% or more and has control over significant operating, financial and investing decisions of the entity. The consolidated financial statements reflect all necessary and recurring adjustments for fair presentation of the results for the periods presented herein.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make a number of significant estimates and assumptions. These include estimates of the fair value of mortgage servicing rights ("MSRs" or "Servicing Related Assets"); residential mortgage-backed securities ("RMBS" or "securities") and derivatives; credit losses and other estimates that affect the reported amounts of certain assets, revenues, liabilities and expenses as of the date of, and for the periods covered by, the consolidated financial statements. It is likely that changes in these estimates will occur in the near term. The Company's estimates are inherently subjective. Actual results could differ from the Company's estimates, and the differences may be material.

Risks and Uncertainties

In the normal course of business, the Company encounters primarily two significant types of economic risk: credit and market. Credit risk is the risk of default on the Company's investments in RMBS, Servicing Related Assets and derivatives that results from a borrower's or derivative counterparty's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of investments in RMBS, Servicing Related Assets and derivatives due to changes in interest rates, spreads or other market factors, including prepayment speeds on the Company's RMBS and Servicing Related Assets. The Company is subject to the risks involved with real estate and real estate-related debt instruments. These include, among others, the risks normally associated with changes in the general economic climate, changes in the mortgage market, changes in tax laws, interest rate levels, and the availability of financing.

The Company also is subject to certain risks relating to its status as a REIT for U.S. federal income tax purposes. If the Company were to fail to qualify as a REIT in any taxable year, the Company would be subject to U.S. federal income tax on its REIT income, which could be material. Unless entitled to relief under certain statutory provisions, the Company would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost.

Investments in RMBS

Classification – The Company reports all of its investments in RMBS at fair value on its consolidated balance sheets. Pursuant to Accounting Standards Codification ("ASC") 320, *Investments – Debt and Equity Securities*, the Company may designate a security as held-to-maturity, available-for-sale or trading, at the time of purchase, depending on the Company's ability and intent to hold the security to maturity. Alternatively, the Company may elect the fair value option of accounting for securities pursuant to ASC 825, *Financial Instruments*. Prior to January 1, 2023, the Company designated its RMBS as available-for sale. On January 1, 2023, the Company elected the fair value option of accounting for all RMBS acquired after such date. Unrealized gains and losses on securities classified as available-for sale are reported in "Other comprehensive income (loss)" within the consolidated statements of comprehensive income, whereas unrealized gains and losses on securities for which the Company elected the fair value option are reported in "Unrealized loss on RMBS, measured at fair value through earnings, net" within the consolidated statements of income (loss).

Fair value is determined under the guidance of ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). Management's judgment is used to arrive at the fair value of the Company's RMBS investments, taking into account prices obtained from third-party pricing providers and other applicable market data. The third-party pricing providers use pricing models that generally incorporate such factors as coupons, primary and secondary mortgage rates, rate reset periods, issuer, prepayment speeds, credit enhancements and expected life of the security. The Company's application of ASC 820 guidance is discussed in further detail in Note 9.

Investment securities transactions are recorded on the trade date. At disposition, the net realized gain or loss on securities is determined on the basis of the cost of the specific investment and for securities designated as available-for-sale, the unrealized gain or loss is reclassified out of accumulated other comprehensive income into earnings. All RMBS purchased and sold during the year ended December 31, 2023, were settled prior to year-end. RMBS with a fair value of $49.8 million sold during the year ended December 31, 2022, were settled after year end. RMBS with a fair value of $78.9 million purchased during the year ended December 31, 2022, were settled after year end.

Revenue Recognition – Interest income from coupon payments is accrued based on the outstanding principal amount of the RMBS and their contractual terms. Premiums and discounts associated with the purchase of the RMBS are amortized and accreted, respectively, into interest income over the projected lives of the securities using the effective interest method. The Company's policy for estimating prepayment speeds for calculating the effective yield is to evaluate historical performance, consensus on prepayment speeds, and current market conditions. Adjustments are made for actual prepayment activity. We recognized interest receivable of approximately $4.0 million and $3.3 million at December 31, 2023 and December 31, 2022, respectively. Interest income receivable has been classified within "Receivables and other assets" on the consolidated balance sheets. For further discussion of Receivables and other assets, see Note 13.

Impairment – When the fair value of an available-for-sale designated security is less than its amortized cost basis as of the balance sheet date, the security's cost basis is considered impaired. If the Company determines that it intends to sell the security or it is more likely than not that it will be required to sell before recovery, the Company recognizes the difference between the fair value and amortized cost as a loss in the consolidated statements of income (loss). If the Company determines it does not intend to sell the security or it is not more likely than not it will be required to sell the security before recovery, the Company must evaluate the decline in the fair value of the impaired security and determine whether such decline resulted from a credit loss or non-credit related factors. In its assessment of whether a credit loss exists, the Company performs a qualitative assessment around whether a credit loss exists and if necessary, it compares the present value of estimated future cash flows of the impaired security with the amortized cost basis of such security. The estimated future cash flows reflect those that a "market participant" would use and typically include assumptions related to fluctuations in interest rates, prepayment speeds, default rates, collateral performance, and the timing and amount of projected credit losses, as well as incorporating observations of current market developments and events. Cash flows are discounted at an interest rate equal to the current yield used to accrete interest income. If the present value of estimated future cash flows is less than the amortized cost basis of the security, an expected credit loss exists and is included in provision for credit losses on securities in the consolidated statements of income (loss). Since all of the Company's available-for-sale designated securities are Agency RMBS, the Company does not have an allowance for credit losses.

Investments in MSRs

Classification – MSRs represent the contractual right to service mortgage loans. The Company has elected the fair value option to record its investments in MSRs in order to provide users of the consolidated financial statements with better information regarding the effects of prepayment risk and other market factors on the MSRs. Under this election, the Company records a valuation adjustment on its investments in MSRs on a quarterly basis to recognize the changes in fair value of its MSRs in net income as described below.

Although transactions in MSRs are observable in the marketplace, the valuation includes unobservable market data inputs (prepayment speeds, delinquency levels, costs to service and discount rates). Changes in the fair value of MSRs are reported on the consolidated statements of income (loss). Fluctuations in the fair value of MSRs are recorded within "Unrealized gain (loss) on investments in Servicing Related Assets" on the consolidated statements of income (loss). Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the MSRs and, therefore, may differ from their effective yields. In determining the valuation of MSRs in accordance with ASC 820, management uses internally developed pricing models that are based on certain unobservable market-based inputs. The Company classifies these valuations as Level 3 in the fair value hierarchy. The Company's application of ASC 820 guidance is discussed in further detail in Note 9.

Revenue Recognition – Mortgage servicing fee income represents revenue earned for servicing mortgage loans. The servicing fees are based on a contractual percentage of the outstanding principal balance and are recognized as revenue as the related mortgage payments are collected. Corresponding costs to service are charged to expense as incurred. Servicing fee income received and servicing expenses incurred are reported on the consolidated statements of income (loss). Float income from custodial accounts associated with MSRs is included in "Net interest income" on the consolidated statements of income (loss). Late fees and ancillary income are included in "Servicing fee income" on the consolidated statements of income (loss).

As an owner of MSRs, the Company may be obligated to fund advances of principal and interest payments due to third-party owners of the loans underlying the MSRs, but not yet received from the individual borrowers. These advances are reported as servicing advances within the "Receivables and other assets" line item on the consolidated balance sheets. Reimbursable servicing advances, other than principal and interest advances, also have been classified within "Receivables and other assets" on the consolidated balance sheets. Advances on Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac") MSRs made in accordance with the relevant guidelines are generally recoverable. The Company's servicing related assets were composed entirely of Fannie Mae and Freddie Mac MSRs as of December 31, 2023 and December 31, 2022. As a result, the Company has determined that no reserves for unrecoverable advances for the related underlying loans are necessary at December 31, 2023 and December 31, 2022. For further discussion on the Company's receivables and other assets, including the Company's servicing advances, see Note 13.

Derivatives and Hedging Activities

Derivative transactions include swaps, swaptions, U.S. treasury futures and “to-be-announced” securities (“TBAs”). A TBA contract is an agreement to purchase or sell, for future delivery, an Agency RMBS with a specified issuer, term and coupon. Swaps and swaptions are entered into by the Company solely for interest rate risk management purposes. TBAs and U.S. treasury futures are used to manage duration risk as well as basis risk and pricing risk on the Company’s financing facilities for MSRs. The decision as to whether or not a given transaction/position (or portion thereof) is economically hedged is made on a case-by-case basis, based on the risks involved and other factors as determined by senior management, including restrictions imposed by the Code on REITs. In determining whether to economically hedge a risk, the Company may consider whether other assets, liabilities, firm commitments and anticipated transactions already offset or reduce the risk. All transactions undertaken as economic hedges are entered into with a view towards minimizing the potential for economic losses that could be incurred by the Company. Generally, derivatives entered into are not intended to qualify as hedges under GAAP, unless specifically stated otherwise.

From time to time, the Company enters into a TBA dollar roll which represents a transaction where TBA contracts with the same terms but different settlement dates are simultaneously bought and sold. The TBA contract settling in the later month typically prices at a discount to the earlier month contract with the difference in price commonly referred to as the “drop”. The drop is a reflection of the expected net interest income from an investment in similar Agency RMBS, net of an implied financing cost, that would be foregone as a result of settling the contract in the later month rather than in the earlier month. The drop between the current settlement month price and the forward settlement month price occurs because in the TBA dollar roll market, the party providing the financing is the party that would retain all principal and interest payments accrued during the financing period. Accordingly, drop income on TBA dollar rolls generally represents the economic equivalent of the net interest income earned on the underlying Agency RMBS less an implied financing cost. TBA dollar roll transactions are accounted for under GAAP as a series of derivatives transactions.

The Company’s bi-lateral derivative financial instruments contain credit risk to the extent that its counterparties may be unable to meet the terms of the agreements. The Company reduces such risk by limiting its exposure to any one counterparty. In addition, the potential risk of loss with any one party resulting from this type of credit risk is monitored. The Company’s interest rate swaps and U.S. treasury futures are required to be cleared on an exchange, which further mitigates, but does not eliminate, credit risk. Management does not expect any material losses as a result of default by other parties to its derivative financial instruments.

Classification – All derivatives, including TBAs, are recognized as either assets or liabilities on the consolidated balance sheets and measured at fair value. The fair value of TBA derivatives is determined using methods similar to those used to value Agency RMBS. Due to the nature of these instruments, they may be in a receivable/asset position or a payable/liability position at the end of an accounting period. Derivative amounts payable to, and receivable from, the same party under a contract may be offset as long as the following conditions are met: (i) each of the two parties owes the other determinable amounts; (ii) the reporting party has the right to offset the amount owed with the amount owed by the other party; (iii) the reporting party intends to offset; and (iv) the right to offset is enforceable by law. The Company reports the fair value of derivative instruments gross of cash paid or received pursuant to credit support agreements, and fair value may be reflected on a net counterparty basis when the Company believes a legal right of offset exists under an enforceable master netting agreement. For further discussion on offsetting assets and liabilities, see Note 8.

Revenue Recognition – With respect to derivatives that have not been designated as hedges, any payments under, or fluctuations in the fair value of, such derivatives have been recognized currently in “Realized gain (loss) on derivatives, net” and “Unrealized gain (loss) on derivatives, net”, respectively, in the consolidated statements of income (loss). Interest rate swap periodic interest income (expense) is included in “Realized gain (loss) on derivatives, net” in the consolidated statements of income (loss).

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid short-term investments with maturities of 90 days or less when purchased to be cash equivalents. Substantially all amounts on deposit with major financial institutions exceed insured limits. Restricted cash represents the Company's cash held by counterparties (i) as collateral against the Company's derivatives (approximately $16.4 million and $4.2 million at December 31, 2023 and December 31, 2022, respectively) and (ii) as collateral for borrowings under its repurchase agreements (approximately $0 and $4.1 million at December 31, 2023 and December 31, 2022, respectively).

The Company's centrally cleared interest rate swaps require that the Company post an "initial margin" amount determined by the clearing exchange, which is generally intended to be set at a level sufficient to protect the exchange from the interest rate swap's maximum estimated single-day price movement. The Company also exchanges "variation margin" based upon daily changes in fair value, as measured by the exchange. As a result of amendments to rules governing certain central clearing activities, the exchange of variation margin is a settlement of the interest rate swap, as opposed to pledged collateral. The Company has accounted for the receipt or payment of variation margin on interest rate swaps as a direct reduction or increase to the carrying value of the interest rate swap asset or liability. At December 31, 2023 and December 31, 2022, approximately $75.8 million and $99.0 million, respectively, of variation margin was reported as a decrease to the interest rate swap asset, at fair value.

Due to Manager

The sum under "Due to manager" on the consolidated balance sheets represents amounts due to the Manager pursuant to the Management Agreement. For further information on the Management Agreement, see Note 7.

Income Taxes

The Company elected to be taxed as a REIT under Code Sections 856 through 860 beginning with its short taxable year ended December 31, 2013. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate income tax rates to the extent that it annually distributes less than 100% of its taxable income. The Company's taxable REIT subsidiary ("TRS"), CHMI Solutions, as well as CHMI Solutions's wholly-owned subsidiary, Aurora, are subject to U.S. federal income taxes on their taxable income. To maintain qualification as a REIT, the Company must distribute at least 90% of its annual REIT taxable income to its stockholders and meet certain other requirements such as assets it may hold, income it may generate and its stockholder composition. In 2017, the Internal Revenue Service issued a revenue procedure permitting "publicly offered" REITs to make elective stock dividends (i.e., dividends paid in a mixture of stock and cash), with at least 20% of the total distribution being paid in cash, to satisfy their REIT distribution requirements. In December 2021, the Internal Revenue Service issued a revenue procedure that temporarily reduced the minimum amount of the total distribution that must be paid in cash to 10% for distributions declared on or after November 1, 2021, and on or before June 30, 2022, provided certain other parameters detailed in the Revenue Procedure are satisfied. Pursuant to these revenue procedures, the Company has in the past elected to make distributions of its taxable income in a mixture of stock and cash.

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*. ASC 740 requires the recording of deferred income taxes that reflect the net tax effect of temporary differences between the carrying amounts of the Company's assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, including operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings in the period that includes the enactment date. The Company assesses its tax positions for all open tax years and determines if it has any material unrecognized liabilities in accordance with ASC 740. The Company records these liabilities to the extent it deems them more-likely-than-not to be incurred. The Company records interest and penalties related to income taxes within the provision for income taxes in the consolidated statements of income (loss). The Company has not incurred any interest or penalties.

Realized Gain (Loss) on RMBS

The following table presents realized gains and losses on RMBS for the periods indicated (dollars in thousands):

	Year Ended December 31,		
	2023	**2022**	**2021**
Realized gain (loss) on RMBS, net			
Gain on RMBS, available-for-sale, measured at fair value through OCI [(A)]	$ -	$ 50	$ 5,653
Loss on RMBS, available-for-sale, measured at fair value through OCI [(A)]	(29,944)	(99,744)	(5,105)
Loss on RMBS measured at fair value through earnings	(6,371)	-	-
Realized gain (loss) on RMBS, net	**$ (36,315)**	**$ (99,694)**	**$ 548**

(A) Reclassified from accumulated other comprehensive income into earnings.

Repurchase Agreements and Interest Expense

The Company finances its investments in RMBS with short-term borrowings under master repurchase agreements. Borrowings under the repurchase agreements are generally short-term debt due within one year. These borrowings generally bear interest rates offered by the “lending” counterparty from time to time for the term of the proposed repurchase transaction (e.g. 30 days, 60 days etc.) of a specified margin over the overnight SOFR rate. The repurchase agreements represent uncommitted financing. Borrowings under these agreements are treated as collateralized financing transactions and are carried at their contractual amounts, as specified in the respective agreements. Interest is recorded at the contractual amount on an accrual basis.

Dividends Payable

Because the Company is organized as a REIT under the Code, it is required by law to distribute annually at least 90% of its REIT taxable income, which it does in the form of quarterly dividend payments. The Company accrues the dividend payable on outstanding shares on the accounting date, which causes an offsetting reduction in retained earnings.

Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period resulting from transactions and other events and circumstances, excluding those resulting from investments by and distributions to owners. For the Company’s purposes, comprehensive income represents net income (loss), as presented in the consolidated statements of income (loss), adjusted for unrealized gains or losses on RMBS, which are designated as available for sale.

Recent Accounting Pronouncements

Segment Reporting - In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.* This standard requires public companies to disclose information about their reportable segments’ significant expenses on an interim and annual basis to provide more transparency about the expenses they incur from revenue generating business units. The new standard is effective for annual periods beginning after December 15, 2023, with early adoption permitted. The Company does not expect the adoption of the new standard to have a material effect on its Consolidated Financial Statements.

Income Taxes - In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This standard requires entities to provide additional information about federal, state and foreign income taxes and reconciling items in the rate reconciliation table, and to disclose further disaggregation of income taxes paid (net of refunds received) by federal (national), state and foreign taxes by jurisdiction. For public business entities, the ASU is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The guidance should be applied prospectively, but entities have the option to apply it retrospectively for each period presented. The Company has determined this ASU will not have a material impact on its Consolidated Financial Statements.

Changes in Presentation

Certain prior period amounts have been reclassified to conform to current period presentation.

Note 3 — Segment Reporting

The Company conducts its business through the following segments: (i) investments in RMBS; (ii) investments in Servicing Related Assets; and (iii) “All Other,” which consists primarily of general and administrative expenses, including fees paid to the Company’s directors and management fees and reimbursements paid to the Manager pursuant to the Management Agreement (see Note 7). For segment reporting purposes, the Company does not allocate interest income on short-term investments or general and administrative expenses.

Summary financial data with respect to the Company's segments is given below, together with the data for the Company as a whole (dollars in thousands):

	Servicing Related Assets	RMBS	All Other	Total
Income Statement				
Year Ended December 31, 2023				
Interest income	$ -	$ 49,985	$ -	$ 49,985
Interest expense	1,572	50,070	-	51,642
Net interest expense	(1,572)	(85)	-	(1,657)
Servicing fee income	53,427	-	-	53,427
Servicing costs	11,248	-	-	11,248
Net servicing income	42,179	-	-	42,179
Other expense	(29,443)	(32,281)	-	(61,724)
Other operating expenses	(2,231)	(664)	(10,835)	(13,730)
Provision for corporate business taxes	(523)	-	-	(523)
Net Income (Loss)	$ 8,410	$ (33,030)	$ (10,835)	$ (35,455)
Year Ended December 31, 2022				
Interest income	$ -	$ 29,642	$ -	$ 29,642
Interest expense	3,837	13,726	-	17,563
Net interest income (expense)	(3,837)	15,916	-	12,079
Servicing fee income	53,430	-	-	53,430
Servicing costs	11,837	-	-	11,837
Net servicing income	41,593	-	-	41,593
Other income (expense)	(26,655)	13,176	-	(13,479)
Other operating expenses	(2,099)	(692)	(10,143)	(12,934)
Provision for corporate business taxes	(5,070)	-	-	(5,070)
Net Income (Loss)	$ 3,932	$ 28,400	$ (10,143)	$ 22,189
Year Ended December 31, 2021				
Interest income	$ 376	$ 14,580	$ -	$ 14,956
Interest expense	4,484	1,284	-	5,768
Net interest income (expense)	(4,108)	13,296	-	9,188
Servicing fee income	54,157	-	-	54,157
Servicing costs	13,624	-	-	13,624
Net servicing income	40,533	-	-	40,533
Other income (expense)	(34,103)	12,520	-	(21,583)
Other operating expenses	(3,040)	(717)	(11,070)	(14,827)
Provision for corporate business taxes	(781)	-	-	(781)
Net Income (Loss)	$ (1,499)	$ 25,099	$ (11,070)	$ 12,530

	Servicing Related Assets	RMBS	All Other	Total
Balance Sheet				
December 31, 2023				
Investments	$ 253,629	$ 1,012,130	$ -	$ 1,265,759
Other assets	33,785	39,939	53,509	127,233
Total assets	287,414	1,052,069	53,509	1,392,992
Debt	169,314	903,489	-	1,072,803
Other liabilities	4,240	47,990	9,584	61,814
Total liabilities	173,554	951,479	9,584	1,134,617
Net Assets	$ 113,860	$ 100,590	$ 43,925	$ 258,375
December 31, 2022				
Investments	$ 279,739	$ 931,431	$ -	$ 1,211,170
Other assets	32,849	106,885	57,921	197,655
Total assets	312,588	1,038,316	57,921	1,408,825
Debt	183,888	825,962	-	1,009,850
Other liabilities	29,047	92,875	11,537	133,459
Total liabilities	212,935	918,837	11,537	1,143,309
Net Assets	$ 99,653	$ 119,479	$ 46,384	$ 265,516

Note 4 — Investments in RMBS

At December 31, 2023, the Company’s investments in RMBS consist solely of Agency RMBS. The Company’s investments in RMBS may also include, from time to time, any of the following: Collateralized mortgage obligations (“CMOs”), which are either loss share securities issued by Fannie Mae or Freddie Mac; or non-Agency RMBS, sometimes called “private label MBS,” which are structured debt instruments representing interests in specified pools of mortgage loans subdivided into multiple classes, or tranches, of securities, with each tranche having different maturities or risk profiles and different ratings by one or more nationally recognized statistical rating organizations.

The following is a summary of the Company's investments in RMBS as of the dates indicated (dollars in thousands):

Summary of RMBS Assets

As of December 31, 2023

Asset Type	Original Face Value	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value(A)	Number of Securities	Rating	Weighted Average Coupon	Weighted Average Yield(C)	Weighted Average Maturity (Years)
RMBS, available-for-sale, measured at fair value through OCI										
Fannie Mae	$ 211,773	$ 187,746	$ 2,970	$ (1,607)	$ 189,109	15	(B)	4.55%	4.70%	28
Freddie Mac	262,695	235,260	1,075	(4,865)	231,470	19	(B)	4.45%	4.50%	28
RMBS, measured at fair value through earnings										
Fannie Mae	221,965	208,487	4,606	(1,076)	212,017	17	(B)	4.78%	4.94%	28
Freddie Mac	401,287	373,310	7,515	(1,291)	379,534	29	(B)	4.72%	4.88%	29
Total/weighted average RMBS	**$ 1,097,720**	**$ 1,004,803**	**$ 16,166**	**$ (8,839)**	**$ 1,012,130**	**80**		**4.64%**	**4.77%**	**28**

As of December 31, 2022

Asset Type	Original Face Value	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value(A)	Number of Securities	Rating	Weighted Average Coupon	Weighted Average Yield(C)	Weighted Average Maturity (Years)
RMBS, available-for-sale, measured at fair value through OCI										
Fannie Mae	$ 550,740	$ 497,038	$ 2,843	$ (16,484)	$ 483,397	45	(B)	4.27%	4.34%	29
Freddie Mac	500,873	463,380	1,384	(16,730)	448,034	38	(B)	4.18%	4.24%	29
Total/weighted average RMBS	**$ 1,051,613**	**$ 960,418**	**$ 4,227**	**$ (33,214)**	**$ 931,431**	**83**		**4.23%**	**4.29%**	**29**

(A) See Note 9 regarding the estimation of fair value, which approximates carrying value for all securities.
(B) The Company used an implied AAA rating for the Agency RMBS.
(C) The weighted average yield is based on the most recent gross monthly interest income, which is then annualized and divided by the book value of settled securities.

Summary of RMBS Assets by Maturity

As of December 31, 2023

Years to Maturity	Original Face Value	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value(A)	Number of Securities	Rating	Weighted Average Coupon	Weighted Average Yield(C)	Weighted Average Maturity (Years)
RMBS, available-for-sale, measured at fair value through OCI										
Over 10 Years	$ 474,467	$ 423,007	$ 4,045	$ (6,472)	$ 420,579	34	(B)	4.49%	4.59%	28
RMBS, measured at fair value through earnings										
Over 10 Years	623,253	581,796	12,121	(2,367)	591,551	46	(B)	4.74%	4.90%	28
Total/weighted average RMBS	**$ 1,097,720**	**$ 1,004,803**	**$ 16,166**	**$ (8,839)**	**$ 1,012,130**	**80**		**4.64%**	**4.77%**	**28**

As of December 31, 2022

Years to Maturity	Original Face Value	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value(A)	Number of Securities	Rating	Weighted Average Coupon	Weighted Average Yield(C)	Weighted Average Maturity (Years)
RMBS, available-for-sale, measured at fair value through OCI										
Over 10 Years	$ 1,051,613	$ 960,418	$ 4,227	$ (33,214)	$ 931,431	83	(B)	4.23%	4.29%	29
Total/weighted average RMBS	**$ 1,051,613**	**$ 960,418**	**$ 4,227**	**$ (33,214)**	**$ 931,431**	**83**		**4.23%**	**4.29%**	**29**

(A) See Note 9 regarding the estimation of fair value, which approximates carrying value for all securities.
(B) The Company used an implied AAA rating for the Agency RMBS.
(C) The weighted average yield is based on the most recent gross monthly interest income, which is then annualized and divided by the book value of settled securities.

At December 31, 2023 and December 31, 2022, the Company pledged Agency RMBS with a carrying value of approximately $973.2 million and $815.2 million, respectively, as collateral for borrowings under repurchase agreements. At December 31, 2023 and December 31, 2022, the Company did not have any securities purchased from and financed with the same counterparty that did not meet the conditions of ASC 860, *Transfers and Servicing*, to be considered linked transactions and, therefore, classified as derivatives.

Based on management's analysis of the Company's available-for-sale designated securities, the performance of the underlying loans and changes in market factors, management determined that unrealized losses as of the balance sheet date on the Company's available-for-sale designated securities were primarily the result of changes in market factors, rather than issuer-specific credit impairment. The Company performed analyses in relation to such securities, using management's best estimate of their cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding periods. Such market factors include changes in market interest rates and credit spreads and certain macroeconomic events, none of which will directly impact the Company's ability to collect amounts contractually due. Management continually evaluates the credit status of each of the Company's securities and the collateral supporting those securities. This evaluation includes a review of the credit of the issuer of the security (if applicable), the credit rating of the security (if applicable), the key terms of the security (including credit support), debt service coverage and loan to value ratios, the performance of the pool of underlying loans and the estimated value of the collateral supporting such loans, including the effect of local, industry and broader economic trends and factors. Significant judgment is required in this analysis for available-for-sale designated investments in RMBS that are not guaranteed by U.S. government agencies or U.S. government sponsored enterprises. All of the Company's available-for-sale designated investments in RMBS are guaranteed by U.S. government agencies or U.S. government sponsored enterprises.

Both credit related and non-credit related unrealized losses on available-for-sale securities that the Company (i) intends to sell, or (ii) will more likely than not be required to sell before recovering their cost basis, are recognized in earnings. The Company did not record an allowance for credit losses on the balance sheet at December 31, 2023 and December 31, 2022, nor any impairment charges in earnings during the years ended December 31, 2023 and December 31, 2022.

The following tables summarize the Company's available-for-sale securities measured at fair value through OCI in an unrealized loss position as of the dates indicated (dollars in thousands):

Available-For-Sale RMBS Unrealized Loss Positions

As of December 31, 2023

Duration in Loss Position	Original Face Value	Book Value	Gross Unrealized Losses	Carrying Value(A)	Number of Securities	Weighted Average Rating	Weighted Average Coupon	Weighted Average Yield(C)	Weighted Average Maturity (Years)
RMBS, available-for-sale, measured at fair value through OCI									
Less than Twelve Months	$126,949	$109,425	$ (813)	$ 108,612	8	(B)	4.23%	4.35%	28
Twelve or More Months	163,190	148,241	(5,659)	142,582	12	(B)	4.08%	4.10%	28
Total/weighted average RMBS, available-for-sale, measured at fair value through OCI	**$290,139**	**$257,666**	**$ (6,472)**	**$ 251,194**	**20**		**4.14%**	**4.21%**	**28**

As of December 31, 2022

Duration in Loss Position	Original Face Value	Book Value	Gross Unrealized Losses	Carrying Value(A)	Number of Securities	Weighted Average Rating	Weighted Average Coupon	Weighted Average Yield(C)	Weighted Average Maturity (Years)
RMBS, available-for-sale, measured at fair value through OCI									
Less than Twelve Months	$848,768	$767,412	$ (33,214)	$ 734,198	67	(B)	4.06%	4.10%	29
Total/weighted average RMBS, available-for-sale, measured at fair value through OCI	**$848,768**	**$767,412**	**$ (33,214)**	**$ 734,198**	**67**		**4.06%**	**4.10%**	**29**

(A) See Note 9 regarding the estimation of fair value, which approximates carrying value for all securities.
(B) The Company used an implied AAA rating for the Agency RMBS.
(C) The weighted average yield is based on the most recent gross monthly interest income, which is then annualized and divided by the book value of settled securities.

Note 5 — Investments in Servicing Related Assets

MSRs

The Company's portfolio of Servicing Related Assets consists of Fannie Mae and Freddie Mac MSRs with an aggregate UPB of approximately $20.0 billion as of December 31, 2023.

The following is a summary of the Company's Servicing Related Assets as of the dates indicated (dollars in thousands):

Servicing Related Assets Summary

As of December 31, 2023

	Unpaid Principal Balance	Carrying Value(A)	Weighted Average Coupon	Weighted Average Maturity (Years)(B)	Year to Date Changes in Fair Value Recorded in Other Income (Loss)
MSRs	$ 19,972,994	$ 253,629	3.48%	25.0	$ (25,937)
MSR Total/Weighted Average	**$ 19,972,994**	**$ 253,629**	**3.48%**	**25.0**	**$ (25,937)**

As of December 31, 2022

	Unpaid Principal Balance	Carrying Value(A)	Weighted Average Coupon	Weighted Average Maturity (Years)(B)	Year to Date Changes in Fair Value Recorded in Other Income (Loss)
MSRs	$ 21,688,353	$ 279,739	3.49%	25.8	$ 22,976
MSR Total/Weighted Average	**$ 21,688,353**	**$ 279,739**	**3.49%**	**25.8**	**$ 22,976**

(A) See Note 9 regarding the estimation of fair value, which approximates carrying value for all pools.
(B) Weighted average maturity of the underlying residential mortgage loans in the pool is based on the unpaid principal balance.

The tables below summarize the geographic distribution for the states representing 5% or greater of the aggregate UPB of the residential mortgage loans underlying the Servicing Related Assets as of the dates indicated:

Geographic Concentration of Servicing Related Assets

As of December 31, 2023

	Percentage of Total Outstanding Unpaid Principal Balance
California	13.7%
Virginia	8.3%
New York	8.3%
Maryland	6.4%
Texas	5.9%
Florida	5.4%
North Carolina	5.0%
All other	47.0%
Total	100.0%

As of December 31, 2022

	Percentage of Total Outstanding Unpaid Principal Balance
California	13.5%
Virginia	8.3%
New York	8.2%
Maryland	6.3%
Texas	6.0%
Florida	5.5%
North Carolina	5.1%
All other	47.1%
Total	100.0%

Geographic concentrations of investments expose the Company to the risk of economic downturns within the relevant states. Any such downturn in a state where the Company holds significant investments could affect the underlying borrower’s ability to make the mortgage payment and, therefore, could have a meaningful, negative impact on the Company’s Servicing Related Assets.

Note 6 — Equity and Earnings per Common Share

Common Stock

On October 9, 2013, the Company completed an initial public offering (the “IPO”) and a concurrent private placement of its common stock. The Company did not conduct any activity prior to the IPO and the concurrent private placement.

Redeemable Preferred Stock

The Company’s 8.20% Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share (the “Series A Preferred Stock”) ranks senior to the Company’s common stock with respect to rights to the payment of dividends and the distribution of assets upon the Company’s liquidation, dissolution or winding up. The Series A Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless repurchased or redeemed by the Company or converted by the holders of the Series A Preferred Stock into the Company’s common stock in connection with certain changes of control. The Series A Preferred Stock is not redeemable by the Company prior to August 17, 2022, except under circumstances intended to preserve the Company’s qualification as a REIT for U.S. federal income tax purposes and except upon the occurrence of certain changes of control. Since August 17, 2022, the Company could have at its option, redeemed the Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price equal to $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date fixed for redemption. The Company did not redeem any Series A Preferred Stock during the year ended December 31, 2023. If the Company does not exercise its rights to redeem the Series A Preferred Stock upon certain changes in control, the holders of the Series A Preferred Stock have the right to convert some or all of their shares of Series A Preferred Stock into a number of shares of the Company’s common stock based on a defined formula, subject to a share cap, or alternative consideration. The share cap on each share of Series A Preferred Stock is 2.62881 shares of common stock, subject to certain adjustments. The Company pays cumulative cash dividends at the rate of 8.20% per annum of the $25.00 per share liquidation preference (equivalent to $2.05 per annum per share) on the Series A Preferred Stock, in arrears, on or about the 15th day of January, April, July and October of each year.

The Company's 8.250% Series B Fixed-to-Floating Rate Cumulative Redeemable Stock, par value $0.01 per share (the "Series B Preferred Stock") ranks senior to the Company's common stock with respect to rights to the payment of dividends and the distribution of assets upon the Company's liquidation, dissolution or winding up, and on parity with the Company's Series A Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon the Company's liquidation, dissolution or winding up. The Series B Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless repurchased or redeemed by the Company or converted by the holders of the Series B Preferred Stock into the Company's common stock in connection with certain changes of control. The Series B Preferred Stock is not redeemable by the Company prior to April 15, 2024, except under circumstances intended to preserve the Company's qualification as a REIT for U.S. federal income tax purposes and except upon the occurrence of certain changes of control. On and after April 15, 2024, the Company may, at its option, redeem the Series B Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price equal to $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date fixed for redemption. If the Company does not exercise its rights to redeem the Series B Preferred Stock upon certain changes in control, the holders of the Series B Preferred Stock have the right to convert some or all of their shares of Series B Preferred Stock into a number of shares of the Company's common stock based on a defined formula, subject to a share cap, or alternative consideration. The share cap on each share of Series B Preferred Stock is 2.68962 shares of common stock, subject to certain adjustments. Holders of Series B Preferred Stock will be entitled to receive cumulative cash dividends (i) from and including February 11, 2019 to, but excluding, April 15, 2024 at a fixed rate equal to 8.250% per annum of the $25.00 per share liquidation preference (equivalent to $2.0625 per annum per share) and (ii) from and including April 15, 2024, at a floating rate equal to three-month LIBOR plus a spread of 5.631% per annum. Because LIBOR ceased publication after June 30, 2023, under the terms of the Series B Preferred Stock, the Company will appoint a calculation agent and the calculation agent will consult with an investment bank of national standing to determine whether there is an industry accepted substitute or successor base rate to USD LIBOR. If, after such consultation, the calculation agent determines that there is an industry accepted substitute or successor base rate, the calculation agent will use such substitute or successor base rate. In such case, the calculation agent in its sole discretion may also implement other technical changes to the Series B Preferred Stock in a manner that is consistent with industry accepted practices for such substitute or successor base rate. It is currently anticipated that the successor rate to be chosen by the calculation agent during the floating rate period will be 3-month CME Term SOFR plus a tenor spread adjustment of 0.26161%.

Dividends on the Series A and B Preferred Stock are payable quarterly in arrears on the 15th day of each January, April, July and October, when and as authorized by the Company's board of directors and declared by the Company.

Common Stock ATM Program

In August 2018, the Company instituted an at-the-market offering program (the "Common Stock ATM Program") of up to $50.0 million of its common stock. In November 2022, the Company entered into amendments to the existing At Market Issuance Sales Agreements, increasing the aggregate offering price to up to an aggregate of $100.0 million of its common stock, of which, approximately $4.8 million was remaining as of December 31, 2023. Under the Common Stock ATM Program, the Company may, but is not obligated to, sell shares of common stock from time to time through one or more selling agents. The Common Stock ATM Program has no set expiration date and may be renewed or terminated by the Company at any time. During the year ended December 31, 2023, the Company issued and sold 6,470,004 shares of common stock under the Common Stock ATM Program. The shares were sold at a weighted average price of $4.87 per share for aggregate gross proceeds of approximately $31.5 million before fees of approximately $631,000. During the year ended December 31, 2022, the Company issued and sold 5,212,841 shares of common stock under the Common Stock ATM Program. The shares were sold at a weighted average price of $6.50 per share for aggregate gross proceeds of approximately $33.9 million before fees of approximately $677,000.

Preferred Series A ATM Program

In April 2018, the Company instituted an at-the-market offering program (the "Preferred Series A ATM Program") of up to $35.0 million of its Series A Preferred Stock. The Company terminated the Preferred Series A ATM Program effective as of January 29, 2024. Under the Preferred Series A ATM Program, the Company could, but was not obligated to, sell shares of Series A Preferred Stock from time to time through one or more selling agents. During the years ended December 31, 2023 and December 31, 2022, the Company did not sell any shares of Series A Preferred Stock pursuant to the Preferred Series A ATM Program.

Share Repurchase Program

In September 2019, the Company instituted a share repurchase program that allows for the repurchase of up to an aggregate of $10.0 million of the Company's common stock. Shares may be repurchased from time to time through privately negotiated transactions or open market transactions, pursuant to a trading plan in accordance with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, or by any combination of such methods. The manner, price, number and timing of share repurchases are subject to a variety of factors, including market conditions and applicable SEC rules. The share repurchase program does not require the purchase of any minimum number of shares, and, subject to SEC rules, purchases may be commenced or suspended at any time without prior notice. During the years ended December 31, 2023 and December 31, 2022, the Company did not repurchase any shares of its common stock pursuant to the share repurchase program.

Preferred Stock Repurchase Program

In December 2023, the Company initiated a Preferred Stock repurchase program that allows for the repurchase of up to an aggregate of $50.0 million of its Preferred Stock. Shares may be repurchased from time to time through privately negotiated transactions or open market transactions, pursuant to a trading plan in accordance with Rules 10b5-1 under the Exchange Act. The manner, price, number and timing of share repurchases are subject to a variety of factors, including market conditions and applicable SEC rules. The Preferred Stock repurchase program does not require the purchase of any minimum number of shares, and, subject to SEC rules, purchases may be commenced or suspended at any time without prior notice. During the year ended December 31, 2023, the Company did not repurchase any Preferred Stock pursuant to the repurchase program.

Equity Incentive Plan

During 2013, the board of directors approved and the Company adopted the Cherry Hill Mortgage Investment Corporation 2013 Equity Incentive Plan (the "2013 Plan"). The 2013 Plan, which expired by its terms in October 2023, provided for the grant of options to purchase shares of the Company's common stock, stock awards, stock appreciation rights ("SARs"), performance units, incentive awards and other equity-based awards, including long term incentive plan units ("LTIP-OP Units") of the Operating Partnership.

In April 2023, the Company's board of directors adopted the Cherry Hill Mortgage Investment Corporation 2023 Equity Incentive Plan (the "2023 Plan"). In June 2023, at the Company's annual meeting of stockholders, the 2023 Plan was approved. The 2023 Plan, which expires by its term in April 2033, permits the Company to provide equity-based compensation in the form of options to purchase shares of the Company's common stock, stock awards, SARs, performance units, incentive awards and other equity-based awards (including LTIP-OP Units). The 2023 Plan replaced the 2013 Plan upon the 2023 Plan's approval by stockholders and no further awards will be made by the Company under the 2013 Plan. Currently outstanding awards granted under the 2013 Plan will remain effective in accordance with their terms.

The maximum aggregate number of shares of common stock issuable pursuant to the 2023 Plan pursuant to the exercise of options and SARs, the grant of stock awards or other equity-based awards (including LTIP-OP Units) and the settlement of incentive awards and performance units is equal to 2,830,000 shares. Other equity-based awards that are LTIP-OP Units will reduce the maximum aggregate number of shares of common stock issuable pursuant to the 2023 Plan on a one-for-one basis—that is, each such LTIP-OP Unit will be treated as an award of common stock; provided, however, for the avoidance of doubt, the conversion of any such LTIP-OP Units at a later date into a share of common stock will not count as an award of common stock under the 2023 Plan for purposes of determining the aggregate limit to avoid any double counting of the same award. In connection with stock splits, dividends, recapitalizations and certain other events, the Company's board of directors will make equitable adjustments that it deems appropriate in the aggregate number of shares of common stock issuable pursuant to the 2023 Plan and the terms of outstanding awards.

If any options or stock appreciation rights terminate, expire or are cancelled, forfeited, exchanged or surrendered without having been exercised or are paid in cash without delivery of common stock or if any stock awards, performance units or other equity-based awards (including LTIP-OP Units) are forfeited, the shares of common stock subject to such awards will again be available for purposes of the 2023 Plan. Shares of common stock tendered or withheld to satisfy the exercise price or for tax withholding are not available for future grants under the 2023 Plan.

LTIP-OP Units are a special class of partnership interest in the Operating Partnership. LTIP-OP Units may be issued to eligible participants for the performance of services to or for the benefit of the Operating Partnership. Initially, LTIP-OP Units do not have full parity with the Operating Partnership's common units of limited partnership interest ("OP Units") with respect to liquidating distributions; however, LTIP-OP Units receive, whether vested or not, the same per-unit distributions as OP Units and are allocated their pro-rata share of the Operating Partnership's net income or loss. Under the terms of the LTIP-OP Units, the Operating Partnership will revalue its assets upon the occurrence of certain specified events, and any increase in the Operating Partnership's valuation from the time of grant of the LTIP-OP Units until such event will be allocated first to the holders of LTIP-OP Units to equalize the capital accounts of such holders with the capital accounts of the holders of OP Units. Upon equalization of the capital accounts of the holders of LTIP-OP Units with the other holders of OP Units, the LTIP-OP Units will achieve full parity with OP Units for all purposes, including with respect to liquidating distributions. If such parity is reached, vested LTIP-OP Units may be converted into an equal number of OP Units at any time and, thereafter, enjoy all the rights of OP Units, including redemption rights.

An LTIP-OP Unit and a share of common stock of the Company have substantially the same economic characteristics in as much as they effectively share equally in the net income or loss of the Operating Partnership. Holders of LTIP-OP Units that have reached parity with OP Units have the right to redeem their LTIP-OP Units, subject to certain restrictions. The redemption is required to be satisfied in cash, or at the Company's option, the Company may purchase the OP Units for common stock, calculated as follows: one share of the Company's common stock, or cash equal to the fair value of a share of the Company's common stock at the time of redemption, for each LTIP-OP Unit. When an LTIP-OP Unit holder redeems an OP Unit (as described above), non-controlling interest in the Operating Partnership is reduced and the Company's equity is increased.

LTIP-OP Units vest ratably over the first three annual anniversaries of the grant date. The fair value of each LTIP-OP Unit was determined based on the closing price of the Company's common stock on the applicable grant date in all other cases.

The following table sets forth the number of shares of the Company's common stock as well as LTIP-OP Units and the values thereof (based on the closing prices on the respective dates of grant) granted under the 2013 Plan and the 2023 Plan. As noted above, effective as of June 15, 2023, (the date of the Company's 2023 annual meeting of stockholders) the 2023 Plan replaced the 2013 Plan. No further awards will be made by the Company under the 2013 Plan, and currently outstanding awards granted under the 2013 Plan will remain effective in accordance with their terms. Except as otherwise indicated, all shares shown in the table below are fully vested.

Equity Incentive Plan Information

	LTIP-OP Units				Shares of Common Stock			
	Issued	Forfeited	Converted	Redeemed	Issued	Forfeited	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans	Weighted Average Issuance Price
December 31, 2020	(341,847)	916	28,417	-	(108,388)	3,155	1,082,253	
Number of securities issued or to be issued upon exercise	(49,800) (A)	-	16,378	-	(36,592)	-	(70,014)	$ 9.77
Number of securities redeemed	-	-	-	9,054	-	-	-	
December 31, 2021	(391,647)	916	44,795	9,054	(144,980)	3,155	1,012,239	
Number of securities issued or to be issued upon exercise	(68,250) (B)	-	-	-	(33,441)	-	(101,691)	$ 7.70
Number of securities forfeited	-	4,916	-	-	-	-	4,916	
December 31, 2022	(459,897)	5,832	44,795	9,054	(178,421)	3,155	915,464	
Number of securities issued or to be issued upon exercise	(92,200) (C)	-	-	-	(41,835) (D)	-	(134,035)	$ 5.74
Increase in the number of securities available for issuance	-	-	-	-	-	-	2,006,736	
December 31, 2023	(552,097)	5,832	44,795	9,054	(220,256)	3,155	2,788,165	

(A) Subject to forfeiture in certain circumstances prior to January 4, 2024.
(B) Subject to forfeiture in certain circumstances prior to January 3, 2025.
(C) Subject to forfeiture in certain circumstances prior to January 10, 2026.
(D) Subject to forfeiture in certain circumstances prior to June 29, 2024.

The Company recognized share-based compensation expense of approximately $676,000 and $705,000 during the years ended December 31, 2023 and December 31, 2022, respectively. There was approximately $641,000 of total unrecognized share-based compensation expense as of December 31, 2023, which was related to unvested LTIP-OP Units and directors compensation paid in stock subject to forfeiture. This unrecognized share-based compensation expense is expected to be recognized ratably over the remaining vesting period of up to three years. The aggregate expense related to the LTIP-OP Unit grants is presented as "General and administrative expense" in the Company's consolidated statements of income (loss).

Non-Controlling Interests in Operating Partnership

Non-controlling interests in the Operating Partnership in the accompanying consolidated financial statements relate to LTIP-OP Units and OP Units issued upon conversion of LTIP-OP Units, in either case, held by parties other than the Company.

As of December 31, 2023, the non-controlling interest holders in the Operating Partnership owned 489,890 LTIP-OP Units, or approximately 1.9% of the units of the Operating Partnership. Pursuant to ASC 810, *Consolidation*, changes in a parent's ownership interest (and transactions with non-controlling interest unit holders in the Operating Partnership) while the parent retains its controlling interest in its subsidiary should be accounted for as equity transactions. The carrying amount of the non-controlling interest will be adjusted to reflect the change in its ownership interest in the subsidiary, with the offset to equity attributable to the Company.

Earnings per Common Share

The Company is required to present both basic and diluted earnings per common share ("EPS"). Basic EPS is calculated by dividing net income applicable to common stockholders by the weighted average number of shares of common stock outstanding during each period. Diluted EPS is calculated by dividing net income applicable to common stockholders by the weighted average number of shares of common stock outstanding plus the additional dilutive effect of common stock equivalents during each period. In accordance with ASC 260, *Earnings Per Share*, if there is a loss from continuing operations, the common stock equivalents are deemed anti-dilutive and earnings (loss) per share is calculated excluding the potential common shares.

The following table presents basic and diluted earnings per share of common stock for the periods indicated (dollars in thousands, except per share data):

Earnings per Common Share Information

	Year Ended December 31,		
	2023	**2022**	**2021**
Numerator:			
Net income (loss)	$ (35,455)	$ 22,189	$ 12,530
Net (income) loss allocated to noncontrolling interests in Operating Partnership	661	(450)	(247)
Dividends on preferred stock	9,853	9,853	9,853
Net income (loss) applicable to common stockholders	$ (44,647)	$ 11,886	$ 2,430
Denominator:			
Weighted average common shares outstanding	26,262,407	19,768,286	17,324,362
Weighted average diluted shares outstanding	26,293,903	19,795,639	17,345,562
Basic and Diluted EPS:			
Basic	$ (1.70)	$ 0.60	$ 0.14
Diluted	$ (1.70)	$ 0.60	$ 0.14

There were no participating securities or equity instruments outstanding that were anti-dilutive for purposes of calculating earnings per share for the periods presented.

Note 7 — Transactions with Related Parties

Manager

The Company has entered into the Management Agreement with the Manager, pursuant to which the Manager provides for the day-to-day management of the Company's operations. The Management Agreement requires the Manager to manage the Company's business affairs in conformity with the policies that are approved and monitored by the Company's board of directors. Pursuant to the Management Agreement, the Manager, under the supervision of the Company's board of directors, formulates investment strategies, arranges for the acquisition of assets, arranges for financing, monitors the performance of the Company's assets and provides certain advisory, administrative and managerial services in connection with the operations of the Company. For performing these services, the Company pays the Manager the management fee which is payable in cash quarterly in arrears, in an amount equal to 1.5% per annum of the Company's stockholders' equity (as defined in the Management Agreement).

The term of the Management Agreement expires on October 22, 2024 and will be automatically renewed for a one-year term on such date and on each anniversary of such date thereafter unless terminated or not renewed as described below. Either the Company or the Manager may elect not to renew the Management Agreement upon expiration of its initial term or any renewal term by providing written notice of non-renewal at least 180 days, but not more than 270 days, before expiration. In the event the Company elects not to renew the term, the Company will be required to pay the Manager a termination fee equal to three times the average annual management fee amount earned by the Manager during the two four-quarter periods ending as of the end of the most recently completed fiscal quarter prior to the non-renewal. The Company may terminate the Management Agreement at any time for cause effective upon 30 days prior written notice of termination from the Company to the Manager, in which case no termination fee would be due. The Company's board of directors will review the Manager's performance prior to the automatic renewal of the Management Agreement and, as a result of such review, upon the affirmative vote of at least two-thirds of the members of the Company's board of directors or of the holders of a majority of the Company's outstanding common stock, the Company may terminate the Management Agreement based upon unsatisfactory performance by the Manager that is materially detrimental to the Company or a determination by the Company's independent directors that the management fees payable to the Manager are not fair, subject to the right of the Manager to prevent such a termination by agreeing to a reduction of the management fees payable to the Manager. Upon any termination of the Management Agreement based on unsatisfactory performance or unfair management fees, the Company would be required to pay the Manager the termination fee described above. The Manager may terminate the Management Agreement in the event that the Company becomes regulated as an investment company under the Investment Company Act of 1940, as amended, in which case the Company would not be required to pay the termination fee described above. The Manager may also terminate the Management Agreement upon 60 days' written notice if the Company defaults in the performance of any material term of the Management Agreement and the default continues for a period of 30 days after written notice to the Company, whereupon the Company would be required to pay the Manager the termination fee described above. The Management Agreement also requires the Company and the Manager to terminate the Management Agreement without payment of any termination fee in connection with the consummation of an internalization event (as defined in the Management Agreement).

The Manager is a party to the Services Agreement with the Services Provider, pursuant to which the Services Provider provides to the Manager personnel and payroll and benefits administration services as needed by the Manager to carry out its obligations and responsibilities under the Management Agreement. The Company is a named third-party beneficiary to the Services Agreement and, as a result, has, as a non-exclusive remedy, a direct right of action against the Services Provider in the event of any breach by the Manager of any of its duties, obligations or agreements under the Management Agreement that arise out of or result from any breach by the Services Provider of its obligations under the Services Agreement. The Services Agreement will terminate upon the termination of the Management Agreement.

The Management Agreement between the Company and the Manager was negotiated between related parties, and the terms, including fees payable, may not be as favorable to the Company as if it had been negotiated with an unaffiliated third party. At the time the Management Agreement was negotiated, both the Manager and the Services Provider were controlled by Mr. Stanley Middleman. In 2016, ownership of the Manager was transferred to CHMM Blind Trust, a grantor trust for the benefit of Mr. Middleman.

The Management Agreement provides that the Company will reimburse the Manager for (i) various expenses incurred by the Manager or its officers, and agents on the Company's behalf, including costs of software, legal, accounting, tax, administrative and other similar services rendered for the Company by providers retained by the Manager and (ii) an agreed upon portion of the compensation paid to specified officers of the Company.

The amounts under "Due to Manager" on the consolidated balance sheets consisted of the following for the periods indicated (dollars in thousands):

Management Fees and Compensation Reimbursement to Manager

	Year Ended December 31,		
	2023	2022	2021
Management fees	$ 6,250	$ 6,119	$ 6,844
Compensation reimbursement	580	510	1,000
Total	**$ 6,830**	**$ 6,629**	**$ 7,844**

Subservicing Agreement

In August 2020, Freedom Mortgage acquired RoundPoint Mortgage Servicing Corporation ("RoundPoint"), one of Aurora's subservicers and a seller of Fannie Mae and Freddie Mac MSRs pursuant to a flow purchase agreement with Aurora. In September 2023, RoundPoint ceased being a wholly owned subsidiary of Freedom Mortgage when it was acquired by Matrix Financial Services Corporation. The subservicing agreement with RoundPoint had an initial term of two years and is subject to automatic renewal every two years for an additional two-year term unless either party chooses not to renew. The current renewal term expires in August 2025. The subservicing agreement may be terminated without cause by either party by giving notice as specified in the agreement. If the agreement is not renewed by Aurora or terminated by Aurora without cause, de-boarding fees will be due to the subservicer. Under the subservicing agreement, RoundPoint agrees to service the applicable mortgage loans in accordance with applicable law. Aurora received servicing fee income from RoundPoint of $23.9 million and $33.5 million during the nine-month period ended September 30, 2023 and the year ended December 31, 2022, respectively. Aurora paid RoundPoint servicing costs of $3.8 million and $6.1 million during the nine-month period ended September 30, 2023 and the year ended December 31, 2022, respectively. Aurora had servicing receivables of $687,000 from RoundPoint as of December 31, 2022. The flow purchase agreement provides that RoundPoint may offer, and Aurora may purchase mortgage servicing rights from time to time on loans originated through RoundPoint's network of loan sellers. RoundPoint's sellers sell the loans to Fannie Mae or Freddie Mac and sell the mortgage servicing rights to RoundPoint which sells the MSR to Aurora. RoundPoint then subservices the loans for Aurora pursuant to the subservicing agreement.

During the nine-month period ended September 30, 2023, Aurora purchased MSRs with an aggregate UPB of approximately $987,000 from RoundPoint pursuant to the flow agreement for a purchase price of $5,000. During the year ended December 31, 2022, Aurora purchased MSRs with an aggregate UPB of approximately $545.2 million from RoundPoint pursuant to the flow agreement for a purchase price of $5.6 million.

Joint Marketing Recapture Agreement

In May 2018, Aurora entered into a recapture purchase and sale agreement with RoundPoint, one of Aurora's subservicers and from August 2020 to September 2023, a wholly-owned subsidiary of Freedom Mortgage. Pursuant to this agreement, RoundPoint attempts to refinance certain mortgage loans underlying Aurora's MSR portfolio subserviced by RoundPoint as directed by Aurora. If a loan is refinanced, RoundPoint will sell the loan to Fannie Mae or Freddie Mac, as applicable, retain the sale proceeds and transfer the related MSR to Aurora. During the period where RoundPoint was a wholly-owned subsidiary of Freedom Mortgage, RoundPoint outsourced such recapture services to Freedom Mortgage on RoundPoint's behalf.

Other Transactions with Related Persons

Aurora leases three employees from Freedom Mortgage and reimburses Freedom Mortgage on a monthly basis.

Note 8 — Derivative Instruments

Interest Rate Swap Agreements, Swaptions, TBAs and Treasury Futures

In order to help mitigate exposure to higher short-term interest rates in connection with borrowings under its repurchase agreements, the Company enters into interest rate swap agreements and swaption agreements. Interest rate swap agreements establish an economic fixed rate on related borrowings because the variable-rate payments received on the interest rate swap agreements largely offset interest accruing on the related borrowings, leaving the fixed-rate payments to be paid on the interest rate swap agreements as the Company's effective borrowing rate, subject to certain adjustments including changes in spreads between variable rates on the interest rate swap agreements and actual borrowing rates. A swaption is an option granting its owner the right but not the obligation to enter into an underlying swap. The Company's interest rate swap agreements and swaptions have not been designated as qualifying hedging instruments for GAAP purposes.

In order to help mitigate duration risk and manage basis risk and the pricing risk under the Company's financing facilities, the Company utilizes U.S. treasury futures and forward-settling purchases and sales of RMBS where the underlying pools of mortgage loans are TBAs. Pursuant to these TBA transactions, the Company agrees to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. Unless otherwise indicated, references to U.S. treasury futures include options on U.S. treasury futures.

The following table summarizes the outstanding notional amounts of derivative instruments as of the dates indicated (dollars in thousands):

Derivatives	**December 31, 2023**	**December 31, 2022**
Notional amount of interest rate swaps	$ 1,057,000	$ 1,305,000
Notional amount of TBAs, net	(376,600)	(306,100)
Notional amount of U.S. treasury futures	274,100	(88,700)
Notional amount of options on treasury futures	-	20,000
Total notional amount	**$ 954,500**	**$ 930,200**

The following table presents information about the Company's interest rate swap agreements as of the dates indicated (dollars in thousands):

	Notional Amount(A)	**Fair Value**	**Weighted Average Pay Rate**	**Weighted Average Receive Rate**	**Weighted Average Years to Maturity**
December 31, 2023	$ 1,057,000	$ 16,705	1.59%	5.24%	3.5
December 31, 2022	$ 1,305,000	$ 15,748	1.53%	3.96%	5.1

(A) Includes $869.0 million notional of receive SOFR and pay fixed of 5.4% and $188.0 million notional of receive fixed of 5.4% and pay SOFR with weighted average maturities of 3.8 years and 2.0 years, respectively, as of December 31, 2023. Includes $1,030.0 million notional of receive SOFR/LIBOR and pay fixed of 4.4% and $275.0 million notional of receive fixed of 4.6% and pay LIBOR with weighted average maturities of 4.7 years and 6.5 years, respectively, as of December 31, 2022.

The following tables present information about the Company's TBA derivatives as of the dates indicated (dollars in thousands):

As of December 31, 2023

Purchase and sale contracts for derivative TBAs	Notional	Implied Cost Basis	Implied Fair Value	Net Carrying Value
Purchase contracts	$ 368,300	$ 357,472	$ 360,821	$ 3,350
Sale contracts	(744,900)	(702,557)	(718,073)	(15,517)
Net TBA derivatives	$ (376,600)	$ (345,085)	$ (357,252)	$ (12,167)

As of December 31, 2022

Purchase and sale contracts for derivative TBAs	Notional	Implied Cost Basis	Implied Fair Value	Net Carrying Value
Purchase contracts	$ 518,300	$ 506,245	$ 501,682	$ (4,563)
Sale contracts	(824,400)	(796,054)	(787,275)	8,778
Net TBA derivatives	$ (306,100)	$ (289,809)	$ (285,593)	$ 4,215

The following tables present information about the Company's U.S. treasury futures agreements as of the dates indicated (dollars in thousands):

As of December 31, 2023

Maturity	Notional Amount - Long	Notional Amount - Short	Fair Value
2 years	$ 196,800	$ -	$ 2,090
5 years	221,500	-	4,944
10 years [(A)]	-	(144,200)	(8,685)
Total	$ 418,300	$ (144,200)	$ (1,651)

As of December 31, 2022

Maturity	Notional Amount - Long	Notional Amount - Short	Fair Value
10 years [(A)]	$ -	$ (88,700)	$ 618
Total	$ -	$ (88,700)	$ 618

(A) Includes 10-year Ultra futures and Long Bond futures contracts.

The following table presents information about the Company's U.S. treasury futures options agreements as of the dates indicated (dollars in thousands):

As of December 31, 2022

Maturity	Notional Amount - Long	Notional Amount - Short	Fair Value
10 years	$ 70,000	$ (50,000)	$ 234
Total	$ 70,000	$ (50,000)	$ 234

The following table presents information about realized gain (loss) on derivatives, which is included on the consolidated statements of income (loss) for the periods indicated (dollars in thousands):

Derivatives	Year Ended December 31, 2023	2022	2021
Interest rate swaps [(A)]	$ (4,896)	$ (4,794)	$ (884)
Swaptions	-	(585)	(1,028)
TBAs	13,059	(27,774)	(4,668)
U.S. Treasury futures	(8,992)	23,752	(3,670)
U.S. treasury futures options	(337)	(350)	(2,902)
Total	**$ (1,166)**	**$ (9,751)**	**$ (13,152)**

(A) Excludes interest rate swap periodic interest income of $35.0 million, $11.1 million and $3.8 million, for the years ended December 31, 2023, December 31, 2022 and December 31, 2021, respectively.

Offsetting Assets and Liabilities

The Company has netting arrangements in place with all of its derivative counterparties pursuant to standard documentation developed by the International Swaps and Derivatives Association and the Securities Industry and Financial Markets Association. Under GAAP, if the Company has a valid right of offset, it may offset the related asset and liability and report the net amount. The Company presents interest rate swaps, swaptions and U.S. treasury futures assets and liabilities on a gross basis in its consolidated balance sheets, but in the case of interest rate swaps, net of variation margin. The Company presents TBA assets and liabilities on a net basis in its consolidated balance sheets. The Company presents repurchase agreements in this section even though they are not derivatives because they are subject to master netting arrangements. However, repurchase agreements are presented on a gross basis. Additionally, the Company does not offset financial assets and liabilities with the associated cash collateral on the consolidated balance sheets.

The following tables present information about the Company’s assets and liabilities that are subject to master netting arrangements or similar agreements and can potentially be offset on the Company’s consolidated balance sheets as of the dates indicated (dollars in thousands):

Offsetting Assets and Liabilities

As of December 31, 2023

	Gross Amounts of Recognized Assets or Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets and Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received (Pledged) (A)	
Assets						
Interest rate swaps	$ 19,504	$ -	$ 19,504	$ (19,504)	$ -	$ -
TBAs	3,350	(3,350)	-	-	-	-
U.S. treasury futures	7,034	(7,034)	-	-	-	-
Total Assets	**$ 29,888**	**$ (10,384)**	**$ 19,504**	**$ (19,504)**	**$ -**	**$ -**
Liabilities						
Repurchase agreements	$ 903,489	$ -	$ 903,489	$ (933,042)	$ 29,553	$ -
Interest rate swaps	2,799	-	2,799	(2,799)	-	-
TBAs	15,517	(3,350)	12,167	(1,162)	(11,005)	-
U.S. treasury futures	8,685	(7,034)	1,651	3,785	(5,436)	-
Total Liabilities	**$ 930,490**	**$ (10,384)**	**$ 920,106**	**$ (933,218)**	**$ 13,112**	**$ -**

As of December 31, 2022

	Gross Amounts of Recognized Assets or Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets and Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet: Financial Instruments	Gross Amounts Not Offset in the Consolidated Balance Sheet: Cash Collateral Received (Pledged) (A)	Net Amount
Assets						
Interest rate swaps	$ 40,466	$ -	$ 40,466	$ (40,466)	$ -	$ -
Interest rate swaptions	-	-	-	-	-	-
TBAs	8,786	(4,571)	4,215	(4,215)	-	-
U.S. treasury futures	618	-	618	(618)	-	-
U.S. treasury futures options	234	-	234	3,630	(3,864)	-
Total Assets	**$ 50,104**	**$ (4,571)**	**$ 45,533**	**$ (41,669)**	**$ (3,864)**	**$ -**
Liabilities						
Repurchase agreements	$ 825,962	$ -	$ 825,962	$ (830,022)	$ 4,060	$ -
Interest rate swaps	24,718	-	24,718	(24,718)	-	-
TBAs	4,571	(4,571)	-	(2,767)	2,767	-
Total Liabilities	**$ 855,251**	**$ (4,571)**	**$ 850,680**	**$ (857,507)**	**$ 6,827**	**$ -**

(A) Includes cash pledged / received as collateral. Amounts presented are limited to collateral pledged sufficient to reduce the net amount to zero for individual counterparties, as applicable.

Note 9 — Fair Value

Fair Value Measurements

ASC 820 defines fair value 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. ASC 820 clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). Additionally, ASC 820 requires an entity to consider all aspects of nonperformance risk, including the entity's own credit standing, when measuring the fair value of a liability.

ASC 820 establishes a three-level hierarchy to be used when measuring and disclosing fair value. An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. Following is a description of the three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities as of the measurement date under current market conditions. Additionally, the entity must have the ability to access the active market and the quoted prices cannot be adjusted by the entity.

- 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 that are observable or can be corroborated by observable market data by correlation or other means for substantially the full-term of the assets or liabilities.

- Level 3 unobservable inputs are supported by little or no market activity. The unobservable inputs represent the assumptions that management believes market participants would use to price the assets and liabilities, including risk. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.

Recurring Fair Value Measurements

The following is a description of the methods used to estimate the fair values of the Company's assets and liabilities measured at fair value on a recurring basis, as well as the basis for classifying these assets and liabilities as Level 2 or 3 within the fair value hierarchy. The Company's valuations consider assumptions that it believes a market participant would consider in valuing the assets and liabilities, the most significant of which are disclosed below. The Company reassesses and periodically adjusts the underlying inputs and assumptions used in the valuations for recent historical experience, as well as for current and expected relevant market conditions.

RMBS

The Company holds a portfolio of RMBS that are carried at fair value in the consolidated balance sheets. The Company determines the fair value of its RMBS based upon prices obtained from third-party pricing providers. The third-party pricing providers develop their pricing based on transaction prices of recent trades for similar financial instruments. If recent trades for similar financial instruments are unavailable, the third-party pricing providers use cash flow or other pricing models, which utilize observable inputs. As a result, the Company classified 100% of its RMBS as Level 2 fair value assets at December 31, 2023 and December 31, 2022.

MSRs

The Company, through its subsidiary Aurora, holds a portfolio of MSRs that are reported at fair value in the consolidated balance sheets. The Company uses a discounted cash flow model to estimate the fair value of these assets. Although MSR transactions are observable in the marketplace, the valuation includes unobservable market data inputs (prepayment speeds, delinquency levels, costs to service and discount rates). As a result, the Company classified 100% of its MSRs as Level 3 fair value assets at December 31, 2023 and December 31, 2022.

Derivative Instruments

The Company enters into a variety of derivative instruments as part of its economic hedging strategies. The Company executes interest rate swaps, swaptions, TBAs and U.S. treasury futures. The Company utilizes third-party pricing providers to value its derivative instruments. The third-party pricing providers develop their pricing based on transaction prices of recent trades for similar financial instruments. If recent trades for similar financial instruments are unavailable, the third-party pricing providers use cash flow or other pricing models, which utilize observable inputs. As a result, the Company classified 100% of its derivative instruments as Level 2 fair value assets and liabilities at December 31, 2023 and December 31, 2022.

Both the Company and the derivative counterparties under their netting arrangements are required to post cash collateral based upon the net underlying market value of the Company’s open positions with the counterparties. Posting of cash collateral typically occurs daily, subject to certain dollar thresholds. Due to the existence of netting arrangements, as well as frequent cash collateral posting at low posting thresholds, credit exposure to the Company and/or counterparties is considered materially mitigated. The Company’s interest rate swaps and U.S. treasury futures are required to be cleared on an exchange, which further mitigates, but does not eliminate, credit risk. Based on the Company’s assessment, there is no requirement for any additional adjustment to derivative valuations specifically for credit.

The following tables present the Company’s assets and liabilities measured at fair value on a recurring basis as of the dates indicated (dollars in thousands).

Recurring Fair Value Measurements

As of December 31, 2023

	Level 1	**Level 2**	**Level 3**	**Carrying Value**
Assets				
RMBS				
Fannie Mae	$ -	$ 401,126	$ -	$ 401,126
Freddie Mac	-	611,004	-	611,004
RMBS total	-	1,012,130	-	1,012,130
Derivative assets				
Interest rate swaps	-	19,504	-	19,504
Derivative assets total	-	19,504	-	19,504
Servicing related assets	-	-	253,629	253,629
Total Assets	**$ -**	**$ 1,031,634**	**$ 253,629**	**$ 1,285,263**
Liabilities				
Derivative liabilities				
Interest rate swaps	-	2,799	-	2,799
TBAs, net	-	12,167	-	12,167
U.S. treasury futures	-	1,651	-	1,651
Derivative liabilities total	-	16,617	-	16,617
Total Liabilities	**$ -**	**$ 16,617**	**$ -**	**$ 16,617**

As of December 31, 2022

	Level 1	Level 2	Level 3	Carrying Value
Assets				
RMBS				
Fannie Mae	$ -	$ 483,397	$ -	$ 483,397
Freddie Mac	-	448,034	-	448,034
RMBS total	-	931,431	-	931,431
Derivative assets				
Interest rate swaps	-	40,466	-	40,466
TBAs, net	-	4,215	-	4,215
U.S. treasury futures	-	618	-	618
U.S. treasury futures options	-	234	-	234
Derivative assets total	-	45,533	-	45,533
Servicing related assets	-	-	279,739	279,739
Total Assets	**$ -**	**$ 976,964**	**$ 279,739**	**$ 1,256,703**
Liabilities				
Derivative liabilities				
Interest rate swaps	-	24,718	-	24,718
Derivative liabilities total	-	24,718	-	24,718
Total Liabilities	**$ -**	**$ 24,718**	**$ -**	**$ 24,718**

The Company may be required to measure certain assets or liabilities at fair value from time to time. These periodic fair value measures typically result from application of certain impairment measures under GAAP. These items would constitute nonrecurring fair value measures under ASC 820. As of December 31, 2023 and December 31, 2022, the Company did not have any assets or liabilities measured at fair value on a nonrecurring basis in the periods presented.

Level 3 Assets and Liabilities

The valuation of Level 3 assets and liabilities requires significant judgment by management. The Company estimates the fair value of its Servicing Related Assets based on internal pricing models rather than quotations and compares the results of these internal models against the results from models generated by third-party pricing providers. The third-party pricing providers and management rely on inputs such as market price quotations from market makers (either market or indicative levels), original transaction price, recent transactions in the same or similar instruments, and changes in financial ratios or cash flows to determine fair value. Level 3 instruments may also be discounted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by third-party pricing providers and management in the absence of market information. Assumptions used by third-party pricing providers and management due to lack of observable inputs may significantly impact the resulting fair value and, therefore, the Company’s consolidated financial statements. The Company’s management reviews all valuations that are based on pricing information received from third-party pricing providers. As part of this review, prices are compared against other pricing or input data points in the marketplace, along with internal valuation expertise, to ensure the pricing is reasonable.

Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant change to estimated fair values. The determination of estimated cash flows used in pricing models is inherently subjective and imprecise. It should be noted that minor changes in assumptions or estimation methodologies can have a material effect on these derived or estimated fair values, and that the fair values reflected below are indicative of the interest rate and credit spread environments as of December 31, 2023 and December 31, 2022 and do not take into consideration the effects of subsequent changes in market or other factors.

The tables below present the reconciliation for the Company's Level 3 assets (Servicing Related Assets) measured at fair value on a recurring basis as of the dates indicated (dollars in thousands):

Level 3 Fair Value Measurements

	Year Ended December 31,		
	2023	2022	2021
Balance at beginning of period	**$ 279,739**	**$ 218,727**	**$ 174,414**
Purchases and sales:			
Purchases	5	38,592	56,638
Other changes (A)	(178)	(556)	(1,263)
Purchases and sales:	(173)	38,036	55,375
Changes in Fair Value due to:			
Changes in valuation inputs or assumptions used in valuation model	(8,576)	48,253	61,881
Other changes in fair value (B)	(17,361)	(25,277)	(72,943)
Unrealized gain (loss) included in Net Income	(25,937)	22,976	(11,062)
Balance at end of period	**$ 253,629**	**$ 279,739**	**$ 218,727**

(A) Represents purchase price adjustments, principally contractual prepayment protection, and changes due to the Company's repurchase of the underlying collateral.
(B) Represents changes due to realization of expected cash flows and estimated MSR runoff.

The tables below present information about the significant unobservable inputs used in the fair value measurement of the Company's Servicing Related Assets classified as Level 3 fair value assets as of the dates indicated (dollars in thousands):

Fair Value Measurements

As of December 31, 2023

	Fair Value	Valuation Technique	Unobservable Input (A)	Range	Weighted Average (B)
MSRs	$ 253,629	Discounted cash flow	Constant prepayment speed	3.9% - 14.8%	6.9%
			Uncollected payments	0.6% - 6.8%	0.8%
			Discount rate		9.6%
			Annual cost to service, per loan		$ 88
TOTAL	**$ 253,629**				

As of December 31, 2022

	Fair Value	Valuation Technique	Unobservable Input (A)	Range	Weighted Average (B)
MSRs	$ 279,739	Discounted cash flow	Constant prepayment speed	4.3% - 18.2%	7.4%
			Uncollected payments	0.5% - 3.2%	0.7%
			Discount rate		9.5%
			Annual cost to service, per loan		$ 81
TOTAL	**$ 279,739**				

(A) Significant increases (decreases) in any of the inputs in isolation may result in significantly lower (higher) fair value measurements. A change in the assumption used for discount rates may be accompanied by a directionally similar change in the assumption used for the probability of uncollected payments and a directionally opposite change in the assumption used for prepayment rates.

(B) Weighted averages for unobservable inputs are calculated based on the unpaid principal balance of the portfolios.

Fair Value of Financial Assets and Liabilities

In accordance with ASC 820, the Company is required to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized in the consolidated balance sheets, for which fair value can be estimated. The following describes the Company's methods for estimating the fair value for financial instruments.

- RMBS available for sale securities, Servicing Related Assets, derivative assets and derivative liabilities are recurring fair value measurements; carrying value equals fair value. See discussion of valuation methods and assumptions within the "Fair Value Measurements" section of this footnote.

- Cash and cash equivalents and restricted cash have a carrying value which approximates fair value because of the short maturities of these instruments.

- The carrying value of servicing receivables, repurchase agreements and corporate debt that mature in less than one year generally approximates fair value due to the short maturities. The Company does not hold any repurchase agreements that are considered long-term.

Corporate debt that matures in more than one year consists solely of financing secured by Aurora's Servicing Related Assets. All of the Company's debt is revolving and bears interest at adjustable rates. The Company considers that the amount of the corporate debt generally approximates fair value.

Note 10 — Commitments and Contingencies

The commitments and contingencies of the Company as of December 31, 2023 and December 31, 2022 are described below.

Management Agreement

The Company pays the Manager a quarterly management fee, calculated and payable quarterly in arrears, equal to the product of one quarter of the 1.5% management fee annual rate and the stockholders' equity, adjusted as set forth in the Management Agreement as of the end of such fiscal quarter. The Manager relies on the Services Provider to provide the Manager with the necessary resources and personnel to conduct the Company's operations. For further discussion regarding the management fee, see Note 7.

Legal and Regulatory

From time to time, the Company may be subject to potential liability under laws and government regulations and various claims and legal actions arising in the ordinary course of business. Liabilities are established for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts established for those claims. The Company has established immaterial reserves for these possible matters. Based on information currently available, management is not aware of any legal or regulatory claims that would have a material effect on the Company's consolidated financial statements.

Commitments to Purchase/Sell RMBS

As of December 31, 2023 and December 31, 2022, the Company held forward TBA purchase and sale commitments, respectively, with counterparties, which are forward Agency RMBS trades, whereby the Company committed to purchasing or selling a pool of securities at a particular interest rate. As of the date of the trade, the mortgage-backed securities underlying the pool that will be delivered to fulfill a TBA trade are not yet designated. The securities are typically "to be announced" 48 hours prior to the established trade settlement date.

See Note 2 — Basis of Presentation and Significant Accounting Policies for details of unsettled RMBS trades as of December 31, 2022.

Acknowledgment Agreements

In connection with the Fannie Mae MSR Financing Facility (as defined below in Note 12), entered into by Aurora and QRS III, those parties also entered into an acknowledgment agreement with Fannie Mae. Pursuant to that agreement, Fannie Mae consented to the pledge by Aurora and QRS III of their respective interests in MSRs for loans owned or securitized by Fannie Mae, and acknowledged the security interest of the lender in those MSRs. See Note 12—Notes Payable for a description of the Fannie Mae MSR Financing Facility and the financing facility it replaced.

In connection with the Freddie Mac MSR Revolver (as defined below in Note 12), Aurora, QRS V, and the lender, with a limited joinder by the Company, entered into an acknowledgement agreement with Freddie Mac pursuant to which Freddie Mac consented to the pledge of the Freddie Mac MSRs securing the Freddie Mac MSR Revolver. Aurora and the lender also entered into a consent agreement with Freddie Mac pursuant to which Freddie Mac consented to the pledge of Aurora's rights to reimbursement for advances on the underlying loans. See Note 12—Notes Payable for a description of the Freddie Mac MSR Revolver.

Note 11 — Repurchase Agreements

The Company had outstanding approximately $903.5 million and $826.0 million of borrowings under its repurchase agreements as of December 31, 2023 and December 31, 2022, respectively. The Company's obligations under these agreements had weighted average remaining maturities of 21 days and 18 days as of December 31, 2023 and December 31, 2022, respectively. RMBS and cash have been pledged as collateral under these repurchase agreements (see Note 4).

The repurchase agreements had the following remaining maturities and weighted average rates as of the dates indicated (dollars in thousands):

Repurchase Agreements Characteristics

As of December 31, 2023

	Repurchase Agreements	Weighted Average Rate
Less than one month	$ 772,466	5.55%
One to three months	131,023	5.55%
Total/Weighted Average	**$ 903,489**	**5.55%**

As of December 31, 2022

	Repurchase Agreements	Weighted Average Rate
Less than one month	$ 715,899	4.39%
One to three months	110,063	4.53%
Total/Weighted Average	**$ 825,962**	**4.41%**

There were no overnight or demand securities as of December 31, 2023 or December 31, 2022.

Note 12 — Notes Payable

As of December 31, 2023, the Company had two separate MSR financing facilities: (i) the Freddie Mac MSR Revolver, which is revolving credit facility for up to $100.0 million that is secured by all Freddie Mac MSRs owned by Aurora; and (ii) the Fannie Mae MSR Revolving Facility, which is a revolving credit facility for up to $150.0 million, that is secured by all Fannie Mae MSRs owned by Aurora. Both financing facilities are available for MSRs as well as certain servicing related advances associated with MSRs.

Freddie Mac MSR Revolver. In July 2018, the Company, Aurora and QRS V (collectively with Aurora and the Company, the "Borrowers") entered into a $25.0 million revolving credit facility (the "Freddie Mac MSR Revolver"), pursuant to which Aurora pledged all of its existing and future MSRs on loans owned or securitized by Freddie Mac. The term of the Freddie Mac MSR Revolver is 364 days with the Borrowers' option for two renewals for similar terms followed by a one-year term out feature with a 24-month amortization schedule. The Freddie Mac MSR Revolver was upsized to $45.0 million in September 2018. The Company also has the ability to request up to an additional $5.0 million of borrowings. On April 2, 2019, Aurora and QRS V entered into an amendment that increased the maximum amount of the Freddie Mac MSR Revolver to $100.0 million. In July 2023, the Borrowers entered into an amendment to the Freddie Mac MSR Revolver that extended the revolving period for an additional 364 days with the option for one more renewal of 364 days. At the end of the revolving period, the outstanding amount will be converted to a one-year term loan. Amounts borrowed bear interest at a weighted average borrowing rate of 7.7%. At December 31, 2023 and December 31, 2022, approximately $64.5 million and $68.5 million, respectively, was outstanding under the Freddie Mac MSR Revolver.

Fannie Mae MSR Revolving Facility. In October 2021, Aurora and QRS III entered into a loan and security agreement (the "Fannie Mae MSR Revolving Facility"), pursuant to which Aurora and QRS III pledged their respective rights in all existing and future MSRs for loans owned or securitized by Fannie Mae to secure borrowings outstanding from time to time. The maximum credit amount outstanding at any one time under the Fannie Mae MSR Revolving Facility is $150.0 million. The revolving period is 24 months which may be extended by agreement with the lender. In October 2023, Aurora and QRS III entered into an amendment to the Fannie Mae MSR Revolving Facility that extended the revolving period for an additional 24 months. Amounts borrowed bear interest at a weighted average borrowing rate of 7.8%. At the end of the revolving period, the outstanding amount will be converted to a three-year term loan that will bear interest at a rate calculated at a spread over the rate for one-year interest rate swaps. The Company has guaranteed repayment of all indebtedness under the Fannie Mae MSR Revolving Facility. At December 31, 2023 and December 31, 2022, approximately $106.0 million and $116.0 million, respectively, was outstanding under the Fannie Mae MSR Revolving Facility.

The outstanding borrowings had the following remaining maturities as of the dates indicated (dollars in thousands):

Long-Term Borrowings Repayment Characteristics

As of December 31, 2023

	2024	2025	2026	2027	2028	2029	Total
Freddie Mac MSR Revolver							
Borrowings under Freddie Mac MSR Revolver	$ 64,500	$ -	$ -	$ -	$ -	$ -	$ 64,500
Fannie Mae MSR Revolving Facility							
Borrowings under Fannie Mae MSR Revolving Facility	-	595	7,438	8,018	89,949	-	106,000
Total	**$ 64,500**	**$ 595**	**$ 7,438**	**$ 8,018**	**$ 89,949**	**$ -**	**$ 170,500**

As of December 31, 2022

	2023	2024	2025	2026	2027	2028	Total
Freddie Mac MSR Revolver							
Borrowings under Freddie Mac MSR Revolver	$ 68,500	$ -	$ -	$ -	$ -	$ -	$ 68,500
Fannie Mae MSR Revolving Facility							
Borrowings under Fannie Mae MSR Revolving Facility	627	7,868	8,538	98,967	-	-	116,000
Total	**$ 69,127**	**$ 7,868**	**$ 8,538**	**$ 98,967**	**$ -**	**$ -**	**$ 184,500**

Note 13 — Receivables and Other Assets

The assets comprising "Receivables and other assets" as of December 31, 2023 and December 31, 2022 are summarized in the following table (dollars in thousands):

Receivables and Other Assets

	December 31, 2023	December 31, 2022
Servicing advances	$ 15,455	$ 15,090
Interest receivable	5,503	4,381
Deferred tax asset	15,022	15,545
Other receivables	2,422	1,749
Total other assets	**$ 38,402**	**$ 36,765**

The Company only records as an asset those servicing advances that the Company deems recoverable.

Note 14 — Accrued Expenses and Other Liabilities

The liabilities comprising "Accrued expenses and other liabilities" as of December 31, 2023 and December 31, 2022 are summarized in the following table (dollars in thousands):

Accrued Expenses and Other Liabilities

	December 31, 2023	December 31, 2022
Accrued interest on repurchase agreements	$ 3,929	$ 2,796
Accrued interest on notes payable	2,076	1,710
Accrued expenses	1,200	3,804
Due to counterparties (A)	29,553	11,197
Total accrued expenses and other liabilities	**$ 36,758**	**$ 19,507**

(A) Includes collateral for the Company's borrowings that represents a payable to the counterparties as of the balance sheet date.

Note 15 — Income Taxes

The Company elected to be taxed as a REIT under Code Sections 856 through 860 beginning with its short taxable year ended December 31, 2013. As a REIT, the Company generally will not be subject to U.S. federal income tax to the extent that it distributes its taxable income to its stockholders. To maintain qualification as a REIT, the Company must distribute at least 90% of its annual REIT taxable income to its stockholders and meet certain other requirements such as assets it may hold, income it may generate and its stockholder composition. It is the Company's policy to distribute all or substantially all of its REIT taxable income. To the extent there is any undistributed REIT taxable income at the end of a year, the Company can elect to distribute such shortfall within the next year as permitted by the Code.

Effective January 1, 2014, CHMI Solutions elected to be taxed as a corporation for U.S. federal income tax purposes; prior to this date, CHMI Solutions was a disregarded entity for U.S. federal income tax purposes. CHMI Solutions has jointly elected with the Company, the ultimate beneficial owner of CHMI Sub-REIT, to be treated as a TRS of the Company, and all activities conducted through CHMI Solutions and its wholly-owned subsidiary, Aurora, are subject to federal and state income taxes. CHMI Solutions files a consolidated tax return with Aurora and is fully taxed as a U.S. C-Corporation.

The state and local tax jurisdictions for which the Company is subject to tax filing obligations recognize the Company's status as a REIT, and therefore, the Company generally does not pay income tax in such jurisdictions. CHMI Solutions and Aurora are subject to U.S. federal, state and local income taxes. All of the Company's pre-tax book income is from U.S. domestic sources.

The components of the Company's income tax expense (benefit) are as follows for the periods indicated below (dollars in thousands):

	Year Ended December 31,		
	2023	2022	2021
Current federal income tax benefit	$ -	$ -	$ (127)
Deferred federal income tax expense	280	4,116	1,180
Deferred state income tax expense	243	954	(272)
Provision for Corporate Business Taxes	**$ 523**	**$ 5,070**	**$ 781**

The following is a reconciliation of the statutory federal rate to the effective rate, for the periods indicated below (dollars in thousands):

	Year Ended December 31,					
	2023		2022		2021	
Computed income tax expense (benefit) at federal rate	$ (7,336)	21.0%	$ 5,724	21.0%	$ 2,795	21.0%
State tax expense, net of federal tax, if applicable	30	(0.1)%	494	1.8%	120	0.9%
Tax provision due to state tax rate change	206	(0.6)%	329	1.2%	(413)	(3.1)%
Permanent differences in taxable income from GAAP pre-tax income	-	-%	-	-%	185	1.4%
Provision to return adjustment	(7)	-%	(7)	-%	(6)	-%
REIT income not subject to tax expense (benefit)	7,630	(21.8)%	(1,470)	(5.4)%	(1,900)	(14.3)%
Provision for Corporate Business Taxes/Effective Tax Rate[(A)]	**$ 523**	**(1.5)%**	**$ 5,070**	**18.6%**	**$ 781**	**5.9%**

(A) The provision for income taxes is recorded at the TRS level.

The Company's consolidated balance sheets contain the following income taxes recoverable and deferred tax assets, which are recorded at the TRS level (dollars in thousands):

	Year Ended December 31,		
	2023	2022	2021
Income taxes recoverable			
Federal income taxes recoverable	$ -	$ 128	$ 128
Income taxes recoverable	**$ -**	**$ 128**	**$ 128**
Deferred tax assets			
Deferred tax - mortgage servicing rights	$ (1,789)	$ 1,082	$ 10,539
Deferred tax - net operating loss	16,811	13,844	10,075
Deferred tax - other	-	619	-
Total net deferred tax assets	**$ 15,022**	**$ 15,545**	**$ 20,614**

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. The Company had net operating losses ("NOLs") of $72.6 million as of December 31, 2023, which were created subsequent to 2017 and can be carried forward indefinitely. As of December 31, 2023, the Company believes it is more likely than not that it will fully realize its deferred tax assets. Deferred tax assets are included in "Receivables and other assets" in the consolidated balance sheets.

Based on the Company's evaluation, the Company has concluded that there are no significant liabilities for unrecognized tax benefits required to be reported in the Company's consolidated financial statements. Additionally, there were no amounts accrued for penalties or interest as of or during the periods presented in these consolidated financial statements.

The Company's 2022, 2021 and 2020 federal, state and local income tax returns remain open for examination by the relevant authorities.

Distributions to stockholders generally will be primarily taxable as ordinary income, although a portion of such distributions may be designated as qualified dividend income or may constitute a return of capital. The Company furnishes annually to each stockholder a statement setting forth distributions paid during the preceding year and their U.S. federal income tax treatment.

Common Stock distributions for the years indicated below were taxable as follows:

	Year Ended December 31,		
	2023	2022	2021
Dividends per share	$ 0.84(A)	$ 1.08(B)	$ 1.08(C)
Ordinary income	95%	60%%	-
Long-term capital gain	-%	-%	-%
Return of capital	5%	40%	100%

(A) The entire $0.15 per share dividend declared in December 2023 and paid in January 2024 is treated as received by stockholders in 2024

(B) The entire $0.27 per share dividend declared in December 2022 and paid in January 2023 is treated as received by stockholders in 2023

(C) The entire $0.27 per share dividend declared in December 2021 and paid in January 2022 is treated as received by stockholders in 2022

Series A Preferred Stock distributions for the years indicated below were taxable as follows:

	Year Ended December 31,		
	2023	2022	2021
Dividends per share	$ 2.05(A)	$ 2.05(B)	$ 2.05(C)
Ordinary income	100%	100%	10%
Long-term capital gain	-%	-%	-%
Return of capital	-%	-%	90%

(A) The entire $0.51 per share dividend declared in December 2023 and paid in January 2024 is treated as received by stockholders in 2024
(B) The entire $0.51 per share dividend declared in December 2022 and paid in January 2023 is treated as received by stockholders in 2023
(C) The entire $0.51 per share dividend declared in December 2021 and paid in January 2022 is treated as received by stockholders in 2022

Series B Preferred Stock distributions for the years indicated below were taxable as follows:

	Year Ended December 31,		
	2023	2022	2021
Dividends per share	$ 2.06(A)	$ 2.06(B)	$ 2.06(C)
Ordinary income	100%	100%	10%
Long-term capital gain	-%	-%	-%
Return of capital	-%	-%	90%

(A) The entire $0.52 per share dividend declared in December 2023 and paid in January 2024 is treated as received by stockholders in 2024
(B) The entire $0.52 per share dividend declared in December 2022 and paid in January 2023 is treated as received by stockholders in 2023
(C) The entire $0.52 per share dividend declared in December 2021 and paid in January 2022 is treated as received by stockholders in 2022

Note 16 — Subsequent Events

Events subsequent to December 31, 2023 were evaluated and no additional events were identified requiring further disclosure in the consolidated financial statements.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures. The Company’s President and Chief Executive Officer and the Company’s Chief Financial Officer have evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. The Company’s disclosure controls and procedures are designed to provide reasonable assurance that information is recorded, processed, summarized and reported accurately and on a timely basis. Based on such evaluation, the Company’s President and Chief Executive Officer and the Company’s Chief Financial Officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting. There have been no changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management’s Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the Company’s principal executive and principal financial officers and effected by the Company’s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in the 2013 Internal Control-Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young LLP, an independent registered public accounting firm, has audited the financial statements included in this Annual Report on Form 10-K and issued its report on the effectiveness of our internal control over financial reporting as of December 31, 2023, which is included herein.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Cherry Hill Mortgage Investment Corporation

Opinion on Internal Control Over Financial Reporting

We have audited Cherry Hill Mortgage Investment Corporation and subsidiaries' internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Cherry Hill Mortgage Investment Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income (loss), comprehensive income (loss), changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and our report dated March 7, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

New York, NY

March 7, 2024

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated herein by reference to the Company’s Definitive Proxy Statement on Schedule 14A relating to its 2024 annual meeting of stockholders (the “Proxy Statement”), to be filed with the SEC within 120 days after December 31, 2023.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2023.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 403 of Regulation S-K is incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2023.

The information required by Item 201(d) of Regulation S-K is included in Item 5 of Part II of this Annual Report on Form 10-K and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2023.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2023.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Documents filed as part of the report

The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements.

The consolidated financial statements of the Company, together with the independent registered public accounting firm's report thereon, are set forth in this Annual Report on Form 10-K and are incorporated herein by reference. See "Item 8. Consolidated Financial Statements and Supplementary Data," filed herewith, for a list of financial statements.

2. Financial Statement Schedule.

All financial statement schedules have been omitted because the required information is not applicable or deemed not material, or the required information is presented in the consolidated financial statements and/or in the notes to the consolidated financial statements filed in response to Item 8 of this Annual Report on Form 10-K.

3. Exhibits.

Exhibit Number	Description
1.1	At Market Issuance Sale Agreement, dated August 31, 2018, by and among Cherry Hill Mortgage Investment Corporation and JMP Securities LLC (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the SEC on August 31, 2018).
1.2	At Market Issuance Sale Agreement, August 31, 2018, by and among Cherry Hill Mortgage Investment Corporation and B. Riley Securities, Inc. (incorporated by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K filed with the SEC on August 31, 2018).
1.3*	Amendment No. 1 to At Market Issuance Sale Agreement, dated August 25, 2021, by and among Cherry Hill Mortgage Investment Corporation and JMP Securities LLC.
1.4*	Amendment No. 1 to At Market Issuance Sale Agreement, dated August 25, 2021, by and among Cherry Hill Mortgage Investment Corporation and B. Riley Securities, Inc.
1.5	Amendment No. 2 to At Market Issuance Sale Agreement, dated November 4, 2022, by and among Cherry Hill Mortgage Investment Corporation and JMP Securities LLC (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the SEC on November 7, 2022).
1.6	Amendment No. 2 to At Market Issuance Sale Agreement, dated November 4, 2022, by and among Cherry Hill Mortgage Investment Corporation and B. Riley Securities, Inc. (incorporated by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K filed with the SEC on November 7, 2022).
3.1	Articles of Amendment and Restatement of Cherry Hill Mortgage Investment Corporation (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Company's Registration Statement on Form S-11 (Registration No. 333-188214) filed with the SEC on June 10, 2013).
3.2	Second Amended and Restated Bylaws of Cherry Hill Mortgage Investment Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 26, 2023).
3.4	Articles Supplementary designating the Company's 8.20% Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 8-A (File No. 001-36099) filed with the SEC on August 16, 2017).
3.5	Articles Supplementary classifying and designating 1,270,000 additional shares of the Company's 8.20% Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-36099) filed with the SEC on April 5, 2018).
3.6	Articles Supplementary designating the Company's 8.250% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 8-A (File No. 001-36099) filed with the SEC on February 8, 2019).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration No. 333-188214) filed with the SEC on May 29, 2013).
4.2*	Description of Registrant's Securities.

10.4	Amended and Restated Management Agreement, entered into as of September 24, 2013, by and among Cherry Hill Mortgage Investment Corporation and its consolidated subsidiaries and Cherry Hill Mortgage Management, LLC (incorporated by reference to Exhibit 10.5 to Amendment No. 4 to the Company's Registration Statement on Form S-11 (Registration No. 333-188214) filed with the SEC on September 26, 2013).
10.5	Amendment No. 1, entered into as of October 22, 2015, to Amended and Restated Management Agreement, entered into as of September 24, 2013, by and among Cherry Hill Mortgage Investment Corporation and its consolidated subsidiaries and Cherry Hill Mortgage Management, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-36099) filed with the SEC on October 23, 2015).
10.7+	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration No. 333-188214) filed with the SEC on May 29, 2013).
10.8+	Cherry Hill Mortgage Investment Corporation 2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to Amendment No. 2 to the Company's Registration Statement on Form S-11 (Registration No. 333-188214) filed with the SEC on June 10, 2013).
10.9	Agreement of Limited Partnership of Cherry Hill Operating Partnership, LP, dated as of April 25, 2013 (incorporated by reference to Exhibit 10.8 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration No. 333-188214) filed with the SEC on May 29, 2013).
10.10	First Amendment to Agreement of Limited Partnership of Cherry Hill Operating Partnership, LP, dated August 16, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-36099) filed with the SEC on August 16, 2017).
10.11	Second Amendment to Agreement of Limited Partnership of Cherry Hill Operating Partnership, LP, dated April 5, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-36099) filed with the SEC on April 5, 2018).
10.12	Third Amendment to Agreement of Limited Partnership of Cherry Hill Operating Partnership, LP, dated February 8, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-36099) filed with the SEC on February 8, 2019).
10.13+	Form of LTIP Unit Vesting Agreement (incorporated by reference to Exhibit 10.9 to Amendment No. 2 to the Company's Registration Statement on Form S-11 (Registration No. 333-188214) filed with the SEC on June 10, 2013).
10.14+	Form of Unrestricted Non-Employee Director Stock Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-36099) filed with the SEC on January 27, 2014).
10.15+	Form of Restricted Non-Employee Director Stock Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-36099) filed with the SEC on January 27, 2014).
10.16+	Cherry Hill Mortgage Investment Corporation 2023 Equity Incentive Plan (incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-8 (Registration No. 333-273002) filed with the SEC on June 29, 2023).
21.1*	Subsidiaries of Cherry Hill Mortgage Investment Corporation.

23.1*	Consent of Ernst & Young LLP.
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
97*	Cherry Hill Mortgage Investment Corporation Clawback Policy.
99.1	Services Agreement, dated May 1, 2013, between Cherry Hill Mortgage Management, LLC and Freedom Mortgage Corporation (incorporated by reference to Exhibit 10.5 to Amendment No. 1 to the Company’s Registration Statement on Form S-11 (Registration No. 333-188214) filed with the SEC on May 29,2013).
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104*	Cover Page Interactive Data File - cover page XBRL tags are embedded within the Inline XBRL document

* Filed herewith.

\+ This document has been identified as a management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

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.

Cherry Hill Mortgage Investment Corporation

Date: March 7, 2024

By: /s/ Jeffrey Lown II
Jeffrey Lown II
President and Chief Executive Officer and Director
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 7, 2024	By:	/s/ Jeffrey Lown II Jeffrey Lown II President and Chief Executive Officer and Director (Principal Executive Officer)
Date: March 7, 2024	By:	/s/ Michael Hutchby Michael Hutchby Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)
Date: March 7, 2024	By:	/s/ Joseph Murin Joseph Murin Director
Date: March 7, 2024	By:	/s/ Robert C. Mercer, Jr. Robert C. Mercer, Jr. Director
Date: March 7, 2024	By:	/s/ Sharon Lee Cook Sharon Lee Cook Director

Exhibit 1.3

AMENDMENT NO. 1 TO AT MARKET ISSUANCE SALES AGREEMENT

August 25, 2021

JMP Securities LLC
600 Montgomery Street, 11th Floor
San Francisco, CA 94111

Ladies and Gentlemen:

Cherry Hill Mortgage Investment Corporation (the "Company") and JMP Securities LLC (the "Agent") are parties to that certain At Market Issuance Sales Agreement, dated August 31, 2018 (the "Original Agreement"). All capitalized terms not defined in this Amendment No. 1 to At Market Issuance Sales Agreement (this "Amendment") shall have the meanings ascribed to them in the Original Agreement. The parties, intending to be legally bound, hereby amend the Original Agreement as follows:

1. Amendment to Original Agreement.

(a) All references to the "Registration Statement" in the Original Agreement shall refer to the registration statement on Form S-3 (File No. 333-251078), originally filed by the Company with the Commission on December 2, 2020 and declared effective by the Commission on August 6, 2021 (such registration statement, as the same may be amended from time to time, the "New Registration Statement").

(b) All references to the "Prospectus Supplement" in the Original Agreement shall refer to the prospectus supplement to the base prospectus included as part of the New Registration Statement specifically relating to the offering of the Placement Shares.

(c) All references to the "Alternative Sales Agreement" in the Original Agreement shall refer to the At Market Issuance Sales Agreement, dated as of August 31, 2018, as amended by Amendment No. 1 to At Market Issuance Sales Agreement, date as of August 25, 2021, by and between the Company and B. Riley FBR, Inc., which has subsequently been renamed B. Riley Securities, Inc.

(d) All references to "August 31, 2018" set forth in Schedule 1 and Exhibit 7(l) of the Original Agreement are revised to read "August 31, 2018 (as amended by Amendment No. 1 to At Market Issuance Sales Agreement, dated August 25, 2021).

(e) All references to "Company Counsel" in the Original Agreement shall refer to Mayer Brown LLP and all references to "Agent Counsel" in the Original Agreement shall refer to Cozen O'Connor P.C.

(f) Clause (v) of Section 9 of the Original Agreement shall be amended in its entirety to read as follows:

"(v) the fees and disbursements of Agent Counsel incurred in connection with this Agreement and the Alternative Sales Agreement and the offering of the Placement Shares contemplated hereby and thereby not to exceed $75,000 in the aggregate,"

(g) Section 14 of the Original Agreement shall be amended to replace Vinson & Elkins L.L.P. as a notice party for the Company as follows:

Mayer Brown LLP
1221 Avenue of the Americas
New York, NY 10020-1001
Attention: David Freed
Facsimile: (212) 262-1910
Email: dfreed@mayerbrown.com

(h) Section 14 of the Original Agreement shall be amended to replace Duane Morris LLP as a notice party for the Agent as follows:

Cozen O'Connor, P.C.
33 South 6th Street, Suite 3800
Minneapolis, MN 55402
Attention: Christopher Bellini
Facsimile: 612-260-9091
Email: cbellini@cozen.com

(i) Schedule 3 to the Original Agreement (Notice Parties) shall be amended to and restated in its entirety as follows:

The Company	
Jay Lown	jay.lown@chmm.com
Michael Hutchby	michael.hutchby@chmm.com
Robert Wipperman	robert.wipperman@chmm.com
JMP Securities	
Tosh Chandra	tchandra@jmpsecurities.com
Aidan Whitehead	awhitehead@jmpsecurities.com
Walter Conroy	wconroy@jmpsecurities.com
JMP Compliance	compliance@jmpsecurities.com

2. Miscellaneous Provisions.

(a) Except as specifically set forth in this Amendment, all other provisions of the Original Agreement shall remain in full force and effect.

(b) This Amendment, together with the Original Agreement (including all schedules and exhibits attached hereto and thereto and Placement Notices issued pursuant hereto and thereto), constitutes the entire agreement, and supersedes all other prior and contemporaneous agreements and undertakings, both written and oral, among the parties hereto with regard to the subject matter hereof. All references in the Original Agreement to the "Agreement" shall mean the Original Agreement as amended by this Amendment; *provided, however,* that all references to "date of this Agreement" in the Original Agreement shall continue to refer to the date of the Original Agreement.

(c) This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the principles of conflicts of laws. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan, for the adjudication of any dispute hereunder or in connection with any transaction contemplated hereby, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof (certified or registered mail, return receipt requested) to such party at the address in effect for notices to it under this Amendment and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

(d) The Company and the Agent each hereby irrevocably waives any right it may have to a trial by jury in respect of any claim based upon or arising out of this Amendment or any transaction contemplated hereby.

(e) This Amendment may be executed in counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument.

[Remainder of Page Intentionally Blank]

If the foregoing correctly sets forth the understanding between the Company and the Agent, please so indicate in the space provided below for that purpose, whereupon this Amendment shall constitute a binding amendment to the Original Agreement between the Company and the Agent.

Very truly yours,

CHERRY HILL MORTGAGE INVESTMENT CORPORATION

By: /s/ Michael Hutchby
Name: Michael Hutchby
Title: Chief Financial Officer, Treasurer and Secretary

Accepted as of the date first-above written:

JMP SECURITIES LLC

By: /s/ Tosh Chandra
Name: Tosh Chandra
Title: Managing Director

Exhibit 1.4

AMENDMENT NO. 1 TO AT MARKET ISSUANCE SALES AGREEMENT

August 25, 2021

B. Riley Securities, Inc.
1300 17th Street North, 13th Floor
Arlington, Virginia 22209

Ladies and Gentlemen:

Cherry Hill Mortgage Investment Corporation (the "Company") and B. Riley Securities, Inc. (the "Agent") are parties to that certain At Market Issuance Sales Agreement, dated August 31, 2018 (the "Original Agreement"). All capitalized terms not defined in this Amendment No. 1 to At Market Issuance Sales Agreement (this "Amendment") shall have the meanings ascribed to them in the Original Agreement. The parties, intending to be legally bound, hereby amend the Original Agreement as follows:

1. Amendment to Original Agreement.

(a) All references to the "Registration Statement" in the Original Agreement shall refer to the registration statement on Form S-3 (File No. 333-251078), originally filed by the Company with the Commission on December 2, 2020 and declared effective by the Commission on August 6, 2021 (such registration statement, as the same may be amended from time to time, the "New Registration Statement").

(b) All references to the "Prospectus Supplement" in the Original Agreement shall refer to the prospectus supplement to the base prospectus included as part of the New Registration Statement specifically relating to the offering of the Placement Shares.

(c) All references to the "Alternative Sales Agreement" in the Original Agreement shall refer to the At Market Issuance Sales Agreement, dated as of August 31, 2018, as amended by Amendment No. 1 to At Market Issuance Sales Agreement, date as of August 25, 2021, by and between the Company and JMP Securities LLC.

(d) All references to "August 31, 2018" set forth in Schedule 1 and Exhibit 7(l) of the Original Agreement are revised to read "August 31, 2018 (as amended by Amendment No. 1 to At Market Issuance Sales Agreement, dated August 25, 2021).

(e) All references to "Company Counsel" in the Original Agreement shall refer to Mayer Brown LLP and all references to "Agent Counsel" in the Original Agreement shall refer to Cozen O'Connor P.C.

(f) Clause (v) of Section 9 of the Original Agreement shall be amended in its entirety to read as follows:

"(v) the fees and disbursements of Agent Counsel incurred in connection with this Agreement and the Alternative Sales Agreement and the offering of the Placement Shares contemplated hereby and thereby not to exceed $75,000 in the aggregate,"

(g) Section 14 of the Original Agreement shall be amended to replace Vinson & Elkins L.L.P. as a notice party for the Company as follows:

Mayer Brown LLP
1221 Avenue of the Americas
New York, NY 10020-1001
Attention: David Freed
Facsimile: (212) 262-1910
Email: dfreed@mayerbrown.com

(h) Section 14 of the Original Agreement shall be amended to replace Duane Morris LLP as a notice party for the Agent as follows:

Cozen O'Connor, P.C.
33 South 6th Street, Suite 3800
Minneapolis, MN 55402
Attention: Christopher Bellini
Facsimile: 612-260-9091
Email: cbellini@cozen.com

(i) Schedule 3 to the Original Agreement (Notice Parties) shall be amended to and restated in its entirety as follows:

<u>The Company</u>	
Jay Lown	jay.lown@chmm.com
Michael Hutchby	michael.hutchby@chmm.com
Robert Wipperman	robert.wipperman@chmm.com
<u>B. Riley Securities, Inc.</u>	
Patrice McNicoll	pmcnicoll@brileyfin.com
Mike Cavanagh	mcavanagh@brileyfin.com
Scott Ammaturo	sammaturo@brileyfin.com
Keith Pompliano	kpompliano@brileyfin.com
B. Riley ATM Admin	atmdesk@brileyfin.com

2. <u>Miscellaneous Provisions</u>.

(a) Except as specifically set forth in this Amendment, all other provisions of the Original Agreement shall remain in full force and effect.

(b) This Amendment, together with the Original Agreement (including all schedules and exhibits attached hereto and thereto and Placement Notices issued pursuant hereto and thereto), constitutes the entire agreement, and supersedes all other prior and contemporaneous agreements and undertakings, both written and oral, among the parties hereto with regard to the subject matter hereof. All references in the Original Agreement to the “Agreement” shall mean the Original Agreement as amended by this Amendment; *provided, however,* that all references to “date of this Agreement” in the Original Agreement shall continue to refer to the date of the Original Agreement.

(c) This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the principles of conflicts of laws. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan, for the adjudication of any dispute hereunder or in connection with any transaction contemplated hereby, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof (certified or registered mail, return receipt requested) to such party at the address in effect for notices to it under this Amendment and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

(d) The Company and the Agent each hereby irrevocably waives any right it may have to a trial by jury in respect of any claim based upon or arising out of this Amendment or any transaction contemplated hereby.

(e) This Amendment may be executed in counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument.

[Remainder of Page Intentionally Blank]

If the foregoing correctly sets forth the understanding between the Company and the Agent, please so indicate in the space provided below for that purpose, whereupon this Amendment shall constitute a binding amendment to the Original Agreement between the Company and the Agent.

Very truly yours,

CHERRY HILL MORTGAGE INVESTMENT CORPORATION

By: /s/ Michael Hutchby
Name: Michael Hutchby
Title: Chief Financial Officer, Treasurer and Secretary

Accepted as of the date first-above written:

B. RILEY SECURITIES, INC.

By: /s/ Patrice McNicoll
Name: Patrice McNicoll
Title: Co-Head of Investment Banking

Exhibit 4.2

DESCRIPTION OF CAPITAL STOCK

The following is a summary of the material terms of our securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2019, and provisions of our charter and bylaws. The summary is subject to and qualified in its entirely by reference to the charter and bylaws, each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part. The following also summarizes certain provisions of the Maryland General Corporation Law (the "MGCL") and is subject to and qualified in its entirely by reference to the MGCL.

General

Pursuant to our charter, we are currently authorized to designate and issue up to 500,000,000 shares of common stock, $0.01 par value per share (our "common stock"), and 100,000,000 shares of preferred stock, $0.01 par value per share (our "preferred stock"). The shares of preferred stock may be issued in one or more classes or series and, subject to the limitations prescribed by our charter and Maryland law, with such terms of each class or series of preferred stock, including preferences, conversion or other rights, voting power, restrictions, limitations as to dividends or other distributions, qualifications, and terms and conditions of redemption and the number of shares constituting any class or series, as our board of directors may determine, without any vote or action by our stockholders. In addition, our board of directors may amend our charter without action by our stockholders to increase or decrease the number of shares of stock of any class that we are authorized to issue.

As of December 31, 2019, we had 16,660,655 shares of our common stock outstanding, 2,781,635 shares of our 8.20% Series A Cumulative Redeemable Preferred Stock, $0.01 par value per share (our "Series A Preferred Stock"), outstanding, and 2,000,000 shares of our 8.250% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.01 par value per share (our "Series B Preferred Stock"), outstanding.

Our charter authorizes us to issue additional authorized but unissued common stock and preferred stock without stockholder approval. In addition, our board of directors may, without stockholder approval, (i) amend our charter to increase or decrease the aggregate number of our shares of stock or the number of shares of any class or series of stock that we have authority to issue, and (ii) classify or reclassify any unissued common stock or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares.

Description of Common Stock

General

Our charter provides that we have authority to issue up to 500,000,000 shares of common stock. Under Maryland law, stockholders generally are not liable for a corporation's debts or obligations solely as a result of their status as stockholders.

Distribution, Liquidation and Other Rights

Subject to the preferential rights, if any, of holders of any other class or series of our stock, including our Series A Preferred Stock and our Series B Preferred Stock, and to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, holders of our common stock are entitled to receive distributions if, when and as authorized by our board of directors and declared by us out of assets legally available for distribution.

Holders of shares of our common stock generally have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any securities of our company. Subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, all holders of our common stock will have equal liquidation and other rights.

Voting Rights

Subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock and except as may otherwise be specified in the terms of any class or series of our stock, each outstanding share of our common stock entitles the holder thereof to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as may be provided with respect to any other class or series of our stock, the holders of shares of our common stock will possess the exclusive voting power. There is no cumulative voting in the election of our directors, and directors are elected by a plurality of the votes cast in the election of directors.

Power to Classify and Reclassify Unissued Stock

Our board of directors may classify any unissued shares of preferred stock and reclassify any unissued shares of common stock into other classes or series of stock, including one or more classes or series of stock that have priority over our common stock with respect to voting rights or distributions or upon liquidation, and authorize us to issue the newly classified shares. Prior to the issuance of shares of any class or series of classified or reclassified shares, our board of directors is required by the MGCL and our charter to set, subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms or conditions of redemption for each such class or series. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law, the terms of any other class or series of our stock or the rules of any stock exchange or automated quotation system on which our stock may be then listed or quoted.

Power to Increase or Decrease Authorized Stock and Issue Additional Stock

Our charter authorizes our board of directors, with the approval of a majority of our entire board of directors and without stockholder approval, to amend our charter to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series. We believe that the power of our board of directors to amend our charter to increase or decrease the number of authorized shares of stock and to classify any unissued shares of our preferred stock or to reclassify any unissued shares of our common stock and thereafter to cause us to issue such classified or reclassified shares of stock will provide us with flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. The additional classes or series, as well as the additional shares of common stock or preferred stock, will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may then be listed or quoted. Although our board of directors does not presently intend to do so, it could authorize us to issue a class or series that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interests of holders of our common stock.

Restrictions on Ownership and Transfer

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

Listing

Our common stock is listed on the New York Stock Exchange (the "NYSE") under the symbol "CHMI."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

Description of Series A Preferred Stock

Maturity

Our Series A Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. Shares of our Series A Preferred Stock will remain outstanding indefinitely unless we decide to redeem or otherwise repurchase them or they become convertible and are converted as described below under "-Conversion Rights." We are not required to set apart for payment funds to redeem our Series A Preferred Stock.

Ranking

Our Series A Preferred Stock ranks, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up:

- senior to all classes or series of our common stock and any other class or series of stock we may issue in the future that by its terms ranks junior to our Series A Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up (together, the "Junior Stock");

- on parity with any class or series of stock we may issue in the future with terms specifically providing that such stock ranks on parity with our Series A Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up (the "Parity Stock");

- on parity with any class or series of stock we may issue in the future with terms specifically providing that such stock ranks on parity with our Series A Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up (the "Parity Stock");

- junior to all of our existing and future indebtedness (including indebtedness convertible into or exchangeable for our common stock or preferred stock) and the indebtedness of our existing and future subsidiaries

Dividends

Holders of shares of our Series A Preferred Stock are entitled to receive, when, as and if authorized by our board of directors and declared by us, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8.20% of the $25.00 per share liquidation preference per annum (equivalent to $2.05 per annum per share). Dividends on our Series A Preferred Stock will accumulate daily and be cumulative from, and including, the date of original issue and will be payable quarterly in arrears on the 15th day of each January, April, July and October (each, a "dividend payment date"); provided that if any dividend payment date is not a business day, as defined in the articles supplementary designating our Series A Preferred Stock, then the dividend which would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day and no interest, additional dividends or other sums will accumulate on the amount so payable for the period from and after that dividend payment date to that next succeeding business day. Any dividend payable on our Series A Preferred Stock, including dividends payable for any partial dividend period, will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear on our stock records at the close of business on the applicable record date, which will be no fewer than ten days and no more than 35 days prior to the applicable dividend payment date, as shall be fixed by our board of directors (each, a "dividend record date"). No holder of any shares of our Series A Preferred Stock will be entitled to receive any dividends paid or payable on our Series A Preferred Stock with a dividend record date before the date such shares of our Series A Preferred Stock are issued.

No dividends on shares of our Series A Preferred Stock may be authorized by our board of directors or paid or set apart for payment by us at any time when the terms and provisions of any agreement of ours, including any agreement relating to our indebtedness, prohibit the authorization, payment or setting apart for payment thereof or provide that the authorization, payment or setting apart for payment thereof would constitute a breach of the agreement or a default under the agreement, or if the authorization, payment or setting apart for payment is restricted or prohibited by law.

Notwithstanding the foregoing, dividends on our Series A Preferred Stock will accumulate whether or not (i) the terms and provisions of any laws or agreements referred to in the preceding paragraph at any time prohibit the current payment of dividends, (ii) we have earnings, (iii) there are funds legally available for the payment of those dividends and (iv) those dividends are declared. No interest, or sum in lieu of interest, will be payable in respect of any dividend payment or payments on our Series A Preferred Stock which may be in arrears, and holders of our Series A Preferred Stock will not be entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on our Series A Preferred Stock will first be credited against the earliest accumulated but unpaid dividend due with respect to those shares.

Future dividends on our common stock and preferred stock, including our Series A Preferred Stock, will be at the discretion of our board of directors and will depend on, among other things, our results of operations, cash flow from operations, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable law, any debt service requirements and any other factors our board of directors deems relevant. Accordingly, we cannot guarantee that we will be able to continue to make cash distributions on our Series A Preferred Stock or what the actual dividends will be for any future period.

Except as noted below, unless full cumulative dividends on our Series A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods, no dividends (other than in shares of our common stock or other Junior Stock we may issue) may be declared or paid or set apart for payment upon our common stock or other Junior Stock or Parity Stock we may issue and no other distribution may be declared or made upon our common stock or other Junior Stock or Parity Stock we may issue. In addition, our common stock and other Junior Stock or Parity Stock we may issue may not be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such securities) by us (except by conversion into or exchange for shares of, or options, warrants or rights to purchase or subscribe for, our common stock or other Junior Stock we may issue or pursuant to an exchange offer made on the same terms to all holders of our Series A Preferred Stock and all Parity Stock we may issue). The foregoing will not, however, prevent the redemption, purchase or acquisition by us of shares of any class or series of our stock for the purpose of enforcing restrictions on transfer and ownership of our stock contained in our charter in order to preserve our qualification as a REIT for U.S. federal income tax purposes, among other purposes, or the redemption, purchase or acquisition by us of shares of our common stock for purposes of and in compliance with any incentive or benefit plan of ours.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon our Series A Preferred Stock and any Parity Stock we may issue, all dividends declared upon our Series A Preferred Stock and such Parity Stock must be declared *pro rata* so that the amount of dividends declared per share of our Series A Preferred Stock and such Parity Stock will in all cases bear to each other the same ratio that accumulated dividends per share on our Series A Preferred Stock and such Parity Stock (which will not include any accrual in respect of unpaid dividends for prior dividend periods if such Parity Stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on our Series A Preferred Stock which may be in arrears.

Liquidation Preference

In the event of our voluntary or involuntary liquidation, dissolution or winding up, the holders of our Series A Preferred Stock will be entitled to be paid out of the assets we have legally available for distribution to our stockholders, subject to the preferential rights of the holders of any Senior Stock, a liquidation preference of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but not including, the payment date, before any distribution of assets is made to holders of our common stock or other Junior Stock we may issue, and the holders of our Series A Preferred Stock will not be entitled to any further payment.

In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the amount of the liquidating distributions on all outstanding shares of our Series A Preferred Stock and any Parity Stock we may issue, then the holders of our Series A Preferred Stock and such Parity Stock will share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Notice of any such liquidation stating the payment date or dates when, and the place or places where, the amounts distributable in each circumstance will be payable, will be given no fewer than 30 days and no more than 60 days prior to the payment date, to each holder of record of our Series A Preferred Stock at the address of such holder as it appears on our stock records. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of our Series A Preferred Stock will have no right or claim to any of our remaining assets. The consolidation, conversion or merger of us with or into any other corporation, trust or entity or of any other entity with or into us, the sale, lease, transfer or conveyance of all or substantially all of our property or business or a statutory share exchange, will not be deemed to constitute a liquidation, dissolution or winding up of us (although such events may give rise to the special optional redemption and contingent conversion rights described below).

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares of stock or otherwise, is permitted under Maryland law with respect to any share of any class or series of our stock, amounts that would be needed, if we were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of our Series A Preferred Stock will not be added to our total liabilities.

Redemption

Our Series A Preferred Stock is not redeemable by us prior to August 17, 2022, except under circumstances where it is necessary to preserve our qualification as a REIT for U.S. federal income tax purposes (please see “-Restrictions on Transfer and Ownership” and “Restrictions on Ownership and Transfer” below) and except as described below under “-Special Optional Redemption” upon the occurrence of a Change of Control (as defined herein).

Optional Redemption. On and after August 17, 2022, we may, at our option, upon not less than 30 nor more than 60 days' notice, redeem our Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but not including, the redemption date, without interest.

Special Optional Redemption. Upon the occurrence of a Change of Control, we may, at our option, upon not less than 30 nor more than 60 days' notice, redeem our Series A Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but not including, the redemption date. If, prior to the Change of Control Conversion Date (as defined herein), we have provided notice of our election to redeem some or all of the shares of our Series A Preferred Stock (whether pursuant to our optional redemption right described above under "-Optional Redemption" or this special optional redemption right), the holders of our Series A Preferred Stock will not have the Change of Control Conversion Right (as defined below) described below under "-Conversion Rights" with respect to the shares called for redemption.

A "Change of Control" is deemed to occur when the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of our stock entitling that person to exercise more than 50% of the total voting power of all our stock entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE MKT LLC or the Nasdaq Stock Market, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT LLC or the Nasdaq Stock Market.

Redemption Procedures. In the event we elect to redeem Series A Preferred Stock pursuant to our optional redemption right or our special optional redemption right, the notice of redemption will be given to each holder of record of our Series A Preferred Stock called for redemption at such holder's address as it appears on our stock records and will state the following:

- the redemption date;

- the number of shares of our Series A Preferred Stock to be redeemed;

- the redemption price;

- the place or places where certificates (if any) for our Series A Preferred Stock are to be surrendered for payment of the redemption price;
- that dividends on the shares to be redeemed will cease to accumulate on the redemption date;
- if applicable, that such redemption is being made in connection with a Change of Control and, in that case, a brief description of the transaction or transactions constituting such Change of Control; and
- if such redemption is being made in connection with a Change of Control, that the holders of the shares of our Series A Preferred Stock being so called for redemption will not be able to tender such shares of our Series A Preferred Stock for conversion in connection with the Change of Control and that each share of our Series A Preferred Stock tendered for conversion that is called, prior to the Change of Control Conversion Date, for redemption will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date.

If less than all of the Series A Preferred Stock held by any holder is to be redeemed, the notice given to such holder shall also specify the number of shares of our Series A Preferred Stock held by such holder to be redeemed. No failure to give such notice or any defect thereto or in the giving thereof will affect the validity of the proceedings for the redemption of any shares of our Series A Preferred Stock, except as to the holder to whom notice was defective or not given.

Holders of shares of our Series A Preferred Stock to be redeemed must surrender such shares at the place designated in the notice of redemption and will be entitled to the redemption price and any accumulated and unpaid dividends payable upon the redemption following the surrender. If notice of redemption of any shares of our Series A Preferred Stock has been given and if we have irrevocably set apart for payment the funds necessary for redemption (including any accumulated and unpaid dividends) in trust for the benefit of the holders of the shares of our Series A Preferred Stock so called for redemption, then from and after the redemption date (unless we default in providing for the payment of the redemption price plus accumulated and unpaid dividends, if any), dividends will cease to accumulate on those shares of our Series A Preferred Stock, those shares of our Series A Preferred Stock will no longer be deemed outstanding and all rights of the holders of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption. If any redemption date is not a business day, then the redemption price and accumulated and unpaid dividends, if any, payable upon redemption may be paid on the next business day and no interest, additional dividends or other sums will accumulate on the amount payable for the period from and after that redemption date to that next business day. If less than all of the outstanding shares of our Series A Preferred Stock are to be redeemed, the shares of our Series A Preferred Stock to be redeemed will be selected *pro rata* (as nearly as may be practicable without creating fractional shares) or by lot if we determine that such method of selection will not result in the automatic transfer of any shares of our Series A Preferred Stock to a trust as described below under “-Restrictions on Transfer and Ownership” and “Restrictions on Ownership and Transfer.”

Immediately prior to any redemption of Series A Preferred Stock, we will pay, in cash, any accumulated and unpaid dividends to, but not including, the redemption date, unless a redemption date falls after a dividend record date and prior to the corresponding dividend payment date, in which case each holder of our Series A Preferred Stock at the close of business on such dividend record date will be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares before such dividend payment date. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on shares of our Series A Preferred Stock to be redeemed.

Unless full cumulative dividends on all shares of our Series A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for payment for all past dividend periods, no shares of our Series A Preferred Stock may be redeemed unless all outstanding shares of our Series A Preferred Stock are simultaneously redeemed, and we may not purchase or otherwise acquire directly or indirectly any shares of our Series A Preferred Stock (except by conversion into or exchange for shares of, or options, warrants or rights to purchase or subscribe for, our common stock or other Junior Stock we may issue or pursuant to a purchase or exchange offer made on the same terms to all holders of our Series A Preferred Stock); provided, however, that the foregoing will not prevent the redemption, purchase or acquisition by us of shares of our Series A Preferred Stock for the purpose of enforcing restrictions on ownership and transfer of our stock contained in our charter to preserve our qualification as a REIT for U.S. federal income tax purposes, among other purposes.

Subject to applicable law, we may purchase shares of our Series A Preferred Stock in the open market, by tender or by private agreement. Any shares of our Series A Preferred Stock that we acquire, by redemption or otherwise, shall be reclassified as authorized but unissued shares of our preferred stock, without designation as to class or series, and may thereafter be issued as any class or series of our preferred stock.

Conversion Rights

Upon the occurrence of a Change of Control, each holder of our Series A Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem some or all of the shares of our Series A Preferred Stock held by such holder as described above under "-Redemption," in which case such holder will have the right only with respect to shares of our Series A Preferred Stock that are not called for redemption) to convert some or all of the shares of our Series A Preferred Stock held by such holder (the "Change of Control Conversion Right") on the Change of Control Conversion Date into a number of shares of our common stock per share of our Series A Preferred Stock (the "Common Stock Conversion Consideration") equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of our Series A Preferred Stock, plus any accumulated and unpaid dividends (whether or not earned or declared) thereon to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date and prior to the corresponding dividend payment date for our Series A Preferred Stock, in which case no additional amount for such accumulated and unpaid dividends will be included in this sum) by (ii) the Common Stock Price, as defined below; and

- 2.62881, or the "Share Cap," subject to certain adjustments as described below.

Notwithstanding anything in the articles supplementary designating our Series A Preferred Stock to the contrary and except as otherwise required by law, the persons who are the holders of record of shares of our Series A Preferred Stock at the close of business on a dividend record date will be entitled to receive the dividend payable on the corresponding dividend payment date notwithstanding the conversion of those shares after such dividend record date and on or prior to such dividend payment date and, in such case, the full amount of such dividend will be paid on such dividend payment date to the persons who were the holders of record at the close of business on such dividend record date. Except as provided above, we will make no allowance for unpaid dividends that are not in arrears on the shares of our Series A Preferred Stock to be converted.

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of our common stock to existing holders of our common stock), subdivisions or combinations (in each case, a “Share Split”) with respect to our common stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of our common stock that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding immediately after giving effect to such Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Share Split.

For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of our common stock (or equivalent Alternative Conversion Consideration (as defined herein), as applicable) issuable or deliverable, as applicable, in connection with the exercise of the Change of Control Conversion Right will not exceed the product of the Share Cap times the aggregate number of shares of our Series A Preferred Stock issued and outstanding at the Change of Control Conversion Date (or equivalent Alternative Conversion Consideration, as applicable) (the “Exchange Cap”). The Exchange Cap is subject to *pro rata* adjustments for any share splits on the same basis as the corresponding adjustment to the Share Cap.

In the case of a Change of Control pursuant to which our common stock is or will be converted into cash, securities or other property or assets (including any combination thereof) (the “Alternative Form Consideration”), a holder of our Series A Preferred Stock will receive upon conversion of such shares of our Series A Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of shares of our common stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control (the “Alternative Conversion Consideration”). The Common Stock Conversion Consideration or the Alternative Conversion Consideration, whichever shall be applicable to a Change of Control, is referred to as the “Conversion Consideration.”

If the holders of our common stock have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration in respect of such Change of Control will be deemed to be the kind and amount of consideration actually received by holders of a majority of the outstanding shares of our common stock that made or voted for such an election (if electing between two types of consideration) or holders of a plurality of the outstanding shares of our common stock that made or voted for such an election (if electing between more than two types of consideration), as the case may be, and will be subject to any limitations to which all holders of our common stock are subject, including, without limitation, *pro rata* reductions applicable to any portion of the consideration payable in such Change of Control.

We will not issue fractional shares of our common stock upon the conversion of our Series A Preferred Stock in connection with a Change of Control. Instead, we will make a cash payment equal to the value of such fractional shares based upon the Common Stock Price used in determining the Common Stock Conversion Consideration for such Change of Control.

Within 15 days following the occurrence of a Change of Control, provided that we have not then exercised our right to redeem all shares of our Series A Preferred Stock pursuant to the redemption provisions described above, we will provide to holders of our Series A Preferred Stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right. No failure to give such notice or any defect thereto or in the giving thereof will affect the validity of the proceeding for the conversion of any shares of our Series A Preferred Stock except as to the holder to whom notice was defective or not given. This notice will state the following:

- the events constituting the Change of Control;
- the date of the Change of Control;
- the last date on which the holders of our Series A Preferred Stock may exercise their Change of Control Conversion Right;
- the method and period for calculating the Common Stock Price;
- the Change of Control Conversion Date;
- that if, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem all or any shares of our Series A Preferred Stock, holders will not be able to convert the shares of Series A Preferred Stock called for redemption and such shares will be redeemed on the related redemption date, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right;
- if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of our Series A Preferred Stock;
- the name and address of the paying agent, transfer agent and conversion agent for our Series A Preferred Stock;

- the procedures that the holders of our Series A Preferred Stock must follow to exercise the Change of Control Conversion Right (including procedures for surrendering shares of our Series A Preferred Stock for conversion through the facilities of a Depositary (as defined below)), including the form of conversion notice to be delivered by such holders as described below; and

- the last date on which holders of our Series A Preferred Stock may withdraw shares of our Series A Preferred Stock surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

Under such circumstances, we also will issue a press release containing such notice for publication on Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), and post a notice on our website (if any), in any event prior to the opening of business on the first business day following any date on which we provide the notice described above to the holders of our Series A Preferred Stock.

To exercise the Change of Control Conversion Right, the holders of our Series A Preferred Stock will be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) representing the shares of our Series A Preferred Stock to be converted, duly endorsed for transfer (or, in the case of any shares of our Series A Preferred Stock held in book-entry form through a Depositary or shares directly registered with the transfer agent therefor, to deliver, on or before the close of business on the Change of Control Conversion Date, the shares of our Series A Preferred Stock to be converted through the facilities of such Depositary or through such transfer agent, respectively), together with a written conversion notice in the form provided by us, duly completed, to our transfer agent. The conversion notice must state:

- the relevant Change of Control Conversion Date;

- the number of shares of our Series A Preferred Stock to be converted; and

- that the shares of the Series A Preferred Stock are to be converted pursuant to the applicable provisions of the Series A Preferred Stock.

The “Change of Control Conversion Date” is the date our Series A Preferred Stock is to be converted, which will be a business day selected by us that is neither fewer than 20 days nor more than 35 days after the date on which we provide the notice described above to the holders of our Series A Preferred Stock.

The “Common Stock Price” is (i) if the consideration to be received in the Change of Control by the holders of our common stock is solely cash, the amount of cash consideration per share of our common stock or (ii) if the consideration to be received in the Change of Control by holders of our common stock is other than solely cash (x) the average of the closing sale prices per share of our common stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred as reported on the principal U.S. securities exchange on which our common stock is then traded, or (y) if our common stock is not then listed for trading on a U.S. securities exchange, the average of the last quoted bid prices for our common stock in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred.

Holders of our Series A Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal delivered by any holder must state:

- the number of withdrawn shares of our Series A Preferred Stock;
- if certificated shares of our Series A Preferred Stock have been surrendered for conversion, the certificate numbers of the withdrawn shares of our Series A Preferred Stock; and
- the number of shares of our Series A Preferred Stock, if any, which remain subject to the holder's conversion notice.

Notwithstanding the foregoing, if any shares of our Series A Preferred Stock are held in book-entry form through The Depository Trust Company or a similar depositary (each, a "Depositary"), the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures, if any, of the applicable Depositary.

Shares of our Series A Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right, unless prior to the Change of Control Conversion Date we have provided notice of our election to redeem some or all of the shares of our Series A Preferred Stock, as described above under "-Redemption," in which case only the shares of our Series A Preferred Stock properly surrendered for conversion and not properly withdrawn that are not called for redemption will be converted as aforesaid. If we elect to redeem shares of our Series A Preferred Stock that would otherwise be converted into the applicable Conversion Consideration, such shares of our Series A Preferred Stock will not be so converted and the holders of such shares will be entitled to receive on the applicable redemption date the redemption price described above under "-Redemption-Optional Redemption" or "-Redemption- Special Optional Redemption," as applicable.

We will deliver all securities, cash and any other property owing upon conversion no later than the third business day following the Change of Control Conversion Date. Notwithstanding the foregoing, the persons entitled to receive any shares of our common stock or other securities delivered on conversion will be deemed to have become the holders of record thereof as of the Change of Control Conversion Date.

In connection with the exercise of any Change of Control Conversion Right, we will comply with all applicable federal and state securities laws and stock exchange rules in connection with any conversion of shares of our Series A Preferred Stock into shares of our common stock or other property. Notwithstanding any other provision of our Series A Preferred Stock, no holder of our Series A Preferred Stock will be entitled to convert such shares of our Series A Preferred Stock into shares of our common stock to the extent that receipt of such shares of common stock would cause such holder (or any other person) to violate the applicable restrictions on transfer and ownership of our stock contained in our charter, unless we provide an exemption from this limitation to such holder. Please see the sections entitled "-Restrictions on Transfer and Ownership" and "Restrictions on Ownership and Transfer" below.

Except as provided above in connection with a Change of Control, our Series A Preferred Stock is not convertible into or exchangeable for any other securities or property.

Voting Rights

Holders of our Series A Preferred Stock will not have any voting rights, except as set forth below.

Whenever we do not pay dividends on any shares of Series A Preferred Stock for six or more full quarterly dividend periods, whether or not consecutive, the number of directors constituting our board of directors will be automatically increased by two (if not already increased by two by reason of the election of directors by the holders of any other class or series of our preferred stock upon which like voting rights have been conferred and are exercisable) and the holders of our Series A Preferred Stock, voting as a single class with all other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable, will be entitled to vote for the election of those two additional directors at a special meeting called by us at the request of the holders of record of at least 25% of the outstanding shares of our Series A Preferred Stock and all other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable to be held no later than 90 days after our receipt of such request (unless the request is received less than 90 days before the date fixed for the next annual or special meeting of our stockholders, in which case, such vote will be held at the earlier of the next annual or special meeting of the stockholders to the extent permitted by applicable law), and at each subsequent annual meeting until all dividends accumulated on our Series A Preferred Stock for all past dividend periods and the then current dividend period have been fully paid. In that case, the right of holders of our Series A Preferred Stock to elect any directors will cease and, unless there are other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable, the term of office of any directors elected by holders of our Series A Preferred Stock will immediately terminate and the number of directors constituting the board of directors will be reduced accordingly. For the avoidance of doubt, in no event will the total number of directors elected by holders of our Series A Preferred Stock (voting together as a single class with all other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable) pursuant to these voting rights exceed two. The directors elected by the holders of our Series A Preferred Stock and the holders of all other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable will be elected by a plurality of the votes cast by the holders of the outstanding shares of our Series A Preferred Stock when they have the voting rights described in this paragraph and any other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable (voting together as a single class) to serve until our next annual meeting of stockholders and until their successors are duly elected and qualified or until such directors' right to hold the office terminates, whichever occurs earlier.

On each matter on which holders of our Series A Preferred Stock are entitled to vote, each share of our Series A Preferred Stock will be entitled to one vote, except that when shares of any other class or series of our preferred stock we may issue have the right to vote with our Series A Preferred Stock as a single class on any matter, our Series A Preferred Stock and the shares of each such other class or series will have one vote for each $25.00 of liquidation preference (excluding accumulated dividends). If, at any time when the voting rights conferred upon our Series A Preferred Stock are exercisable, any vacancy in the office of a director elected by the holders of our Series A Preferred Stock and any other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable will occur, then such vacancy may be filled only by the remaining such director or by vote of the holders of the outstanding Series A Preferred Stock and any other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable.

Any director elected by holders of shares of our Series A Preferred Stock and any other class or series of our preferred stock upon which like voting rights have been conferred and are exercisable may be removed at any time, with or without cause, by the vote of, and may not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of our Series A Preferred Stock and any class or series of our preferred stock upon which like voting rights have been conferred and are exercisable (voting as a single class with all other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable).

So long as any shares of our Series A Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of our Series A Preferred Stock outstanding at the time, voting together as a single class with all classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable, (i) authorize or create, or increase the authorized or issued amount of, any class or series of Senior Stock or reclassify any of our authorized stock into such shares, or create or authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares or (ii) amend, alter or repeal the provisions of our charter, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of our Series A Preferred Stock (each, an "Event"); provided, however, with respect to the occurrence of any Event set forth in clause (ii) above, so long as our Series A Preferred Stock remains outstanding with the terms thereof materially unchanged or the holders of our Series A Preferred Stock receive shares of stock or other equity interests with rights, preferences, privileges and voting powers substantially the same as those of our Series A Preferred Stock, taking into account that, upon the occurrence of an Event, we may not be the successor entity, the occurrence of any such Event will not be deemed to materially and adversely affect the rights, preferences, privileges or voting power of holders of our Series A Preferred Stock; and, provided further, that any increase in the amount of the authorized Series A Preferred Stock or the creation or issuance, or any increase in the amounts authorized of any Parity Stock or Junior Stock will not be deemed to materially and adversely affect the rights, preferences, privileges or voting powers of holders of our Series A Preferred Stock. Notwithstanding the foregoing, holders of any Parity Stock will not be entitled to vote together as a class with the holders of our Series A Preferred Stock on any amendment, alteration or repeal of any provision of our charter unless such action affects the holders of our Series A Preferred Stock and such Parity Stock equally.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of our Series A Preferred Stock have been redeemed or called for redemption upon proper notice and sufficient funds have been irrevocably set apart to effect such redemption.

Except as expressly stated in the articles supplementary designating our Series A Preferred Stock, our Series A Preferred Stock will not have any relative, participating, optional or other special voting rights or powers and the consent of the holders thereof will not be required for the taking of any corporate action. The holders of our Series A Preferred Stock will have exclusive voting rights on any amendment to our charter that would alter the contract rights, as expressly set forth in the charter, of only our Series A Preferred Stock.

Information Rights

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of our Series A Preferred Stock are outstanding, we will use our best efforts to (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of our Series A Preferred Stock, as their names and addresses appear on our record books and without cost to such holders, copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that we would have been required to file with the Securities and Exchange Commission (the "SEC") pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any holders or prospective holder of our Series A Preferred Stock. We will use our best efforts to mail (or otherwise provide) such reports to the holders of our Series A Preferred Stock within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act and we were a "non-accelerated filer" within the meaning of the Exchange Act.

Restrictions on Transfer and Ownership

In order to ensure that we remain qualified as a REIT for U.S. federal income tax purposes, among other purposes, our charter, including the articles supplementary setting forth the terms of our Series A Preferred Stock, provides that generally no person, other than certain exempted holders, may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.0% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock. These provisions may restrict the ability of a holder of our Series A Preferred Stock to convert such stock into our common stock as described above under "-Conversion Rights." Our board of directors may, in its sole discretion, exempt a person from the 9.0% ownership limit under certain circumstances as described under "Restrictions on Ownership and Transfer" below.

Preemptive Rights

No holders of our Series A Preferred Stock will, as holders of our Series A Preferred Stock, have any preemptive rights to purchase or subscribe for our common stock or any of our other securities.

Listing

Our Series A Preferred Stock is listed on the NYSE under the symbol "CHMI-PRA."

Transfer Agent and Registrar

The registrar, transfer agent and dividend and redemption price disbursing agent in respect of our Series A Preferred Stock is Computershare Trust Company, N.A.

Description of Series B Preferred Stock

The terms of our Series B Preferred Stock are substantially similar to the terms of our Series A Preferred Stock, other than as follows:

Ranking

The terms of our Series B Preferred Stock specifically provide that our Series B Preferred Stock ranks, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up, on parity with our Series A Preferred Stock.

Dividends

Holders of shares of our Series B Preferred Stock are entitled to receive, when, as and if authorized by our board of directors and declared by us, out of funds legally available for the payment of dividends, cumulative cash dividends. The initial dividend rate for our Series B Preferred Stock from and including the date of original issuance to, but excluding, April 15, 2024 (the "Fixed Rate Period") will be 8.250% of the $25.00 per share liquidation preference per annum (equivalent to $2.0625 per annum per share). On and after April 15, 2024 (the "Floating Rate Period"), dividends on our Series B Preferred Stock will accumulate at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the Three-Month CME Term SOFR (as defined below) plus a spread of 5.89261%. Dividends payable on our Series B Preferred Stock for the Fixed Rate Period, including dividends payable for any partial Dividend Period (as defined below), will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on our Series B Preferred Stock for the Floating Rate Period, including dividends payable for any partial Dividend Period, will be computed based on the actual number of days in a Dividend Period and a 360-day year.

For each Dividend Period during the Floating Rate Period, CME Term SOFR with a Designated Maturity of three months ("Three-Month CME Term SOFR") will be determined by us, or a Calculation Agent (as defined below) if a Calculation Agent has been appointed by us, in either case, as of the applicable Dividend Determination Date, as the rate (expressed as a percentage per year), that appears on Bloomberg Page TSFR3M (or any successor page on such service or any successor service) at approximately 6:00 a.m. (New York City time) on the relevant Dividend Determination Date.

Temporary non-publication of Three-Month CME Term SOFR. Subject to the provisions below, if Three-Month CME Term SOFR is not published by the later of (i) 6:00 a.m., New York City time, on the Dividend Determination Date and (ii) the first day of the related Dividend Period, then Three-Month CME Term SOFR for that Dividend Period will be the last provided or published level of Three-Month CME Term SOFR as at the Dividend Determination Date.

Index Cessation Event or Administrator/Benchmark Event. If an Index Cessation Event or an Administrative Benchmark Event occurs with respect to Three-Month CME Term SOFR, then, from and including the Index Cessation Effective Date or the Administrator/Benchmark Event Date, as applicable, the CME Term SOFR Recommended Rate for a period of the Designated Maturity will apply to Series B Preferred Stock.

Temporary Non-Publication with respect to CME Term SOFR Recommended Rate. If there is a CME Term SOFR Recommended Rate before the end of the first U.S. Government Securities Business Day following the Index Cessation Effective Date or the Administrator/Benchmark Event Date, as applicable, with respect to CME Term SOFR but neither the Administrator nor authorized distributors provide or publish the CME Term SOFR Recommended Rate for a period of the Designated Maturity, then, subject to the next paragraph below, in respect of any day for which the CME Term SOFR Recommended Rate is required, references to the CME Term SOFR Recommended Rate for a period of the Designated Maturity will be deemed to be references to the last provided or published CME Term SOFR Recommended Rate for a period of the Designated Maturity. However, if there is no last provided or published CME Term SOFR Recommended Rate for a period of the Designated Maturity, then in respect of any day for which the CME Term SOFR Recommended Rate is required, references to the CME Term SOFR Recommended Rate for a period of the Designated Maturity will be deemed to be references to the last provided or published CME Term SOFR for a period of the Designated Maturity.

If (a) there is no CME Term SOFR Recommended Rate before the end of the first U.S. Government Securities Business Day following the Index Cessation Effective Date or an Administrator/Benchmark Event Date, as applicable, with respect to CME Term SOFR; or (b)
there is a CME Term SOFR Recommended Rate and an Index Cessation Effective Date or an Administrator/Benchmark Event Date, as applicable, subsequently occurs with respect to it,
then the rate for a Dividend Determination Date occurring on or after the Index Cessation Effective Date or an Administrator/Benchmark Event Date, as applicable, with respect to CME Term SOFR or the CME Term SOFR Recommended Rate (as applicable) will be determined in accordance with Calculation Agent Alternative Rate Determination.

"Administrator" means CME Group Benchmark Administration Limited.

"Administrator/Benchmark Event" means the delivery of a notice by us to the holders of the Series B Preferred Stock (which can include posting of such notice through DTC) specifying, and citing Publicly Available Information that reasonably confirms, an event or circumstance which has the effect that we or the Calculation Agent are not, or will not be, permitted under any applicable law or regulation to use the Applicable Benchmark to perform our or its respective obligations under the terms of the Series B Preferred Stock.

“Administrator/Benchmark Event Date” means, in respect of an Administrator/Benchmark Event, the date from which the Applicable Benchmark may no longer be used under any applicable law or regulation by us or the Calculation Agent.

“Applicable Benchmark” means CME Term SOFR.

“Calculation Agent” means a third party independent financial institution of national standing with experience providing such services, which has been selected by us in our sole discretion.

“Calculation Agent Alternative Rate Determination” means that the Calculation Agent shall determine a commercially reasonable alternative for the Applicable Benchmark, taking into account all available information that in good faith it considers relevant including a rate implemented by central counterparties and/or futures exchanges (if any), in each case with trading volumes in derivatives or futures referencing the Applicable Benchmark that the Calculation Agent considers sufficient for that rate to be a representative alternative rate.

“CME Term SOFR” means the forward-looking term Secured Overnight Financing Rate administered by the Administrator (or any successor administrator).

“CME Term SOFR Recommended Rate” means the rate (inclusive of any spreads or adjustments) recommended as the replacement for CME Term SOFR by the Administrator or, if the Administrator does not make a recommendation, a committee officially endorsed or convened by the Federal Reserve Board or the Federal Reserve Bank of New York or the supervisor for the Administrator for the purpose of recommending a replacement for CME Term SOFR (which rate may be produced by the Administrator or another administrator) and as provided by the Administrator of that rate or, if that rate is not provided by the Administrator thereof, published by an authorized distributor.

“Designated Maturity” means three months.

“Dividend Determination Date” means the second U.S. Government Securities Business Day immediately preceding the first date of the applicable Dividend Period.

“Dividend Period” means the period from, and including, a dividend payment date to, but excluding, the next succeeding dividend payment date.

“Index Cessation Effective Date” means, with respect to one or more Index Cessation Events, the first date on which the Applicable Benchmark would ordinarily have been published or provided and is no longer published or provided.

“Index Cessation Event” means, with respect to an Applicable Benchmark, (a) a public statement or publication of information by or on behalf of the Administrator of the Applicable Benchmark announcing that it has ceased or will cease to provide the Applicable Benchmark permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator or provider, as applicable, that will continue to provide the Applicable Benchmark; or (b) a public statement or publication of information by the regulatory supervisor for the Administrator of the Applicable Benchmark, the central bank for the currency of the Applicable Benchmark, an insolvency official with jurisdiction over the Administrator for the Applicable Benchmark, a resolution authority with jurisdiction over the Administrator for the Applicable Benchmark or a court or an entity with similar insolvency or resolution authority over the Administrator for the Applicable Benchmark, which states that the Administrator of the Applicable Benchmark has ceased or will cease to provide the Applicable Benchmark permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator or provider that will continue to provide the Applicable Benchmark.

“Publicly Available Information” means, in respect of an Administrator/Benchmark Event, one or both of the following: (a) information received from or published by (i) the Administrator or sponsor of the Applicable Benchmark or (ii) any national, regional or other supervisory or regulatory authority which is responsible for supervising the Administrator or sponsor of the Applicable Benchmark or regulating the Applicable Benchmark. However, where any information of the type described in (i) or (ii) is not publicly available, it shall only constitute Publicly Available Information if it can be made public without violating any law, regulation, agreement, understanding or other restriction regarding the confidentiality of that information; or (b) information published in a Specified Public Source (regardless of whether the reader or user thereof pays a fee to obtain that information).

“Specified Public Source” means each of Bloomberg, Refinitiv, Dow Jones Newswires, The Wall Street Journal, The New York Times, the Financial Times and, in each case, any successor publications, the main source(s) of business news in the country in which the Administrator or the sponsor of the Applicable Benchmark is incorporated or organized and any other internationally recognized published or electronically displayed news sources.

“U.S. Government Securities Business Day” means any day except for a Saturday, Sunday or a day on which The Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

Redemption

Our Series B Preferred Stock is not redeemable by us prior to April 15, 2024, except under circumstances where it is necessary to preserve our qualification as a REIT for U.S. federal income tax purposes (please see “Restrictions on Ownership and Transfer” below) and except as described below under “-Special Optional Redemption” upon the occurrence of a Change of Control.

Optional Redemption. On and after April 15, 2024, we may, at our option, upon not less than 30 nor more than 60 days’ notice, redeem our Series B Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but not including, the redemption date, without interest.

Special Optional Redemption. Upon the occurrence of a Change of Control, we may, at our option, upon not less than 30 nor more than 60 days' notice, redeem our Series B Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but not including, the redemption date. If, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem some or all of the shares of our Series B Preferred Stock (whether pursuant to our optional redemption right described above under "-Optional Redemption" or this special optional redemption right), the holders of our Series B Preferred Stock will not have the Change of Control Conversion Right with respect to the shares called for redemption.

"Change of Control" is defined the same for our Series B Preferred Stock as it is for our Series A Preferred Stock.

Conversion Rights

Holders of our Series B Preferred Stock are entitled to conversion rights substantially similar to the conversion rights of holders of our Series A Preferred Stock as described above under "Description of Series A Preferred Stock-Conversion Rights," except that, for purposes of our Series B Preferred Stock, the "Share Cap" is 2.68962.

Listing

Our Series B Preferred Stock is listed on the NYSE under the symbol "CHMI-PRB."

Certain Provisions of Maryland Law and of Our Charter and Bylaws

Our Board of Directors

Our charter provides that the number of our directors will not be less than the minimum number required under the MGCL, which is one, and may be increased or decreased pursuant to our bylaws. Our bylaws provide that a majority of our entire board may increase or decrease the number of directors, provided that the number of directors shall never be less than the minimum required by the MGCL nor more than 15. Subject to the terms of any class or series of preferred stock, any and all vacancies on the board of directors may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which such vacancy occurred and until a successor is elected and qualifies. Each member of our board of directors is elected by our stockholders to serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualifies. Holders of shares of our common stock have no right to cumulative voting in the election of directors, and directors are elected by a plurality of the votes cast in the election of directors.

Removal of Directors

Our charter provides that, subject to the rights of holders of one or more classes or series of our preferred stock to elect or remove one or more directors, a director may be removed at any time, but only for cause and only by the affirmative vote of holders of shares entitled to cast at least two-thirds of the votes entitled to be cast generally in the election of directors. "Cause" is defined in our charter, with respect to any particular director, as the conviction of a felony or a final judgment of a court of competent jurisdiction holding that such director caused demonstrable, material harm to us through bad faith or active and deliberate dishonesty. This provision, when coupled with the exclusive power of our board of directors to fill vacant directorships, may preclude stockholders from removing incumbent directors except for cause and by a substantial affirmative vote and filling the vacancies created by such removal with their own nominees.

Business Combinations

Under the MGCL, certain “business combinations” (including a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and an interested stockholder (i.e., any person (other than the corporation or any subsidiary) who beneficially owns 10% or more of the voting power of the corporation’s outstanding voting stock after the date on which the corporation had 100 or more beneficial owners of its stock, or an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation after the date on which the corporation had 100 or more beneficial owners of its stock) or an affiliate of an interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any such business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (2) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder, unless, among other conditions, the corporation’s common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. The board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by it.

As permitted by the MGCL, our board of directors has adopted a resolution exempting any business combination between us and any other person, provided that the business combination is first approved by our board of directors (including a majority of directors who are not affiliates or associates of such persons). However, our board of directors may repeal or modify this resolution at any time in the future, in which case the applicable provisions of this statute will become applicable to business combinations between us and interested stockholders.

Control Share Acquisitions

The MGCL provides that holders of “control shares” of a Maryland corporation acquired in a “control share acquisition” have no voting rights with respect to the control shares except to the extent approved by the affirmative vote of two-thirds of the votes entitled to be cast on the matter with respect to such shares, excluding votes cast by (1) the person who makes or proposes to make a control share acquisition, (2) an officer of the corporation or (3) an employee of the corporation who is also a director of the corporation. “Control shares” are voting shares of stock of the corporation which, if aggregated with all other such shares of stock of the corporation previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise, directly or indirectly, voting power in electing directors within one of the following ranges of voting power: (1) one-tenth or more but less than one-third, (2) one-third or more but less than a majority or (3) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A “control share acquisition” means the acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply to, among other things: (1) shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (2) acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any acquisition by any person of shares of our stock; however, our board of directors may repeal such bylaw provision, in whole or in part, at any time. There can be no assurance that such provision will not be amended or eliminated at any time in the future.

Maryland Unsolicited Takeovers Act

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of five provisions of the MGCL which provide, respectively, that:

- the corporation's board of directors will be divided into three classes;

- the affirmative vote of two-thirds of all the votes entitled to be cast by stockholders generally in the election of directors is required to remove a director;

- the number of directors may be fixed only by vote of the board of directors;

- a vacancy on the board of directors may be filled only by the remaining directors and that directors elected to fill a vacancy will serve for the remainder of the full term of the class of directors in which the vacancy occurred; and

- the request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting is required for stockholders to require the calling of a special meeting of stockholders.

Without our having elected to be subject to Subtitle 8, our charter and bylaws already (1) require the affirmative vote of holders of shares entitled to cast at least two-thirds of all the votes entitled to be cast generally in the election of directors to remove a director from our board of directors, (2) vest in our board of directors the exclusive power to fix the number of directors, by vote of a majority of our entire board of directors, and (3) require, unless called by the chairman of our board of directors, our chief executive officer, our president or our board of directors, the request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at the meeting to call a special meeting of stockholders. We have elected by provision in our charter to be subject to the provisions of Subtitle 8 relating to the filling of vacancies. Our board of directors is not currently classified. In the future, our board of directors may elect, without stockholder approval, to classify our board of directors or elect to be subject to any of the other provisions of Subtitle 8.

Charter Amendments and Extraordinary Transactions

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, convert, sell all or substantially all of its assets, engage in a statutory share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation’s charter. Our charter generally provides that charter amendments requiring stockholder approval must be declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. However, our charter’s provisions regarding the removal of directors and restrictions on ownership and transfer of our stock, and amendments to the vote required to amend these provisions, may be amended only if such amendment is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast not less than two-thirds of all the votes entitled to be cast on the matter. In addition, we generally may not merge with or convert into another company, sell all or substantially all of our assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless such transaction is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. However, because operating assets may be held by a corporation’s subsidiaries, as in our situation, this may mean that one of our subsidiaries could transfer all of its assets without any vote of our stockholders.

Bylaw Amendments

Our board of directors has the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

Advance Notice of Director Nominations and New Business

Our bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to our board of directors and the proposal of other business to be considered by our stockholders at an annual meeting of stockholders may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of our board of directors or (3) by a stockholder who was a stockholder of record both at the time of giving of notice and at the time of the meeting, who is entitled to vote at the meeting on the election of the individual so nominated or on such other business and who has complied with the advance notice procedures set forth in our bylaws, including a requirement to provide certain information about the stockholder and its affiliates and the nominee or business proposal, as applicable.

With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting. Nominations of individuals for election to our board of directors may be made at a special meeting of stockholders at which directors are to be elected only (1) by or at the direction of our board of directors or (2) provided that the special meeting has been properly called for the purpose of electing directors, by a stockholder who was a stockholder of record both at the time of giving of notice and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions set forth in our bylaws, including a requirement to provide certain information about the stockholder and its affiliates and the nominee.

Anti-Takeover Effect of Certain Provisions of Maryland Law and of Our Charter and Bylaws

Our charter and bylaws and Maryland law contain provisions that may delay, defer or prevent a change in control or other transaction that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders, including supermajority vote and cause requirements for removal of directors, provisions that vacancies on our board of directors may be filled only by the remaining directors, for the full term of the directorship in which the vacancy occurred, the power of our board of directors to increase or decrease the aggregate number of authorized shares of stock or the number of shares of any class or series of stock, to cause us to issue additional shares of stock of any class or series and to fix the terms of one or more classes or series of stock without stockholder approval, the restrictions on ownership and transfer of our stock and advance notice requirements for director nominations and stockholder proposals. Likewise, if the provision in the bylaws opting out of the control share acquisition provisions of the MGCL or the resolution of our board of directors opting out of the business combination provisions of the MGCL were repealed or rescinded, or if a business combination was not first approved by our board of directors, these provisions of the MGCL could have similar anti-takeover effects.

Limitation of Directors' and Officers' Liability and Indemnification

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision that eliminates such liability to the maximum extent permitted by Maryland law.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify a director or officer for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received by such director or officer, unless in either case a court orders indemnification, and then only for expenses. In addition, the MGCL permits a Maryland corporation to advance reasonable expenses to a director or officer upon its receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or officer or on the director's or officer's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our charter authorizes us and our bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of such a proceeding to:

- any present or former director or officer of our company who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity; and
- any individual who, while a director or officer of our company and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, REIT, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us, with the approval of our board of directors, to indemnify and advance expenses to any individual who served our predecessor in any of the capacities described above and to any employee or agent of our company or our predecessor.

We have entered into indemnification agreements with each of our directors and executive officers that provide for indemnification to the maximum extent permitted by Maryland law and advancement by us of expenses and costs relating to certain claims, suits or proceedings arising from their service to us.

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act of 1933, as amended (the "Securities Act"), we have been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

REIT Qualification

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT.

Restrictions on Ownership and Transfer

In order to qualify as a REIT under the Code for each taxable year, our shares of stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. In addition, no more than 50% of the value of the outstanding shares of our stock may be owned, directly or constructively, by five or fewer individuals (as defined in the Code to include certain entities) during the second half of any calendar year.

Because our board of directors believes it is at present essential for us to qualify as a REIT, our charter provides that, subject to certain exceptions, no person or entity may beneficially or constructively own more than 9.0% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock, excluding any outstanding shares of our stock not treated as outstanding for federal income tax purposes (the "ownership limit"). In addition, our charter provides that Stanley C. Middleman may beneficially or constructively own up to 13.5% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock.

Our charter also prohibits any person from:

- beneficially owning shares of our stock to the extent such beneficial ownership would result in our being "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year);

- transferring shares of our stock to the extent such transfer would result in our shares of stock being beneficially owned by fewer than 100 stockholders (determined under the principles of Section 856(a)(5) of the Code); and

- beneficially or constructively owning shares of our stock to the extent that such beneficial or constructive ownership would otherwise cause us to fail to qualify as a REIT under the Code.

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our stock that will or may violate any of the foregoing restrictions on ownership and transfer, or who is the intended transferee of shares of our stock which are transferred to the trust (as described below), will be required to give written notice immediately to us or, in the case of a proposed or attempted transaction, to give at least 15 days' prior written notice, and provide us with such other information as we may request in order to determine the effect, if any, of such transfer on our status as a REIT. The foregoing restrictions on ownership and transfer will not apply if our board of directors determines that it is no longer in our best interests to continue to qualify as a REIT under the Code, or that compliance with the restrictions on ownership and transfer is no longer required for us to qualify as a REIT under the Code.

Our board of directors, in its sole discretion, may exempt (prospectively or retroactively) a person from certain of the restrictions described above and may establish or increase an excepted holder limit for such person. The person seeking an exemption must provide to our board of directors any such representations, covenants and undertakings as our board of directors may deem appropriate in order to conclude that granting the exemption and/or establishing or increasing an excepted holder limit, as the case may be, will not cause us to fail to qualify as a REIT under the Code. Our board of directors may also require a ruling from the Internal Revenue Service or an opinion of counsel, in either case in form and substance satisfactory to our board of directors in its sole discretion, as it may deem necessary or advisable in order to determine that granting the exemption will not cause us to lose our qualification as a REIT under the Code. In connection with granting a waiver of the ownership limit or creating an excepted holder limit or at any other time, our board of directors may from time to time increase or decrease the ownership limit, except that a decreased ownership limit will not be effective for any person whose ownership of our stock exceeds the decreased ownership limit at the time of the decrease until the person's ownership of our stock equals or falls below the decreased ownership limit, although any further acquisition of our stock in excess of the decreased ownership limit will violate the decreased ownership limit. Our board of directors may not increase or decrease any ownership limit if the new ownership limit would allow five or fewer individuals (including certain entities) to beneficially own more than 49.9% in value of our outstanding stock.

If shares of our stock are certificated, all such certificates will bear a legend referring to the restrictions described above (or a declaration that we will furnish a full statement about certain restrictions on transferability to a stockholder on request and without charge).

Any attempted transfer of our stock that, if effective, would result in a violation of the foregoing restrictions, will cause the number of shares of stock causing the violation (rounded up to the nearest whole share) to be automatically transferred to a charitable trust for the benefit of one or more charitable beneficiaries and the proposed transferee will not acquire any rights in such shares, except that any transfer that, if effective, would result in the violation of the restriction relating to shares of our stock being beneficially owned by fewer than 100 persons will be void ab initio. The automatic transfer will be effective as of the close of business on the business day (as defined in our charter) prior to the date of the transfer. If, for any reason, the transfer to the trust would not be effective to prevent the violation of the foregoing restrictions, our charter provides that the purported transfer in violation of the restrictions will be void ab initio. Shares of our stock held in the trust will be issued and outstanding shares of stock. The proposed transferee will not benefit economically from ownership of any shares of stock held in the trust, will have no rights to distributions and no rights to vote or other rights attributable to the shares of stock held in the trust. The proposed transferee will have no claims, courses of action, or any other recourse whatsoever against the purported transferor of such stock.

The trustee of the trust will have all voting rights and rights to distributions with respect to shares of stock held in the trust. These rights will be exercised for the exclusive benefit of the charitable beneficiary. Any distribution paid to the proposed transferee prior to our discovery that shares of stock have been transferred to the trust must be paid by the recipient to the trustee upon demand. Any distribution authorized but unpaid will be paid when due to the trustee. Any distribution paid to the trustee will be held in trust for the charitable beneficiary. Subject to Maryland law, effective as of the date that the shares have been transferred to the charitable trust, the trustee will have the authority (at the trustee’s sole discretion) to (i) rescind as void any vote cast by the proposed transferee prior to our discovery that the shares have been transferred to the trust and (ii) recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary. However, if we have already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast the vote.

Within 20 days of receiving notice from us that shares of our stock have been transferred to the trust, the trustee must sell the shares to a person designated by the trustee, whose ownership of the shares will not violate the above ownership and transfer limitations. Upon such sale, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee and to the charitable beneficiary as follows. The proposed transferee will receive the lesser of (i) the price paid by the proposed transferee for the shares or, if the proposed transferee did not give value for the shares in connection with the event causing the shares to be held in the trust (for example, a gift, devise or other similar transaction), the market price (as defined in our charter) of the shares on the day of the event causing the shares to be held in the trust and (ii) the price per share received by the trustee from the sale or other disposition of the shares (net of any commissions and other expenses). Any net sale proceeds in excess of the amount payable to the proposed transferee will be paid immediately to the charitable beneficiary. The trustee may reduce the amount payable to the proposed transferee by the amount of distributions paid to the proposed transferee and owed by the proposed transferee to the trustee. If, prior to our discovery that shares of our stock have been transferred to the trust, the shares are sold by the proposed transferee, then (i) the shares will be deemed to have been sold on behalf of the trust and (ii) to the extent that the proposed transferee received an amount for the shares that exceeds the amount the proposed transferee was entitled to receive, the excess must be paid to the trustee upon demand.

In addition, shares of our stock held in the trust will be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in the transfer to the trust (or, if the event that resulted in the transfer to the trust did not involve a purchase of the shares of our stock at market price, for example, in the case of a devise or gift, the market price of the shares of our stock on the day of the event causing these shares to be held in trust) and (ii) the market price on the date we accept, or our designee accepts, the offer, which we may reduce by the amount of distributions paid to the proposed transferee and owed by the proposed transferee to the trustee. We may pay the amount of such reduction to the trustee for the benefit of the charitable beneficiary. We will have the right to accept the offer until the trustee has sold the shares. Upon a sale to us, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee and any distributions held by the trustee will be paid to the charitable beneficiary.

Our charter provides that to the extent we incur any tax under the Code as the result of any "excess inclusion income" of ours being allocated to a "disqualified organization" that holds our stock in record name, we shall reduce distributions to such stockholder in an amount equal to such tax paid by us that is attributable to such stockholder's ownership in accordance with applicable U.S. Treasury Regulations. While we do not currently expect to make investments or engage in activities that generate "excess inclusion income," our charter does not prevent "disqualified organizations" from owning our common or preferred stock.

Every owner of 5% or more (or such lower percentage as required by the Code or the regulations promulgated thereunder), in number or value, of all classes or series of our stock, including shares of our common stock, within 30 days after the end of each taxable year, must give written notice to us stating the name and address of such owner, the number of shares of each class and series of our stock which the owner beneficially owns and a description of the manner in which the shares are held. Each owner must also provide to us such additional information as we may request in order to determine the effect, if any, of the beneficial ownership on our status as a REIT and to ensure compliance with the ownership limit. In addition, each owner of our stock must provide to us such information as we may request in order to determine our status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance and to ensure compliance with the restrictions on ownership and transfer of shares of our stock.

These ownership and transfer limitations could delay, defer or prevent a transaction or a change in control that might involve a premium price for our securities or might otherwise be in the best interests of our stockholders.

Exhibit 21.1

Subsidiaries of the Registrant

Subsidiary	Jurisdiction of Formation
Cherry Hill Operating Partnership, LP	Delaware
CHMI-Sub REIT, Inc.	Maryland
Cherry Hill QRS I, LLC	Delaware
Cherry Hill QRS II, LLC	Delaware
Cherry Hill QRS III, LLC	Delaware
Cherry Hill QRS IV, LLC	Delaware
Cherry Hill QRS V, LLC	Delaware
CHMI Solutions, Inc.	Delaware
Aurora Financial Group Inc.	New Jersey

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- Registration Statement (Form S-3 No. 333-251078) of Cherry Hill Mortgage Investment Corporation;
- Registration Statement (Form S-8 No. 333-191600) pertaining to the 2013 Equity Incentive Plan of Cherry Hill Mortgage Investment Corporation and
- Registration Statement (Form S-8 No. 333-273002) pertaining to the 2023 Equity Incentive Plan of Cherry Hill Mortgage Investment Corporation;

of our reports dated March 7, 2024, with respect to the consolidated financial statements of Cherry Hill Mortgage Investment Corporation and the effectiveness of internal control over financial reporting of Cherry Hill Mortgage Investment Corporation included in this Annual Report (Form 10-K) of Cherry Hill Mortgage Investment Corporation for the year ended December 31, 2023.

/s/ Ernst & Young LLP

New York, New York

March 7, 2024

Exhibit 31.1

CERTIFICATIONS

I, Jeffrey Lown, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cherry Hill Mortgage Investment Corporation (the “Registrant”);

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: March 7, 2024

By: /s/ Jeffrey Lown II
Name: Jeffrey Lown II
Title: President and Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Michael Hutchby, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cherry Hill Mortgage Investment Corporation (the "Registrant");

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: March 7, 2024

By: /s/ Michael Hutchby
Name: Michael Hutchby
Title: Chief Financial Officer, Secretary and Treasurer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the annual report on Form 10-K of Cherry Hill Mortgage Investment Corporation (the “Company”) for the year ended December 31, 2023 to be filed with Securities and Exchange Commission on or about the date hereof (the “report”), I, Jeffrey Lown II, President, Chief Executive Officer and Director of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Date: March 7, 2024

By: /s/ Jeffrey Lown II

Name: Jeffrey Lown II
Title: President and Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the annual report on Form 10-K of Cherry Hill Mortgage Investment Corporation (the "Company") for the year ended December 31, 2023 to be filed with Securities and Exchange Commission on or about the date hereof (the "report"), I, Michael Hutchby, Chief Financial Officer, Secretary and Treasurer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Date: March 7, 2024

By: /s/ Michael Hutchby

Name: Michael Hutchby
Title: Chief Financial Officer, Secretary and Treasurer
(Principal Financial Officer)

CHERRY HILL MORTGAGE INVESTMENT CORPORATION
CLAWBACK POLICY

The following Clawback Policy (the "Policy") of Cherry Hill Mortgage Investment Corporation, a Maryland corporation (the "Company"), requires the recovery of erroneously awarded compensation in order to satisfy the requirements of Section 303A.14 of the New York Stock Exchange Listed Company Manual (the "Listing Standards") and to satisfy the requirements of Rule 10D-1 ("Rule 10D-1"), as adopted by the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") to implement Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Section 1. **Definitions**. As used in this Policy, the following definitions shall apply:

(a) "Applicable Period" means the three completed fiscal years prior to the earlier of (i) the date the Company's board of directors, a board committee, or officer(s) authorized to take such action if board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement. In addition to the last three completed fiscal years described in the preceding sentence, the Applicable Period includes any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years; provided, however, a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year for purposes of the Applicable Period.

(b) "Committee" means the compensation committee of the Board of Directors of the Company.

(c) "Covered Executive" means all of the Company's current and former executive officers, as determined by the Committee, in accordance with the Listing Standards and Rule 10D-1 and the definition of executive officer as defined in Rule 10D-1(d).

(d) "Erroneously Awarded Compensation" means the amount of Incentive-Based Compensation received by a Covered Executive that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated financial statements.

(e) "Incentive-Based Compensation" means all compensation (including cash bonuses or other cash incentive awards (including any deferred element thereof), and vested and unvested equity awards, including options, restricted stock and restricted stock units, performance stock unit awards and performance stock awards) from the Company or a subsidiary of the Company that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. For the avoidance of doubt, Incentive-Based Compensation does not include annual salary, compensation awarded based on completion of a specified period of service, or compensation awarded based on subjective standards, strategic measures, or operational measures, unless also based on attainment of a Financial Reporting Measure.

(f) "Financial Reporting Measures" are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures, including stock price and total shareholder return.

(g) "Restatement" means an accounting restatement of the Company's financial statements due to material noncompliance with any financial reporting requirement under the federal securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

Section 2. **Recovery Event**. If the Company is required to prepare a Restatement, then, as determined by the Committee, the Covered Executive's unsettled Incentive-Based Compensation will be subject to forfeiture, and the Covered Executive's settled Incentive-Based Compensation will be subject to recoupment, subject to the following:

(a) The forfeiture or recoupment of the Incentive-Based Compensation will apply to a recipient of Incentive-Based Compensation if the recipient of the Incentive-Based Compensation was a Covered Executive at any time during the performance period for such Incentive-Based Compensation. This Policy applies to Incentive-Based Compensation received by a Covered Executive after beginning services as a Covered Executive, and any subsequent changes in a Covered Executive's employment status, including retirement or termination of employment, do not affect the Company's rights to recover Erroneously Awarded Compensation pursuant to this Policy.

(b) The amount to be forfeited or recouped will equal the Erroneously Awarded Compensation. The Committee will take actions necessary to recover the Erroneously Awarded Compensation reasonably promptly following a Restatement. Where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Restatement, the amount must be based on a reasonable estimate of the effect of the Restatement on stock price or total shareholder return upon which the Incentive-Based Compensation was granted, vested, paid or settled. The Company will maintain documentation of the determination of that reasonable estimate and provide such documentation to the New York Stock Exchange. The amount of the Erroneously Awarded Compensation shall not be reduced based on, or otherwise calculated with regard to, any taxes paid by the Covered Executive with respect to such amounts.

(c) This Policy shall only apply to Incentive-Based Compensations that was received (or would have been settled in the absence of an elective deferral of payment by the individual) during, or in respect of, the Applicable Period and that was received (or would have been settled in the absence of an elective deferral of payment by the individual) during the period while the Company has a class of securities listed on a national securities exchange or a national securities association. For purposes of this Policy, Incentive-Based Compensation shall be deemed to have been received during the fiscal period in which the financial reporting measure specified in the applicable Incentive-Based Compensation is attained, even if such Incentive-Based Compensation is paid or granted after the end of such fiscal period. The Company's obligation to recover erroneously awarded compensation is not dependent on if or when the restated financial statements are filed.

Section 3. **Impracticability**. The Company shall recover any Erroneously Awarded Compensation unless the conditions set forth in clauses (a), (b) or (c) of the following sentence are met and such recovery would be impracticable, as determined by the Committee in accordance with Rule 10D-1 and the Listing Standards. No recovery shall be required if:

(a) the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered; *provided* that before concluding that it would be impractical to recover any amount of Erroneously Awarded Compensation based on this clause (a), the Company shall make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) and provide such documentation to the New York Stock Exchange;

(b) recovery would violate home country law where that law was adopted prior to November 28, 2022; *provided* that before concluding that it would be impractical to recover any amount of Erroneously Awarded Compensation based on this clause (b), the Company shall obtain an opinion of home country counsel, acceptable to the New York Stock Exchange, that recovery would result in such violation, and shall provide such opinion to the New York Stock Exchange; or

(c) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company or a subsidiary, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Code.

Section 4. **Method of Clawback**. The Committee shall determine, in its sole discretion, the method of recovering any Erroneously Awarded Compensation pursuant to this Policy, which may include, without limitation:

(a) requiring reimbursement of cash Erroneously Awarded Compensation previously paid;

(b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;

(c) offsetting the recouped amount from any compensation otherwise owed by the Company or any subsidiary to the Covered Executive;

(d) cancelling outstanding vested or unvested equity awards; and/or

(e) taking any other remedial and recovery action, as determined by the Committee; provided, however that any such action pursuant to subsections (a) through (e) shall be subject to applicable law and shall be subject to compliance with Section 409A of the Internal Revenue Code.

Section 5. **Suspension of Outstanding Incentive-Based Compensation**.

(a) After a determination by the Committee that a Restatement may have occurred, the Committee may suspend all Incentive-Based Compensation that the Committee determines may be forfeited under this Policy or otherwise subject to offset pursuant to Section 4, in which case and subject to the terms of this Section, Incentive-Based Compensation subject to the suspension: (i) if unvested, will not vest, and (ii) otherwise will not be distributed or permitted to be exercised or otherwise settled. In the event the term of an option award will expire during a period of suspension, the Covered Executive will be permitted to exercise the option before it expires; however settlement of the option award following such exercise will remain suspended and the securities otherwise deliverable upon settlement shall remain subject to forfeiture under the terms of this Policy.

(b) Following suspension of Incentive-Based Compensation under subsection (a) of this Section 5, the Committee will determine as promptly as practicable whether the suspended Incentive-Based Compensation is to be forfeited or whether the suspension of the Incentive-Based Compensation is to be ended. For Incentive-Based Compensation that are ultimately not forfeited, the following provisions will apply upon the Committee's determination to lift the suspension:

(i) Unvested awards that would not otherwise have vested during the suspension by their original terms will be thereafter subject to vesting under their original terms;

(ii) Unvested awards that otherwise would have vested during the suspension will vest as soon as practicable and otherwise consistent with their original terms;

(iii) Cash awards such as annual bonus withheld during the suspension will be immediately payable;

(iv) In no event will distribution of cash or shares be made to a Covered Executive with respect to Incentive-Based Compensation if, by reason of termination of employment or otherwise, the Covered Executive would have forfeited the Incentive-Based Compensation if the Incentive-Based Compensation had not been suspended; and

(v) Distribution or settlement of Incentive-Based Compensation will be made no later than the latest date on which such distribution or settlement would be required to avoid additional tax by reason of Section 409A of the Internal Revenue Code; provided, however, that if such distribution or settlement occurs during a period when such Incentive-Based Compensation remains suspended pursuant to this Section 5, then the after-tax proceeds of such distribution or settlement shall be held in escrow until such time as such Incentive-Based Compensation is no longer subject to a suspension or such amounts are determined to have been forfeited by the Committee.

Section 6. **<u>Committee Administration and Discretion</u>**. The authority to manage the operation and administration of this Policy is vested in the Committee. This authority includes the obligation to determine (i) whether a Restatement has occurred for the purposes of this Policy, Rule 10D-1 and the Listing Standards and (ii) the amount of Erroneously Awarded Compensation. The Committee may retain and rely upon the advice and determinations of legal counsel, accountants and other relevant experts to operate and administer this Policy. Any interpretation of this Policy by the Committee and any decision made by it with respect to this Policy will be final, binding and conclusive on all persons.

Section 7. **<u>No Indemnification</u>**. The Company shall not indemnify any current or former Covered Executive against the loss of Erroneously Awarded Compensation, and shall not pay, or reimburse any Covered Executives for premiums, for any insurance policy to fund such executive's potential repayment obligations.

Section 8. **<u>Notice</u>**. Before the Committee determines to seek recovery pursuant to this Policy, it shall provide the Covered Executive with written notice and the opportunity to be heard at a meeting of the Committee or the Board (either in person or via telephone).

Section 9. **<u>Effective Date</u>**. This Policy is effective as of December 1, 2023 (the "<u>Effective Date</u>"). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by a Covered Executive on or after October 2, 2023, even if such Incentive-Based Compensation was approved, awarded or granted to the Covered Executive prior to October 2, 2023. Subject to applicable law, the Committee may effect forfeiture or recoupment under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.

Section 10. **Amendment and Interpretation**. The Committee may amend this Policy from time to time in its discretion, and shall amend this Policy as it deems necessary, appropriate or advisable to reflect the regulations adopted by the SEC and to comply with any rules or standards adopted by a national securities exchange on which the Company's securities are then listed. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Rule 10D-1 and any applicable rules or standards adopted by the SEC and any national securities exchange on which the Company's securities are then listed.

Section 11. **Other Recoupment Rights**. The Committee intends that this Policy will be applied to the fullest extent of the law. The Committee may require that any employment agreement, equity award agreement, or similar agreement entered into, amended or restated on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy and the application of this Policy to any award made prior to the Effective Date. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any other recoupment or recoupment policy, any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Section 12. **Successors**. This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

Section 13. **Disclosure Obligations**. The Company shall file all disclosures with respect to this Policy required by applicable SEC filings and rules.

Section 14. **Entire Agreement.** To the extent inconsistent with this Policy, this Policy supersedes all prior contracts, agreements and understandings, written or oral, with any Covered Executive. In the event any contract, agreement or understanding with any Covered Executive is inconsistent with the terms of this Policy, the terms of this Policy shall govern.